

# ANNUAL REPORT



SATISFYING  
OUR SHARE HOLDERS,  
WITHOUT PROFITING  
FROM POVERTY

2017-18



## Chairman's Message



*“Change is the end result of all true learning”*

*- Leo Buscaglia*

The year of reviving from the turbulent times by combating the impact of Demonetization and implementation of GST. The business in the Micro-Finance sector started tapping the potential of technology for digitisation of its disbursements and recovery in order to stabilise its business and operations in the Industry. The beginning of the year was the year of revival from the effects of demonetization and was path to gain stability in the business. The Industry has been reviving from the phase, the micro finance industry recorded a growth of 7 % in the first quarter of the year 2017-2018.

The regulators have brought in new changes in the policies and guidelines so as to provide more information and transparency to the stakeholders. The Micro-Finance Institutions being part of the Financial Inclusion of India have transformed themselves post demonetization and evolved with new practices.

It appeared to be a year of revival and rephasing for the company. The disbursements slowly picked up and the company portfolio improved post September and stood at 80.18 as at March 2018. The Company saw a increase in the portfolio from 61.05 Cr in March 2017 to 80.18 Cr in March 2018.

*“Change Brings Opportunity”*  
*- Nida Qubein*

The Company had increased the number of branches in Maharashtra and Karnataka, the no of branches at the end of the year 2018 is 39 spread across 15 Districts with portfolio of 80.18 Cr. The Company has earned decent profits with an increase in the loan portfolio and striving towards growth.

The recent developments in the Micro-finance sector has enabled the entities to design and execute quality products and processes for their customers in order to meet their changing economic and financial needs. The RBI as a regulator has been evolving and there has been a transition in the regulations laid down by changing the approach from regulatory based to activity based.

The Company has been thriving to develop its recovery also into cashless mode through new payment channel and has come out with reasonable measures to ensure that the organization is transformed into Digitlisataion mode. The Company is creating awareness among its customer with regard to Financial Literacy. These Prudent practices enable the customers to understand how the credit mechanism works and derive benefits from the products.

In Future, we aspire that the Industry will be able to sustain volatile circumstances efficiently. The Non Banking Financial Company -Micro Finance Industry has evolved from being informally governed to well structured and governed in many circumstances by being diligent and adopting best practices.

I would like to thank all our stakeholders for their faith and constant support and look forward to your co-operation in our journey ahead. I sincerely thank all our Bankers for their constant support.

I would like to further express my sincere thanks to the Board of Directors for their contribution and time and to the employees of our organization who have worked hard and help us achieve success and growth.

“Change is the end result of all true learning” We at IDFFSPL are seeking the learning and experience by embracing change constantly and moving towards growth and sustainability.



**(Vivekanand N. Salimath)**  
Chairman

## Message from Managing Director



*"Grow, then stabilize, then grow again"*

The Micro Finance Sector has been subject to change constantly by tapping debt and equity from the Financial Institutions/Investors in order to bridge the gap with regard to the financial empowerment of the under privileged. The Micro Finance Industry basic functioning has been revamped with changes in the key basics of Joint Liability Groups to stay in line with the changing economic-political conditions.

The Industry had witnessed year on year growth of 48% of over last year (2017), this year the industry has Disbursed Loans to the tune of 59,629 Cr. The Gross Loan Portfolio of the Microfinance Industry stood at 48,094 Cr indicating an increase of 45% as compared to March 2017.

The Company had affirmed itself to revive from the crisis of demonetization and emerge stronger. The first two quarters (June & Sep) was disheartening as the implementation of GST and Demonetization had impacted the business and reduced the Disbursements. Despite the hurdles the Company had disbursed loans to the tune of 71.19 Crores.

In order to revive from effects of demonetization and implementation of GST the company had prepared itself by designing adequate measures to move towards the growth by expanding the operations and conducting awareness programmes among our customers.

The Company had revamped its functioning by chalking out strategies to combat the circumstances and eventually increased its overall gross Loan portfolio.

The company's objective was to continue its support to economically weaker section of the society by devising new products to suit their economical needs. One such initiative Abhudya-Individual Loans given to the existing customers of our company. The existing customers where given individual Loans to the extent of Rs. 1,00,000 for income generating and agricultural activities.

Eight Branches where added in Karnataka and Maharashtra region in order to explore the business opportunities for expansion purpose. At the end of the year, the total branches of the Company was 39.

Due to the Perseverance and hard-work of our field staff in creating customer awareness with respect to disbursement and recovery within the time frames. The Company was able to overcome the Challenges in the financial year 2017-2018.

The progress of the Company can be credited to the contribution of our dedicated employees. We consider our employees has one of our greatest strength in our achievements. We believing in building a diversified team through Training and development in various arena.

M/s IDF Financial Services believes in hiring appropriate personnel to suit the requirements of our Company. The Total number of employees on roll as on March 2018 is 235 against 199 on March 2017.

As the technology advancement is an at-most need for the Company in an Dynamic business environment, we have been striving to be 100% digitalised by training and creating awareness among the field level and Branch Managers. The Company has invested in technology to improve the functioning of the departments implementing software called BIJLI by Forceten technology.

The Banks have been lending loans at lower rate due to the creditworthiness of the promoters and the rating of the company. This has been a encouraging factor for the company to expand and explore business opportunities.

I would like to thank our stakeholders for their support and belief in us. Hope we receive the same support in the coming years.

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

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# **Annual Report**

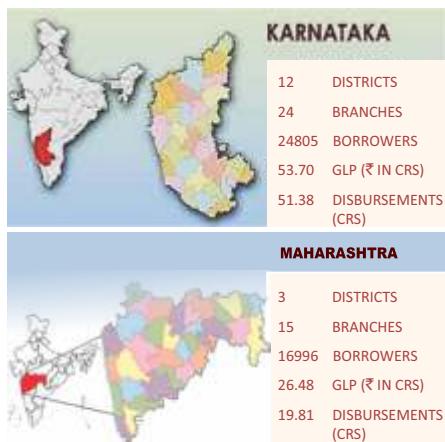
## **2017-18**

## Section - 1

# About IDF FSPL Overview



### IDF FSPL Overview



IDF Financial Services Pvt Ltd (IDF FSPL) is a predominantly community owned Non-Banking Micro Finance Company providing short term finance 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.

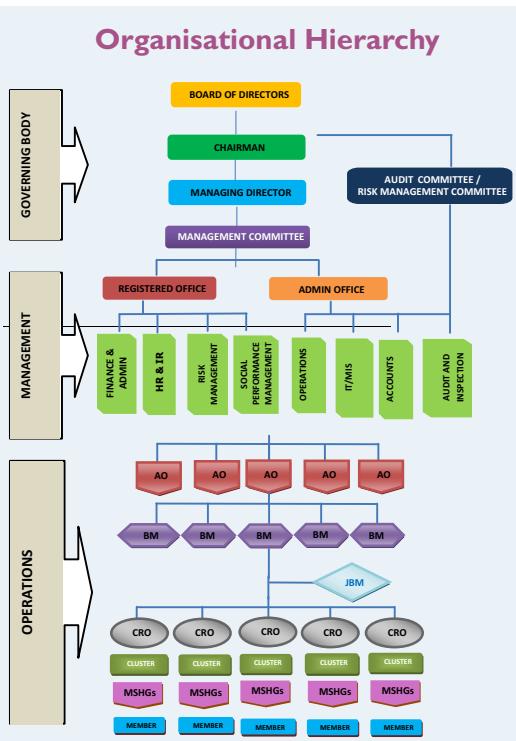
The Company mainly focuses on organization of the poor at grassroots level through a process of social mobilization for their livelihood. Social mobilization enables the poor build their own organizations. The micro Self-Help Groups (mSHGs) in Karnataka are organized into a Federation, helping to reach the poor faster and more effectively. The Federation participates fully and directly and takes 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.

### Our Spread

The Company has its registered office at Bangalore, and the administrative office at Dharwad. The operations are geographically aligned to cater to 15 districts across 2 States in India viz Karnataka and Maharashtra.

Each area office consists of 3-5 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 3-5 Credit Officers (CROs). Each branch is expected to handle 1500-2000 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 39 branches and a Staff Strength of 235. The total no of borrowers as at 31st March 2018 is 41801 with GLP of Rs. 80.18 crores. The Company disbursed an amount of Rs. 71.19 crores during the year 2017-18.



## 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.

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

## 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 - SHGs (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.

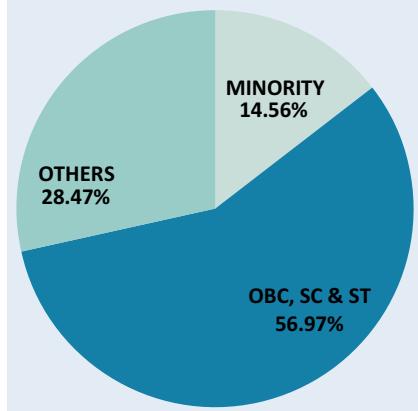
All the mSHGs are federated at the district level. Federations are registered mutual benefit trusts aimed at socio-economic development of its members, in addition to representing the interests of mSHG members as equity shareholders of the Company. Some Federations cover more than one district.

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.

## Profile of SHG Members Eligible For Credit

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 18 to 59 years
Occupation	<b>Rural Sector:</b> Farming, animal husbandry, dairy, farming, share croppers, and agri-related labor works <b>Urban Sector:</b> Petty businesses and household works.

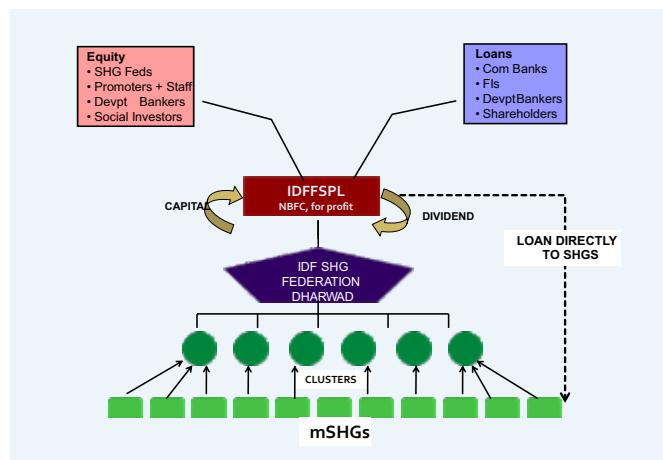
Serving the Weakest Sections of the Society



## Services Offered:

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

## Operational Structure

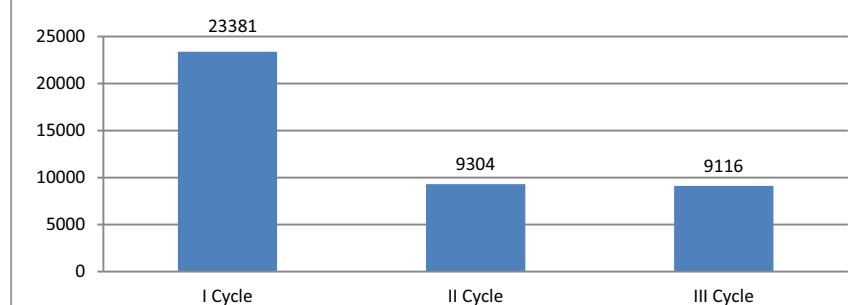


## Products

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

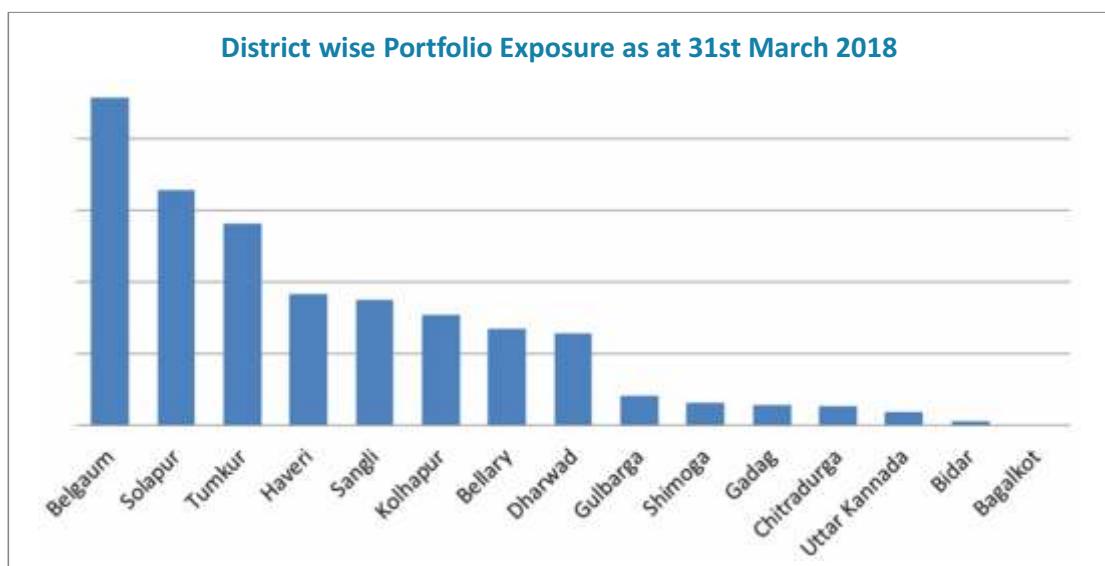
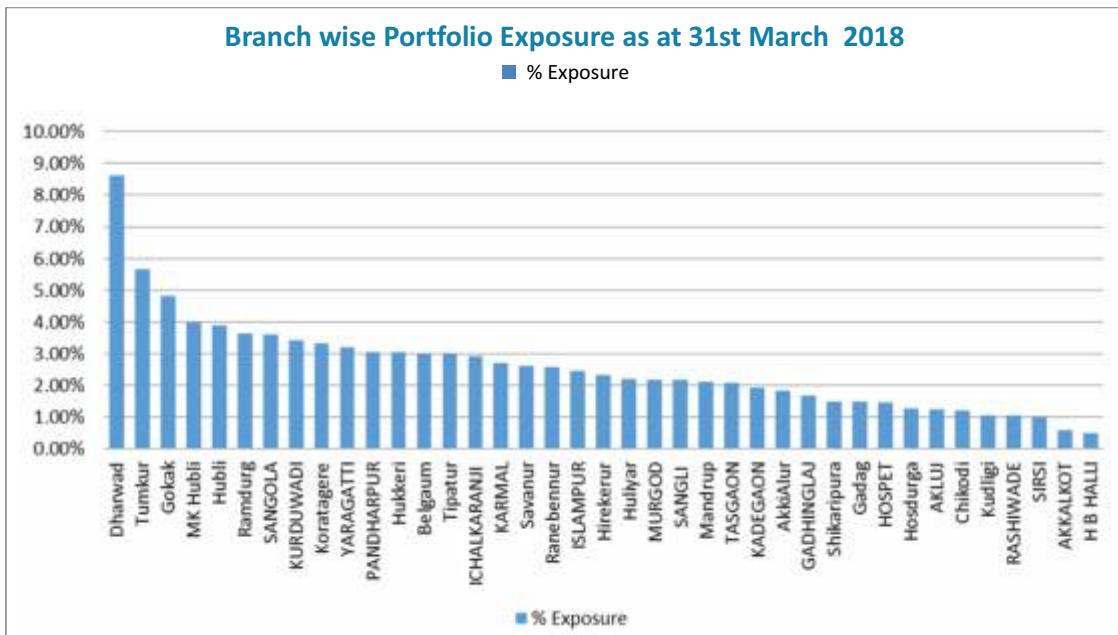
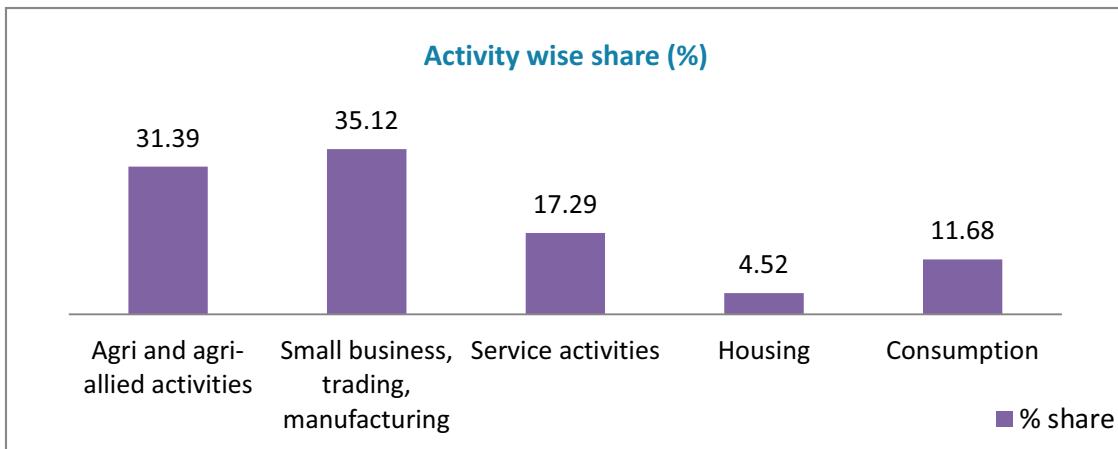
Loan Terms	mSHG Loans			
	Cycle I	Cycle II	Cycle III	Individual Loans
Max Loan Amount in Rs.	20000-25000 Per Member	25000- 35000 Per Member	35000- 50000 Per Member	Rs. 60000 to Rs. 1,00,000 per member
Repayment Period in months	12	24	24	24 – 36
Rate of interest	24%	24%	24%	25%
Service Charge	1%	1%	1%	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.



## Section - 2

# Leadership



### IDF FSPL Board of Directors



**Vivekanand N. Salimath**  
Chairman

- Has experience of 23 years in Syndicate Bank in various capacities. Served as 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 Board of Directors Sa-Dhan.
- Has considerable experience in rural enterprise development and Banking



**Kasturi Dambal**  
Director

- 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).



**Gururaj M Deshpande**  
Director

- 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.

- 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.



**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

## Committees of the Board



**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 in empanelment with RBI for Audit of Nationalized banks since more than 20 years. At present he is Statutory Auditors 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. Gururaj M Deshpande - Member  
Mr. Muralidharan Thykat - 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. Gururaj M Deshpande - Member  
Mr. Muralidharan Thykat - 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. The Head of the Risk Management Department reports to the committee. 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
- Human Resources
- Administration / Accounts
- Statutory and legal compliance
- IT and MIS
- 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.

## Section - 3

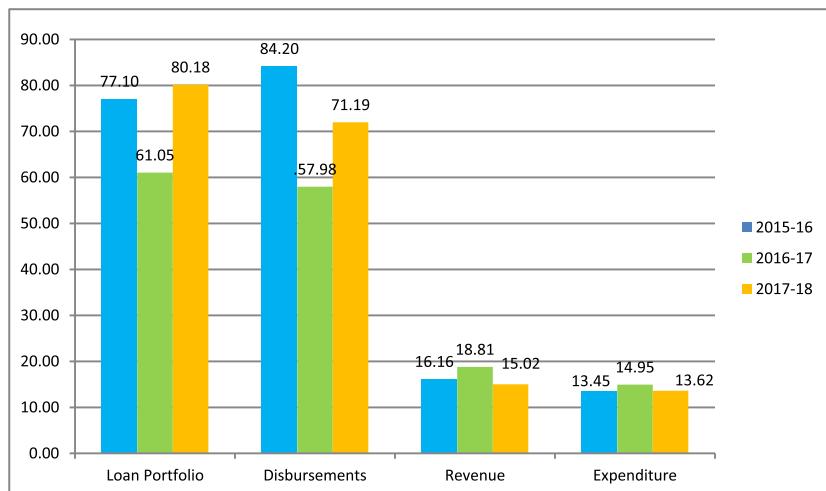
# Results and Performance



### Accomplishments of Year 2017-18

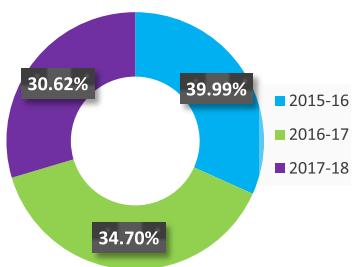


### IDF FSPL- Results and Performance (Rs in Crores)

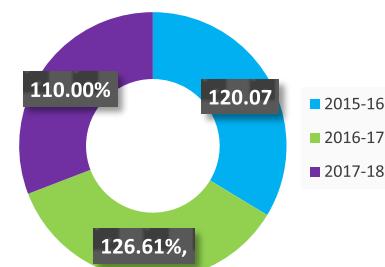


### Financial Performance

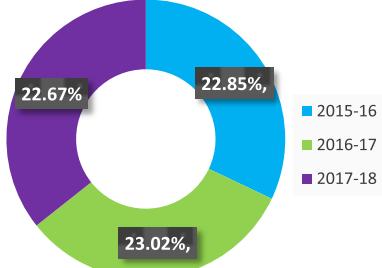
#### Capital adequacy



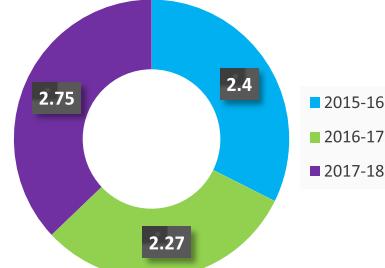
#### Operating Self Sufficiency



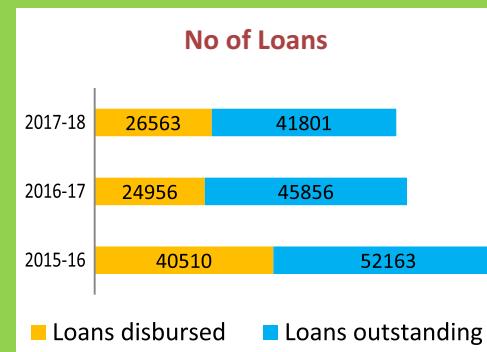
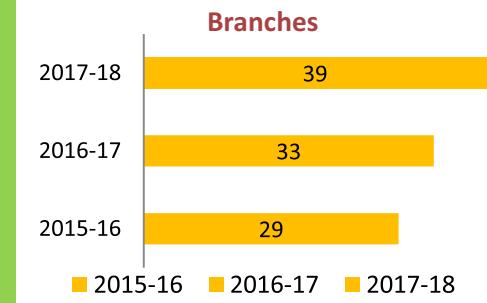
#### Yield on Portfolio



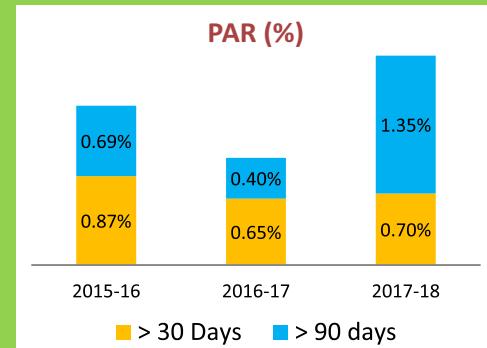
#### TOL/TNW



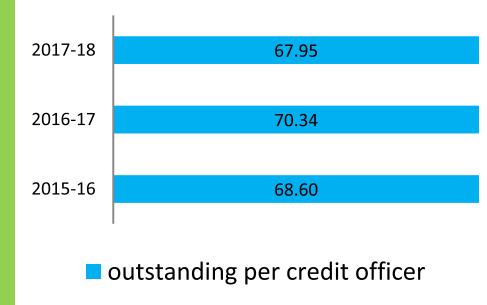
### Operational Performance



#### Productivity



#### Outstanding per credit officer (Amt In Lakhs)



## Section - 4

# Organisational Development



### Human Resource Development

Employees are integral part of company's mission, the company builds valuable workforce and workforce in turn builds the business. We at IDFFSPL, conceive that employee retention, talent acquisition and recognition is significant for an organization. We are committed in establishing a conducive work environment for our employees without compromising on the business ethics and policies of our organization. The Company strives in providing opportunities to its employees to develop their leadership skills and professionalism.

The Company believes in rewarding its employees and recognizing their performance by formulating compensation policies and reviewing accordingly with the Industrial Standards. The Company believes in providing the employees an opportunity to hone their skill by training internally and externally at regular intervals. The policies of the company are malleable for employees aiming towards lateral direction for overall exposure towards their career growth. The Cultural tolerance of our organization as a whole has enabled the employees of our Company an opportunity to articulate their feelings and unleash their hidden talents.

As on 31/March/2018, the no of employees was 235.

### Compensation and Benefits

We at IDFFSPL commensurate employees based on their skill and performance which is inline with Industry standards. The Compensation and incentive policies are formulated, reviewed at regular intervals to enable the employees to claim the benefits and ensure that they are recognized and rewarded accurately. 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

Training and Development of the skills of the employees is very critical for an organization in order to survive and sustain the changes in business environment. The HR Department ensures that training is imparted to all the employees as part of the development activities and prepare them for their next level in the organization.

Training is a vital part of the organization, as it enables the employees to update their skill and to perform more efficiently. Our Company provides induction training by creating an awareness of the company's vision and mission to the new joinees. IDFFSPL provides on the job training to the staff members, as it enables them to understand and acquaint themselves with company's policies, processes, functioning mechanism etc. IDFFSPL conducts training programme for the employee's in regular intervals relating to changes in the RBI, microfinance and operational guidelines.

### Audit Department

IDFFSPL has built a developed Audit system in place over the years which is in adherence to the Company's policies, procedures. The internal audit at the administrative office has established a proper reporting mechanism of the audits carried out at the branch level offices. A strong mechanism has been put into place by the Audit department which ensures that all critical issues are addressed within the time-lines and are tracked by the audit department until closure of the branch reporting.

The internal audit department ensures cross-checks, fraud case investigations and fixed asset verification. The Audit department reports its findings, recommendation to the Audit Committee at regular intervals. The approval, suggestions, recommendations of the Audit committee is sought before recommending to the Board of Directors.

### Risk Management

The Company has developed an appropriate risk management system by formulating policies, procedures that strike balance between the risk and return. The Company has adapted risk appetite limits in line with the Industry standards for monitoring the quantum of risk involved. The System developed is driven by the Board of Directors and the Management by a two-tier system which comprises of Board risk management committee & Management risk committee. The Management risk committee assess the internal and external risk factors namely the staff attrition, target achieved, Branch supervision, Operation risk, liquid risk and other external factors influencing the business of the Company. The Board Risk Management committee reviews the policies and strategies in relation to the operation, liquid risk limits from time to time and ensures the compliance matters are adhered to by the Company. The two tier system provides for monitoring the risk levels at the right time to avoid major crisis.

### Information Technology

IDFFSPL believes in leveraging efficiently from its present IT ecosystem and enhance its capabilities by transforming into 100% Digitalised mode. The Company embraces new technology required for the organization by collaborating with the IT partners who in turn design, create, update the IT system as per the requirements of our business needs.

The Company has adapted the BIJLI software which has integrated the flow of information across all the levels and has enabled data accessible at all regions (Administrative office, Registered office, Branch Level) without any ambiguity.

## Section - 5

# Board of Director's Report



Your Directors have pleasure in presenting herewith the financial statements for the year ended 31st March 2018 together with the report of the Auditors thereon and other enclosures thereon.

As required under section 134 (3) of the companies Act 2013 and rules made under the Act, your Board provides following information to the extent applicable to your Company.

### Financial Highlights

The Summarized financial results of the Company are as hereunder:

Particulars	2017-18		2016- 17	
	Amt Lakh ₹	% ↑ se or ↓ se	Amt Lakh ₹	% ↑ se or ↓ se
Operating income	1419.58	-18.00%	1813.18	16.25%
Other income	82.93	4.10%	79.59	42.51%
<b>Total income</b>	<b>1502.46</b>	<b>-20.62%</b>	<b>1892.77</b>	<b>17.16%</b>
Personnel expenses	424.53	4.19%	404.65	35.77%
Administrative expenses	149.50	-5.58%	158.36	50.03%
Finance charges	667.51	-14.68%	780.43	27.43%
Depreciation	49.33	-4.35%	51.60	-17.85%
Provisions and write-offs	71.69	-28.33%	99.98	-62.50%
<b>Total Expenses</b>	<b>1362.54</b>	<b>-8.86%</b>	<b>1495.01</b>	<b>11.11%</b>
<b>Profit/(Loss) before tax</b>	<b>139.92</b>	<b>-64.82</b>	<b>397.76</b>	<b>47.29%</b>
Less: income tax	-63.22	57.25%	-147.90	19.64%
Less: deferred tax	5.05	-73.85%	19.31	0.00%
<b>Profit after tax</b>	<b>81.74</b>	<b>-69.63%</b>	<b>269.16</b>	<b>83.80%</b>

### Business Snapshot

	Mar -2018	% ↑ or ↓	Mar-2017	% ↑ or ↓
Number of Branches	39	18%	33	13.79%
Customers (mSHGs)	11743	5.12%	11170	-9.49%
Number of loans Disbursed	26563	1.36%	24956	-38.40%
Number of Loans	41801	-9.85%	45856	-12.09%
Total Disbursements	7119.51	22.80%	5797.72	-31.15%
Total Amount of Outstandings	8018.12	31.33%	6105.58	-20.81%
Recovery Rate	98.65%	-1.07%	99.72%	0.07%
Employees	235	18%	199	5.85%
PAR Above 90 days	1.35%	-95%	0.40%	-42.03%

This year the Company had implemented robust measures to revive from the effects of Demonetization and implementation of Goods and service Tax. Despite the turbulent times the company adhered to its social objectives and Client Protection principles. The Company had focused on digitalization of payments and cost-effective implementation process across its operational area. The Company has recorded a growth of 31% in terms of Gross Loan portfolio as compared to 61.05 crore in 2017.

The Company has disbursed 71.19 Crores through its 39 branches in financial Year 17-18 against 57.97 Cr in Financial year16-17, recording an increase of 22% in disbursement. The Year 2017-18 has been a diversified year for the Company on most of its parameters.

#### **Dividend**

The Company is obliged to pay dividend at 6% on Cumulative Convertible Preference shares amounting to Rs. 43,39,491/- and at 9% on Optionally Convertible Preference Shares of Rs.5 crores subscribed by SIDBI amounting to Rs. 45,00,000/-. The Board had recommended payment of the same in its meeting on 25th June 2018.

Other than the above, the Board has not recommended any further payment of dividend.

#### **Transfer of Unclaimed Dividend to Investor Education and Protection Fund**

The provisions of Section 125(2) of the Companies Act, 2013, the declared dividend has been claimed by the respective class of shareholders including the equity shareholders hence no credit/transfer has been made to the investor education and protection Fund

#### **Material changes and commitment if any affecting the financial position of the company occurred between the end of the financial year to which these 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.**

The Company has implemented a robust Risk Management Policy, which was developed with the assistance IFC, a wing of World Bank. Separate risk management department, risk management policies and also a separate risk management committee at board level has been introduced. IDFFSPLs 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 initiative**

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 contract or arrangements made with related parties as defined under Section 188 of the Companies Act, 2013 during the year under review.

Particulars	Amount (Rs)
IDF Sujeevana Federation-Kunigal	30,05,873.25
IDF-SHG Federation-Dharwad	2,67,98,198.00
<b>Total</b>	<b>2,98,04,071.25</b>

#### **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.

#### **Directors**

During the financial year, there has not been any change in the constitution of the Board. The Board consists of Seven (7) members.

#### **Number of Board Meetings conducted during the year under review.**

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

Directors	Eligible to attend 2017-18	Attended 2017-18
Vivekanand N Salimath	5	5
N M Patil	5	5
T V Srikantha Shenoy	5	4
Kasturi Dambal	5	4
Gururaj M. Deshpande	5	5
T Muralidharan	5	5
Sahadev Gangappa	5	5

#### **Corporate Governance**

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

## 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 codes and adopted Code of Conduct prescribed by Sa-Dhan (Association of Community Finance Institution) and Association of Karnataka Micro finance Institutions (AKMI).

## Directors' Responsibility Statement

Pursuant to Section 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 2018, the Company has transferred a sum of Rs. 16,34,952 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	Buy back of	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, Saraswatpur, 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 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

Date : June 25, 2018



Naganagouda M Patil  
Managing Director  
DIN: 01674210

Place: Bengaluru

# Annexure - A

## FORM No. MGT- 9

### EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31st MARCH 2018

*[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.	Date of Incorporation		27-10-1994
iii.	Name of the Company		IDF FINANCIAL SERVICES PRIVATE LIMITED
iv.	Category/Sub-Category of the Company		PRIVATE LIMITED COMPANY NON BANKING FINANCIAL COMPANY - MICRO FINANCE INSTITUTIONS
v.	Address of the Registered office and contact details		
	<b>Registered Office:</b> Girija", 31/1, II Floor, Patalamma ,Temple Street, South End, Basavanagudi Bangalore 560004. Phone: 080 26577714 E-mail <a href="mailto:idff.fin@gmail.com">idff.fin@gmail.com</a>		
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	-	94.48%

#### **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		
<b>A. Promoter</b>									
<b>1) Indian</b>									
a) Individual/ HUF		2712500	2712500	25.07%	3200249	3200249	29.57%	-	
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp									
e) Banks / FI									
f) Any Other		787500	787500	7.28%	902146	902146	8.34%	-	
<b>Sub-total(A)(1):-</b>		3500000	3500000	32.33%	4102395	4102395	37.91%		
<b>2) Foreign</b>									
g) NRIs-Individuals									
h) Other-Individuals									
i) Bodies Corp.									
j) Banks / FI									
k) Any Other....									
<b>Sub-total(A)(2):-</b>									
<b>B. Public Shareholding</b>									
<b>1. Institutions</b>									
a) Mutual Funds									
b) Banks / FI									
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIIs									
h) Foreign Venture Capital Funds									
i) Others (specify)									
<b>Sub-total(B)(1)</b>									
<b>2. Non-Institutions</b>									
a) Bodies Corp.									
(i) Indian									
(ii) Overseas									

b) 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								
c) Others – Private Mutual Benefit Trust		7321230	7321230	67.67%	6718835	6718835	62.09%	-
<b>Sub-total(B)(2)</b>		<b>7321230</b>	<b>7321230</b>	<b>67.67%</b>	<b>6718835</b>	<b>6718835</b>	<b>62.09%</b>	
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>								
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>								
<b>Grand Total (A+B+C)</b>		<b>10821230</b>	<b>10821230</b>	<b>100%</b>	<b>10821230</b>	<b>10821230</b>	<b>100%</b>	

ii. ***Shareholding of Promoters***

SL 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	6,50,833	6.01%	0	-
2.	Naganagouda M Patil	542,500	5.01%	0	6,50,833	6.01%	0	-
3.	T V Srikantha Shenoy	542,500	5.01%	0	6,23,875	5.77%	0	-
4.	Shrikant M Hebbal	542,500	5.01%	0	6,23,875	5.77%	0	-
5.	Gururaj M Deshpande	542,500	5.01%	0	6,50,833	6.01%	0	-
6.	IDF FSPL Balaga Welfare Trust	787,500	7.28%	0	9,02,146	8.34%	0	-
	<b>Total</b>	<b>3500000</b>	<b>32.33%</b>	<b>0</b>	<b>41,02,395</b>	<b>37.91%</b>		-

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

Sl. No.	Promoters	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	<b>VIVEKANAND N SALIMATH</b>				
	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):  Transfer of Shares from Gururaj M Deshpande IDF SHG Federation on 26/06/2017	-	-	108333	1.00%
	<b>At the End of the year</b>	<b>542500</b>	<b>5.01%</b>	<b>650833</b>	<b>6.01%</b>
2	<b>NAGANAGOUDA M PATIL</b>				
	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):  Transfer of Shares from Gururaj M Deshpande IDF SHG Federation on 26/06/2017	-	-	108333	1.00%
	<b>At the End of the year</b>	<b>542500</b>	<b>5.01%</b>	<b>650833</b>	<b>6.01%</b>
3	<b>T V SRIKANTHA SHENOY</b>				
	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):  Transfer of Shares from Gururaj M Deshpande IDF SHG Federation on 26/06/2017	-	-	81375	0.76%
	<b>At the End of the year</b>	<b>542500</b>	<b>5.01%</b>	<b>623875</b>	<b>5.77%</b>
	IDF FSPL Balaga Welfare Trust				
	At the beginning of the year	787,500	7.28%	787,500	7.28%
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus/ sweat equity etc):  Transfer of Shares from Gururaj M Deshpande IDF SHG Federation on 26/06/2017	-	-	114647	1.06%
	<b>At the End of the year</b>	<b>787500</b>	<b>7.28%</b>	<b>902146</b>	<b>8.34%</b>

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

Sl. No.	For Each of the Top 10 Shareholders	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	<b>IDF SHG FEDERATION DHARWAD</b>				
	At the beginning of the year	7321230	67.66 %	7321230	67.66 %
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/ bonus/sweat equity etc) Decrease-Transfer of Shares Transfer of Shares from Gururaj M Deshpande IDF SHG Federation on 26/06/2017			-1019062	-9.42%
	<b>At the End of the year</b>	<b>7321230</b>	<b>67.66%</b>	<b>6302168</b>	<b>58.24%</b>

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	<b>VIVEKANAND N SALIMATH</b>				
	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): Transfer of Shares from Gururaj M Deshpande IDF SHG Federation on 26/06/2017			108333	0.90%
	<b>At the End of the year</b>	<b>542500</b>	<b>5.01%</b>	<b>650833</b>	<b>5.91%</b>
2	<b>NAGANAGOUDA M PATIL</b>				
	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): Transfer of Shares from Gururaj M Deshpande Beneficiary IDF SHG Federation on 26/06/2017			108333	0.90%
	<b>At the End of the year</b>	<b>542500</b>	<b>5.01%</b>	<b>650833</b>	<b>5.91%</b>

<b>3</b>	<b>T V SRIKANTHA SHENOY</b>				
	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):  Transfer of Shares from Gururaj M Deshpande IDF SHG Federation on 26/06/2017			81375	0.76%
	<b>At the End of the year</b>	<b>542500</b>	<b>5.01%</b>	<b>623875</b>	<b>5.77%</b>

#### **IV. Indebtedness**

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

	<b>Secured Loans excluding deposits</b>	<b>Unsecured Loans</b>	<b>Deposits</b>	<b>Total Indebtedness</b>
Indebtedness at the beginning of the financial year				
i) Principal Amount	52,98,71,490	-	-	52,98,71,490
ii) Interest due but not paid				
iii) Interest accrued but not paid				
<b>Total (i+ii+iii)</b>	<b>52,98,71,490</b>	-	-	<b>52,98,71,490</b>
Change in Indebtedness during the financial year				
- Addition	45,50,00,000	-	-	45,50,00,000
- Reduction	(31,72,36,940)			(31,72,36,940)
<b>Net Change</b>	<b>13,77,63,060</b>	-	-	<b>13,77,63,060</b>
Indebtedness at the end of the financial year				
i) Principal Amount	66,76,34,550	-	-	66,76,34,550
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>	<b>66,76,34,550</b>	-	-	<b>66,76,34,550</b>

## **V. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

<b>Sl. No.</b>	<b>Particulars of Remuneration</b>	<b>Name of MD/WTD/ Manager</b>		<b>Total Amount</b>
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act,1961 (b) Value of perquisites u/s17(2)Income-tax Act, 1961 (c) Profits in lieu of salary undersection17(3) Income- tax Act, 1961	Vivekanand N Salimath 20,74,548	Naganagouda M Patil 20,74,548	4149096
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - Others, specify...	-	-	-
5.	Others, please specify	-	-	-
6.	<b>Total(A)</b>	<b>21,08,157</b>	<b>21,05,606</b>	<b>42,13,763</b>
7.	Ceiling as per the Act			

### **B. Remuneration to other directors:**

<b>Sl. No.</b>	<b>Particulars of Remuneration</b>	<b>Name of MD/WTD/Manager</b>			<b>Total Amount</b>
	<u>Independent Directors</u> <ul style="list-style-type: none"> <li>Fee for attending board committee meetings</li> <li>Commission</li> <li>Others, please specify</li> </ul>	-	-	-	-
	<b>Total(1)</b>				
	<u>Other Non-Executive Directors</u> <ul style="list-style-type: none"> <li>Fee for attending board committee meetings</li> <li>Commission</li> <li>Others, please specify</li> </ul>	Kasturi Dambal 15000	Gangappa Sahadev 20000	Muralidharan Thykat 20000	55000
	<b>Total(2)</b>	<b>15000</b>	<b>20000</b>	<b>20000</b>	<b>55000</b>
	<b>Total(B)=(1+2)</b>	<b>15000</b>	<b>20000</b>	<b>20000</b>	<b>55000</b>
	Total Managerial Remuneration				
	Overall Ceiling as per the Act				

### **C. Remuneration to KMP:**

## **VI. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES :**

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

# Management Discussion and Analysis

## Industry Trends

### Market Players

The microfinance segment has around 165 lenders in the microfinance segment. This group comprises NBFC-MFIs, NBFCs, Banks, SFBs, and other non-profit entities. Out of these players contributing to more than 90% of microfinance lending are MFIN members/associates.

As of 31st March 2018, NBFC-MFIs accounted for 33% of microfinance lending. The aggregate gross loan portfolio (glp) of MFIs stood at Rs 48,094 cr. This represents a yoy growth of 50% over FY 16-17.

### Performance of NBFC-MFIs in FY 17-18 is given below

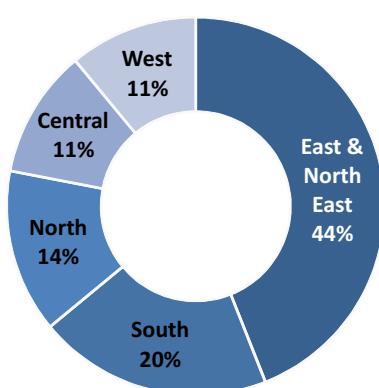
Indicator	FY 17-18, March 2018
Branches	10,077
Employees	82,004
Clients (cr)	2.53
Loan accounts (cr)	2.84
Gross Loan Portfolio (Rs Cr)	48,094
Loans disbursed (during the year, Cr)	2.68
Loan amount disbursed (during the year, Rs Cr)	59,629

### Pan India Presence of NBFC-MFIs

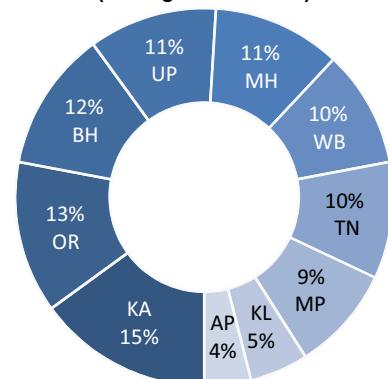
In terms of regional distribution of portfolio (GLP), East and North East accounts for 44% of the total NBFC-MFI portfolio, South 20%, North 14%, West 11% and Central contributes 11%. Five top states in terms of loan amount

outstanding viz. Karnataka, Odisha, Uttar Pradesh, Bihar and Tamil Nadu, account for 53% of GLP and top 10 states account for 95% of the total industry loan amount outstanding.

### Regional Distribution of GLP (31st March 2018)



### State wise Distribution of Loan amount disbursed (During FY 2017-18)



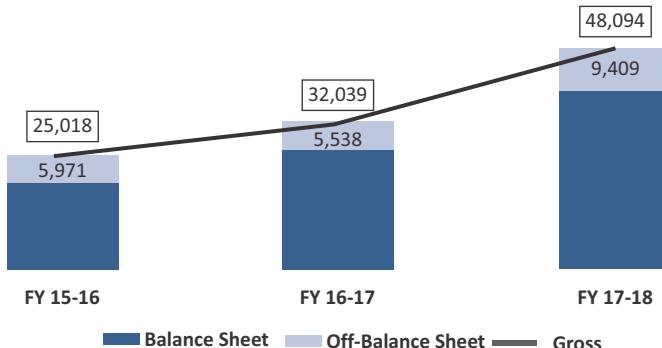
### Outreach

NBFC-MFIs have presence in 35 states/UTs. As of March 2018, NBFC-MFIs on aggregated basis have a network of 10,077 branches and employee base of 82,004 staff, of which 64% are loan officers (52,559) who provide door-step credit to low-income clients served by the NBFC-MFIs. There has been growth of 5% in employees, 5% in loan officers and 4% branches compared with last quarter, On YoY basis, there has been an increase of 25% in branches, 25% in employees and 31% loan officers.

As of March 2018, MFIs have reported 2.53Cr clients with 2.84Cr loan accounts, it may be noted that client number given here is not unique and does not factor for overlaps. Compared with Q4 FY 16-17, there has been YoY growth of 25% in clients and 22% in loan accounts.

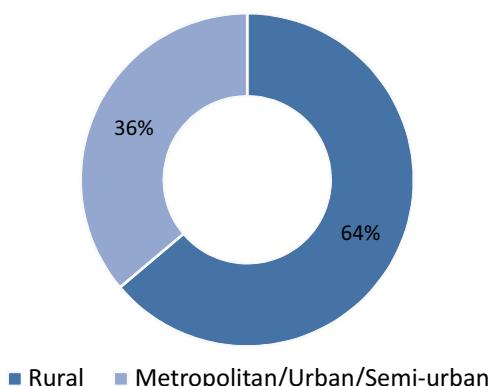
Average loan outstanding per account is Rs 19,031 representing a growth of 20% over FY 16-17.

## Portfolio of NBFC-MFIs

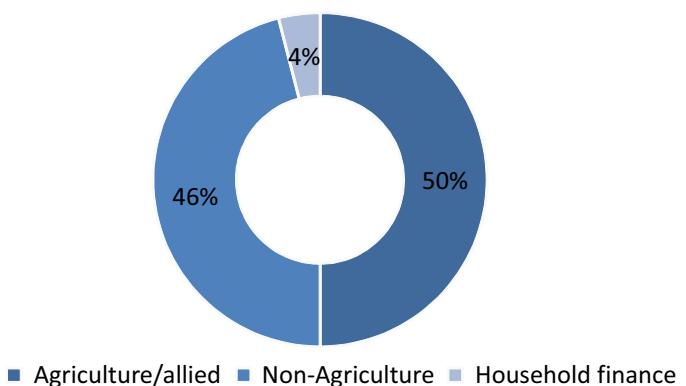


## Breakup of portfolio as per Purpose and Geography

Break up Geography GLP (31st March 2018)



Break up GLP Purpose (31st March 2018)

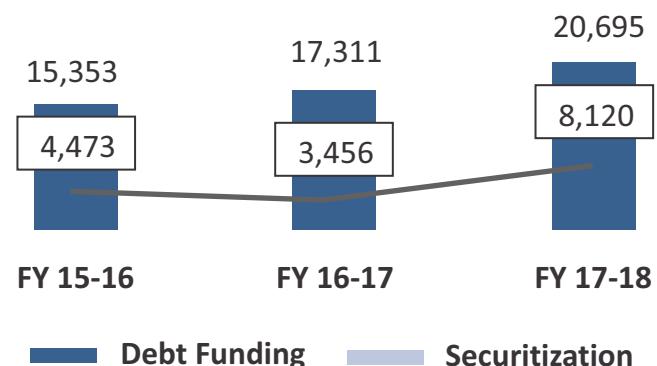


## Industry Funding

During FY 17-18, NBFC-MFIs received a total of Rs 20,695 Cr in debt funding (from banks and other Financial Institutions). This represents a growth of 20% compared to FY 16-17.

Large MFIs have been able to source a significant proportion of their funding from Banks (65%) whereas main source of debt fund for small and medium MFIS are Other FIs (89% and 73% respectively).

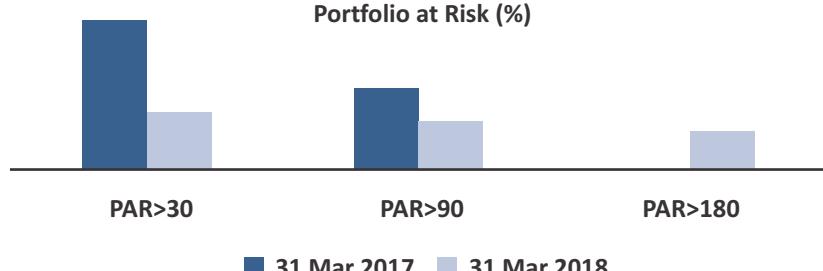
Debt Funding and Securitization (Annual, Rs. Cr)



## Portfolio Quality

MFIs have recovered from the effect of demonetization and PAR>30 has come significantly down from 11% on 31st March 2017 to 4% on 31st March 2018.

Portfolio at Risk (%)



## 2.0 Financial Performance

IDFFSPL had a moderate financial performance in terms of profitability.

### 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. 71.19. crores during the year 2017-18. The disbursements increased by 23% as compared to the previous year i.e. 2016-17.
- The number of branches increased to 39 as compared to 33 the previous year.
- The loan portfolio increased by 31% from Rs. 61.05 crs in the previous year to Rs. 80.18 crs during the year.
- However there has been an increase in PAR above 90 days from 0.40% during March 2017 to 1.35% as on March 2018.

### 2.2 Portfolio:

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

Description	Amt in Lakh	
	As on March 2018	As on March 2017
Total value of loans disbursed during period	7119.51	5797.72
Total number of loans disbursed to SHGs during period	26563	24956
Number of active borrowers	41801	45856
Average number of active borrowers	41386	51009
Value of loan outstanding	8018.12	6105.58
Average outstanding balance of loans	6562.54	7625.53
Value of payments in arrears	74.78	21.51
Value of outstanding balance of loans in arrears	108.93	24.26
Value loans written off during period	52.56	99.98
Average loan size per member	26802	23232
Average loan term (months)	12 TO 24	12 TO 24
Average number of loans officers during period	104	89

Your company operates in 15 districts of Karnataka and Maharashtra and the district wise breakup of loan details as on 31st March 2018 is as follows:

No.	State	Districts	Disbursed		Amt Outstanding	
			Amt in Lakh ₹	%	Amt in Lakh ₹	%
1.	Karnataka	Bagalkot	-	-	5,61,009	0.07%
2.	Karnataka	Belgaum	13,30,76,000	18.69%	18,31,92,925	22.85%
3.	Karnataka	Bellary	7,77,87,000	10.93%	5,39,47,861	6.73%
4.	Karnataka	Bidar	-	-	28,26,045	0.35%
5.	Karnataka	Chitradurga	1,11,03,000	1.56%	1,08,25,173	1.35%
6.	Karnataka	Dharwad	5,16,93,000	7.26%	5,12,49,818	6.39%
7.	Karnataka	Gadag	83,48,000	1.17%	1,18,09,189	1.47%
8.	Karnataka	Haveri	7,27,20,000	10.21%	7,37,18,177	9.19%
9.	Karnataka	Shimoga	1,10,63,000	1.55%	1,26,39,202	1.58%
10.	Karnataka	Tumkur	13,97,41,000	19.63%	11,28,39,802	14.07%
11.	Karnataka	Uttar Karnataka	82,95,000	1.17%	78,03,125	0.97%
12.	Karnataka	Gulbarga	-	-	1,64,18,262	2.05%
13.	Maharashtra	Kolhapur	1,42,82,000	2.01%	6,20,26,990	7.74%
14.	Maharashtra	Sangli	2,43,45,000	3.42%	7,02,49,122	8.76%
15.	Maharashtra	Solapur	15,94,98,000	22.40%	13,17,06,103	16.43%
		<b>Total</b>	<b>71,19,51,000</b>	<b>100.00%</b>	<b>80,18,12,803</b>	<b>100.00%</b>

The portfolio is concentrated most in Belgaum district accounting for 22.85% and 16.43% in Solapur district followed by Tumkur district at 14.07%.

## 2.3 Product-wise distribution

Product	2017-18			2016-17		
	Number of accounts	Amount in Lakh ₹	%	Number of accounts	Amount in Lakh ₹	%
I Cycle	23,381	38,73,80,752	48%	27,555	31,48,80,032	51%
II Cycle	9,304	17,85,64,762	22%	6,692	11,44,77,285	19%
III Cycle	4,589	11,44,14,149	14%	9,867	15,22,49,570	25%
IV Cycle	4,527	12,14,53,140	16%	1,742	2,89,51,409	5%
<b>Total</b>	<b>41,801</b>	<b>80,18,12,803</b>	<b>100%</b>	<b>45,856</b>	<b>61,05,58,296</b>	<b>100%</b>

## 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- 18%	Mar-17%
1	Agri and agri-allied activities	31.39	31.31
2	Small business, trading, manufacturing, etc.	35.12	35.01
3	Service activities	17.29	17.18
4	Housing	4.52	4.74
5	Consumption	11.68	11.76
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>

83.74% of the loans are for livelihood activities while 16.26% 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 0.40%.

N o.	Type of Loans	Mar-2018			Mar- 2017		
		No. of Borrowers	Value of Loans	% Loan Outstanding	No. of Borrowers	Value of Loans	% Loan Outstanding
1	Regular Loans	39894	7820.50	97.54 %	45,092	6045.28	99.05%
2	Less than 30 Days past due	280	32.91	0.41 %	289	18.40	0.30%
3	Between 31-60 days past due	204	21.57	0.27 %	121	8.28	0.14%
4	Between 61-90 days past due	328	34.22	0.43 %	133	6.75	0.11%
5	Between 91-180 days past due	738	80.79	1.01 %	221	24.26	0.40%
6	Between 181-365 days past due	357	28.13	0.35 %	0	0	0
7	>365 days past due	0	0	0	0	0	0
	<b>Total</b>	<b>41,801</b>	<b>8018.12</b>	<b>100.00%</b>	<b>45856</b>	<b>6105.58</b>	<b>100.00%</b>

## 2.6 Portfolio yield, profitability and sustainability

The portfolio yield for the year 2017-18 was 22.67% which is slightly lower when compared to 23.02% during 2016-17. The Company's Operational sustainability ratio was at 110%, lower than that of 126.61% during the previous year. There has been a sizeable profits earned even with slow growing portfolio.

## 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 finalizing 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 2017-18 was approximately 11.42%.

Name of the Bank / Financial Institution	Balance outstanding as at	
	31-Mar-18	31-Mar-17
<b>1. TERM LOANS - SECURED</b>		
<b>A. From Banks</b>		
Canara Bank	54,98,847	2,37,53,766
Canara Bank	1,29,47,080	2,39,86,553
Canara Bank	2,04,14,316	2,47,97,746
Canara Bank	3,00,16,392	-
Syndicate Bank	-	13,28,896
Syndicate Bank	1,23,64,879	3,48,05,303
State Bank of India	87,62,197	7,70,94,189
State Bank of India	3,36,21,067	10,50,28,762
State Bank of India	19,83,43,886	-
Union Bank of India	94,09,488	2,80,62,077
Union Bank of India	2,49,25,767	4,63,02,403
Union Bank of India	4,58,33,333	-
Karnataka Grameen Vikas Bank	-	1,14,52,569
Karnataka Grameen Vikas Bank	1,19,20,001	2,19,14,005
Karnataka Grameen Vikas Bank	2,17,31,240	-
UCO Bank	10,06,53,320	-
<b>Total</b>	<b>53,64,41,813</b>	<b>39,85,26,269</b>
<b>B. From other Financial Institution</b>		
SIDBI	43,21,451	2,91,50,000
Jain Sons Finlease Ltd	-	1,03,28,246
NABKISAN Finance Ltd	7,45,27,335	2,99,99,845
<b>Total</b>	<b>7,88,48,786</b>	<b>6,94,78,091</b>
<b>2. CASH CREDIT FROM BANKS</b>		
Karnataka Grameen Vikas Bank	4,92,27,930	3,89,95,253
Syndicate Bank	31,16,020	2,28,71,877
<b>Total</b>	<b>5,23,43,950</b>	<b>6,18,67,130</b>
<b>GRAND TOTAL</b>	<b>66,76,34,550</b>	<b>52,98,71,490</b>

Currently the debt funds sources comprise: Banks (87.99%), Financial Institutions (12.01%). Efforts will be made to diversify these funding sources. Your company is looking for Social Investors who can add value to the organization, both in terms of capital and global best practices.

## 4.0 Ratings and evaluations

Your company was rated by Brickwork's, an accredited credit rating agency during Oct 2017, India's leading ratings, research, risk, and policy advisory company, and received a grading of MFI 4 (where MFI 1 is highest, and MFI 8 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 'BBB-' rating from Brickwork Ratings in respect of the Bank facilities it has availed and its proposed facilities to be availed in future.

## 5.0 Capital Adequacy

The Capital Adequacy Ratio of the company was 30.62% as on 31st March 2018 which is lower than 39.99 as on 31st March 2017.

## Section - 6

### Auditor's Report



**M/s R R Kulkarni & Co.**  
CHARTERED ACCOUNTANTS

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

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 2018, 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, 2018;
- (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, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018, 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 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: 25th June, 2018

Place: Bengaluru

## “Annexure - A” to the Independent Auditors' Report

Referred to in paragraph 1 under the heading 'Report on Other Legal & Regulatory Requirement' of our report of even date to the financial statements of the Company for the year ended March 31, 2018:

1. a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;  
b) The Fixed Assets have been physically verified by the management in a phased manner, designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the company and nature of its business. Pursuant to the program, a portion of the fixed asset has been physically verified by the management during the year and no material discrepancies between the books records and the physical fixed assets have been noticed.  
c) The title deeds of immovable properties are held in the name of the company.
2. a) The management has conducted the physical verification of inventory at reasonable intervals.  
b) The discrepancies noticed on physical verification of the inventory as compared to books records which has been properly dealt with in the books of account were not material.
3. The Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register maintained under section 189 of the Act. Accordingly, the provisions of clause 3 (iii) (a) to (C) of the Order are not applicable to the Company and hence not commented upon.
4. In our opinion and according to the information and explanations given to us, the company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of loans, investments, guarantees, and security.
5. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
6. As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the company.
7. a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the above were in arrears as at March 31, 2018 for a period of more than six months from the date on when they become payable.  
b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute.
8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to banks. The Company has not taken any loan either from financial institutions or from the government and has not issued any debentures.
9. Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
10. Based upon the audit procedures performed and the information and explanations given by the management, we report that no fraud by the Company or on the company by its officers or employees has been noticed or reported during the year.
11. Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;
12. In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.
13. In our opinion, all transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 and the details have been disclosed in the Financial Statements as required by the applicable accounting standards.
14. Based upon the audit procedures performed and the information and explanations given by the management, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.
15. Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
16. In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

for M/s. R R Kulkarni & Co.,

Chartered Accountants

F. R. No.: 010916S



(R R Kulkarni)

Proprietor M. No.: 211616

Date: June 25, 2018

Place: Bengaluru



**IDF FSPL Audited Accounts 2017-18**

Balance Sheet as at March 31, 2018

(₹)

Balance Sheet as at	Note no.	31-Mar-18	31-Mar-17
<b>I. Equity and Liabilities</b>			
<b>Shareholders' funds</b>			
(a) Share capital	2.01	23,05,37,150	23,05,37,150
(b) Reserves and surplus	2.02	2,53,55,271	2,20,80,607
		<b>25,58,92,421</b>	<b>25,26,17,757</b>
<b>Non-Current liabilities</b>			
(a) Long-term borrowings	2.03	29,99,99,333	19,64,66,805
(b) Deferred tax liability (net)	2.04	6,37,719	11,42,787
		<b>30,06,37,052</b>	<b>19,76,09,592</b>
<b>Current liabilities</b>			
(a) Other current liabilities and Provisions	2.05	2,51,30,737	2,59,95,750
(b) Short-term borrowings	2.03	36,76,35,217	33,34,04,686
		<b>39,27,65,955</b>	<b>35,94,00,436</b>
		<b>94,92,95,428</b>	<b>80,96,27,785</b>
<b>II. Assets</b>			
<b>Non-current assets</b>			
(a) Fixed assets	2.07		
(i) Tangible assets		24,62,280	24,00,714
(ii) Intangible assets		37,00,000	74,00,000
(b) Loans to groups	2.06	21,77,09,200	9,69,58,503
(c) Long-term loans and advances	2.08	1,91,80,686	1,28,66,856
		<b>24,30,52,167</b>	<b>11,96,26,073</b>
<b>Current assets</b>			
(a) Cash and cash equivalents	2.09	12,59,89,946	17,71,83,371
(b) Loans to groups	2.06	57,60,85,474	50,74,94,210
(c) Other current assets	2.10	41,67,841	53,24,131
		<b>70,62,43,261</b>	<b>69,00,01,712</b>
		<b>94,92,95,428</b>	<b>80,96,27,785</b>
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

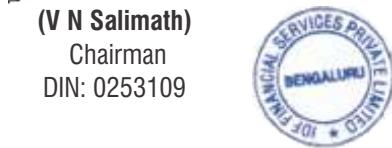
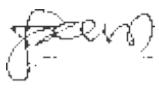
Date: June 25, 2018  
Place: Bengaluru



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, 2018

(₹)

Particulars	Note no.	31-Mar-18	31-Mar-17
<b>Income</b>			
Revenue from operations	2.11	14,19,58,022	18,13,18,309
Other income	2.12	82,93,537	79,59,035
<b>Total Revenue</b>		<b>15,02,51,559</b>	<b>18,92,77,344</b>
<b>Expenses</b>			
Employee benefits expense	2.13	4,24,53,696	4,04,64,778
Finance costs	2.14	6,67,51,686	7,80,43,165
Depreciation and amortization expenses	2.07	49,33,945	51,60,062
Provisions and write-offs	2.15	71,69,474	99,97,823
Operating and other expenses	2.16	1,43,05,861	1,51,45,613
Auditor's Remuneration	2.17	6,44,850	6,90,000
<b>Total expenses</b>		<b>13,62,59,512</b>	<b>14,95,01,441</b>
<b>Profit/(Loss) before tax</b>		<b>1,39,92,047</b>	<b>3,97,75,903</b>
<b>Tax expense:</b>			
- Current tax		(17,04,980)	(39,01,600)
- Provision for Income tax		(46,17,376)	(1,08,88,000)
- Reversal of Income tax provision - prior years		-	-
- Deferred tax		5,05,068	19,29,898
<b>Profit/(loss) for the year</b>		<b>81,74,759</b>	<b>2,69,16,201</b>
<b>Earning per equity share (EPS) [refer note 3.4]</b>			
- Basic		0.76	2.49
- Diluted		0.35	1.17
<b>Number of shares considered for</b>			
- 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



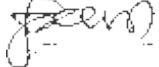
Date: June 25, 2018  
Place: Bengaluru

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, 2018

(₹)

Particulars	31-Mar-18	31-Mar-17
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before taxation</b>	<b>1,39,92,047</b>	<b>3,97,75,905</b>
<i>Adjustment for Non- cash (income) / expenditure:</i>		
Depreciation	49,33,945	51,60,062
Bad debts written off	(52,56,929)	(97,91,423)
Provision for bad debts	-	-
Loss on sale of assets	-	-
Deferred Tax Income	5,05,068	19,29,898
<b>Operating profit before changes in operating assets</b>	<b>1,41,74,130</b>	<b>3,70,74,441</b>
<i>Adjustments for</i>		
(Increase)/ decrease in current assets	11,56,290	(5,75,393)
(Decrease)/increase in current liabilities	3,33,65,519	(2,08,91,928)
(Increase)/ decrease in loans to groups	(19,03,98,863)	16,44,18,787
<b>Net cash generated from operating activities before tax</b>	<b>(14,17,02,924)</b>	<b>18,00,25,907</b>
Income tax paid	(63,22,356)	(1,47,89,600)
<b>Net cash generated from operating activities after tax</b>	<b>(A) (14,80,25,279)</b>	<b>16,52,36,307</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets(adjusting buy back of assets)	(12,95,511)	(33,76,112)
<b>Net cash flow from investing activities</b>	<b>(B) (12,95,511)</b>	<b>(33,76,112)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital [Incl premium]	-	-
Secured borrowings [Net]	10,30,27,460	(3,40,73,809)
Corporate dividend tax paid	(49,00,096)	(17,99,507)
Dividend paid	-	(3,71,57,196)
Unsecured borrowings [net]	-	-
<b>Net cash generated from financing activities</b>	<b>(C) 9,81,27,364</b>	<b>(7,30,30,512)</b>
Net increase/(decrease) in cash and cash equivalents during the year (A)+(B)+( C)	(5,11,93,426)	8,88,29,683
Cash and cash equivalents at the beginning of the year	17,71,83,371	8,83,53,688
<b>Cash and cash equivalents at the end of the year [Refer note 2.09]</b>	<b>12,59,89,945</b>	<b>17,71,83,371</b>
<b>Significant accounting policies and Notes on accounts</b>	<b>1 &amp; 2</b>	

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

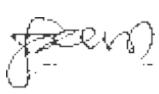
Date: June 25, 2018  
Place: Bengaluru



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 ` 3,70,00,000 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%
Vehicles	31.23%

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 installments which are overdue for more than 90 days but not more than 180 days.	50%
Non-performing Assets	The aggregate loan installments which are overdue 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	
<b>Standard Assets</b>	79,09,20,115
<b>Non-Performing Assets:</b>	
<b>Sub-Standard Assets</b>	
91 days - 180 days	80,79,011
> 180 days	28,13,677
Loss Assets	
Misappropriated Accounts	
	<b>Gross Loan Portfolio</b>
	<b>80,18,12,803</b>
<b>Provisioning Norms:</b>	
Provisioning of Higher of:	
a) 1% of the outstanding loan portfolio	80,18,128
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.	68,53,183
<b>Actual Provisions already held</b>	<b>61,05,583</b>
<b>Additional Provision to be held during the current year</b>	<b>19,12,545</b>
<b>Reversal of excess provisions held</b>	<b>-</b>
<b>Total Provision at the end of the year</b>	<b>80,18,128</b>

### 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 March 2018

Month	PF		ESI	
	Employees Share	Employer's Share	Employees Share	Employer's Share
April	82,082	1,18,260	14,230	38,622
May	1,13,928	1,62,829	19,941	52,862
June	1,10,401	1,59,683	18,955	51,276
July	1,40,469	1,54,051	18,453	50,148
August	1,38,197	1,51,442	18,940	49,738
September	1,35,566	1,48,561	19,122	45,151
October	1,33,229	1,45,999	16,418	47,282
November	1,30,780	1,43,400	16,912	48,038
December	1,27,940	1,39,212	15,670	44,990
January	1,25,746	1,37,859	16,190	43,837
February	1,24,119	1,36,105	15,849	43,253
March	1,21,900	1,33,673	15,559	42,208
<b>Total ₹</b>	<b>14,84,357</b>	<b>17,31,074</b>	<b>2,06,239</b>	<b>5,57,405</b>

### 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

Share Capital	31-Mar-18	31-Mar-17
<b>Authorized</b>		
15,00,00,000 [Previous year: 15,00,00,000] Equity shares of ₹ 10/- each	15,00,00,000	15,00,00,000
10,00,00,000 [Previous year: 10,00,00,000] 6% Compulsory Convertible Preference shares of ₹ 10/- each	10,00,00,000	10,00,00,000
50,00,00,000 9% Optionally Convertible Preference Shares of ₹ 10/- each	5,00,00,000	5,00,00,000
	<b>30,00,00,000</b>	<b>30,00,00,000</b>
<b>Issued, subscribed and paid-up</b>		
<b>Equity</b>		
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
	<b>23,05,37,150</b>	<b>23,05,37,150</b>

#### 2.01.1 Reconciliation of shares

	31-Mar-18 Number	31-Mar-18 Amount	31-Mar-17 Number	31-Mar-17 Amount
<b>a) Equity shares</b>				
Balance at the beginning of the year	1,08,21,230	10,82,12,300	1,08,21,230	10,82,12,300
Add: issued during the year	-	-	-	-
<b>Balance at the end of the year</b>	<b>1,08,21,230</b>	<b>10,82,12,300</b>	<b>1,08,21,230</b>	<b>10,82,12,300</b>
<b>b) Compulsory Convertible 6% Preference shares</b>				
Balance at the beginning of the year	72,32,485	7,23,24,850	72,32,485	7,23,24,850
Add: issued during the year	-	-	-	-
<b>Balance at the end of the year</b>	<b>72,32,485</b>	<b>7,23,24,850</b>	<b>72,32,485</b>	<b>7,23,24,850</b>
<b>c) Optionally Convertible 9% Preference shares</b>				
Balance at the beginning of the year	50,00,000	5,00,00,000	50,00,000	5,00,00,000
Add: issued during the year	-	-	-	-
<b>Balance at the end of the year</b>	<b>50,00,000</b>	<b>5,00,00,000</b>	<b>50,00,000</b>	<b>5,00,00,000</b>

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

- a) **Equity shares:** The Company has only one class of equity shares having a par value of Rs. 10/- per share. Each holder of equity share is entitled to one vote per share
- b) **Cumulative convertible Preference shares [CCPS]:** CCPS are convertible into equity after completion of 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.
- c) **Optionally Convertible Preference Shares [OCPS]:** OCPS are convertible at the option of the investors.

2.01.4 The details of shareholders as at March 31st, 2018 is set out below:

	31-Mar-18		31-Mar-17	
	No. of shares	%	No. of shares	%
<b>Equity share capital</b>				
IDF FSPL balaga welfare trust	9,02,146	8%	7,87,500	7%
IDF SHG Federation - Dharwad	63,02,168	58%	73,21,230	68%
Vivekanand. N. Salimath	6,50,833	6%	5,42,500	5%
Naganagouda M Patil	6,50,833	6%	5,42,500	5%
T V Srikantha Shenoy	6,23,875	6%	5,42,500	5%
Shrikant M Hebbal	6,23,875	6%	5,42,500	5%
Gururaj M Deshpande	6,50,833	6%	5,42,500	5%
IDF Sujeevana Federation Kunigal	4,16,667	4%	-	0%
<b>Total</b>	<b>1,08,21,230</b>	<b>100%</b>	<b>1,08,21,230</b>	<b>100%</b>
<b>Compulsory Convertible 6% Preference share capital</b>				
IDF SHG Federation - Dharwad	72,32,485	100%	72,32,485	100%
<b>Total</b>	<b>72,32,485</b>	<b>100%</b>	<b>72,32,485</b>	<b>100%</b>
<b>Optionally Convertible 9% Preference share capital</b>				
SIDBI	50,00,000	100%	50,00,000	100%
<b>Total</b>	<b>50,00,000</b>	<b>100%</b>	<b>50,00,000</b>	<b>100%</b>

2.02 Reserves and Surplus

	31-Mar-18	31-Mar-17
<b>Securities premium reserve</b>		
Opening balance	7,76,700	7,76,700
Additions during the year	-	-
	<b>7,76,700</b>	<b>7,76,700</b>
Statutory reserve		
Opening balance	1,70,05,714	1,16,22,474
Additions during the year	16,34,952	53,83,240
	<b>1,86,40,666</b>	<b>1,70,05,714</b>
<b>Vehicle Revolving Fund</b>		
Opening balance	1,17,887	1,17,887
Additions during the year	-	-
	<b>1,17,887</b>	<b>1,17,887</b>
<b>Surplus in the statement of Profit and Loss</b>		
Opening balance	41,80,306	2,16,04,047
Add: Profit/(loss) for the year	81,74,759	2,69,16,202
Less: Transferred to statutory reserve	(16,34,952)	(53,83,240)
Less: Dividend paid on Preference shares for FY 2015-16	-	(88,39,491)
Less: Dividend distribution tax paid	(49,00,096)	(17,99,507)
Less: Provision for dividend on preference shares for FY 2016-17	-	(88,39,491)
Less: Interim Dividend on Equity share paid during FY 2016-17	-	(1,94,78,214)
	<b>58,20,018</b>	<b>41,80,306</b>
	<b>2,53,55,271</b>	<b>2,20,80,607</b>
<b>* Provision for Dividend Distribution Tax for FY 2016-17 has to be made.</b>		

## 2.03 Borrowings

	31-Mar-18	31-Mar-17
<b>a) Secured [Refer note 3.3]</b>		
<b>i) Long Term loans</b>		
- From banks	25,86,24,221	19,15,08,033
- From other Financial Institutions	4,13,75,112	49,58,771
<b>ii) Short Term loans</b>		
- From banks	27,78,17,593	23,45,60,920
- From other Financial Institutions	3,74,73,674	6,45,19,320
<b>iii) Cash Credits</b>		
- From banks	5,23,43,950	3,43,24,446
	<b>66,76,34,550</b>	<b>52,98,71,491</b>

### 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-18	31-Mar-17
Opening balance	11,42,787	30,72,685
Deletion during the year	(5,05,068)	(19,29,898)
	<b>6,37,719</b>	<b>11,42,787</b>

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

## 2.05 Other current liabilities & Provisions

	31-Mar-18	31-Mar-17
Statutory Liabilities	5,26,821	2,33,868
Other payables	11,82,397	4,84,942
Provision for Tax	1,82,17,376	1,36,00,000
Payable to staff	23,71,429	17,99,039
Sundries payable	5,73,544	1,41,418
Insurance Premium Payable	22,59,171	8,96,992
Dividend Payable	-	88,39,491
	<b>2,51,30,737</b>	<b>2,59,95,750</b>

## 2.06 Loans to groups

	31-Mar-18		31-Mar-17	
	Non-current	Current	Non-current	Current
Standard Assets	22,54,38,488	56,54,81,627	9,69,58,503	51,11,73,388
Non-Performing Assets	2,88,841	1,06,03,847	52,948	23,73,457
	<b>22,57,27,329</b>	<b>57,60,85,474</b>	<b>9,70,11,451</b>	<b>51,35,46,845</b>
Less: Provision for Standard Assets	19,12,545	-	-	36,79,178
Less: Provision for Non-Performing Assets	61,05,584	-	52,948	23,73,457
	<b>21,77,09,200</b>	<b>57,60,85,474</b>	<b>9,69,58,503</b>	<b>50,74,94,210</b>

The provision for non-performing assets has been provided as per the RBI norms. Accordingly the Company has made an additional provision of Rs.19,12,545 for the year ended 31st March 2018.

## 2.08 Long-term loans and advances

	31-Mar-18	31-Mar-17
<b>Unsecured, considered good</b>		
Rent Advance	13,52,000	10,16,000
Prepaid taxes	1,60,00,000	1,10,00,000
TDS Receivables	18,18,686	8,18,856
Vehicle loans to staff	10,000	32,000
	<b>1,91,80,686</b>	<b>1,28,66,856</b>

## 2.09 Cash and cash equivalents

	31-Mar-18	31-Mar-17
<b>Balances with banks</b>		
- in deposit account	10,52,10,954	11,22,42,201
- in current accounts	78,76,300	6,48,82,028
Other Investments		
DHFL Pramerica Life Insurance Co-Deposit	50,000	50,000
Deposit with KPTAK MAHINDRA Life Insurance	25,000	-
Mutual Fund- RELIANCE	6,00,000	-
Mutual Fund- ADITYA BIRLA	6,00,000	-
Mutual Fund- UNION BANK OF INDIA **	1,14,65,000	-
Cash on hand	1,62,692	59,142
	<b>12,59,89,946</b>	<b>17,72,33,371</b>

\*\*Note: Mutual Funds with Union Bank is held as lien against term loans sanctioned by the Bank

## 2.10 Other current assets

	31-Mar-18	31-Mar-17
Interest Receivable	30,62,034	29,68,024
Receivables	11,00,000	23,05,520
Stamp in Stock	5,807	587
	<b>41,67,841</b>	<b>52,74,131</b>

## 2.11 Revenue from operations

	31-Mar-18	31-Mar-17
Interest Income	13,48,43,162	17,55,28,539
Service charges on loans	71,14,860	57,89,770
	<b>14,19,58,022</b>	<b>18,13,18,309</b>

## 2.12 Other income

	31-Mar-18	31-Mar-17
Interest on term deposits	74,56,495	50,65,999
Bad debts recovered	8,32,131	12,73,640
Other non-operating income	4,911	14,500
Reversal of excess provision for loan losses	-	16,04,896
	<b>82,93,537</b>	<b>79,59,035</b>

## 2.13 Employee benefit expenses

	31-Mar-18	31-Mar-17
Salaries, wages and bonus	4,00,97,333	3,78,69,020
Contributions to provident and other funds	22,94,355	21,93,003
Staff welfare and training expenses	62,008	4,02,755
	<b>4,24,53,696</b>	<b>4,04,64,778</b>

## 2.14 Finance costs

	31-Mar-18	31-Mar-17
Interest on borrowings	6,14,69,370	7,06,16,262
Loan processing fee on borrowings	37,75,152	60,20,350
Bank charges	7,88,806	4,37,363
Documentation and evaluation expenses	7,18,358	9,69,190
	<b>6,67,51,686</b>	<b>7,80,43,165</b>

## 2.15 Provisions and write-offs

	31-Mar-18	31-Mar-17
Bad debts written-off	52,56,929	97,91,423
Additional provision for Non-performing Assets	19,12,545	-
Cash Loss written off A/c	-	2,06,400
	<b>71,69,474</b>	<b>99,97,823</b>

## 2.16 Other operating expenses

	31-Mar-18	31-Mar-17
Travelling and conveyance	18,02,633	24,03,768
Communication Expenses	13,67,124	17,35,535
Rent	35,57,319	29,08,765
Office maintenance	7,95,875	6,75,857
Printing & stationary	7,77,392	7,80,163
Insurance	7,03,176	5,00,602
Repairs and maintenance	8,71,984	3,10,191
Meeting Expenses	2,86,338	2,65,369
Subscription Fees	1,52,600	6,35,891
Credit Bureau Expenses	-	39,978
Miscellaneous Expenses	1,83,345	1,75,093
Legal Fees	15,000	-
Rates & Taxes	2,536	-
Professional charges	29,54,824	32,90,902
Project Service charges	-	4,50,000
Gratuity Premium paid	8,08,125	9,53,087
	<b>1,42,78,271</b>	<b>1,51,25,201</b>

### 2.16.1 Other Expenses

	31-Mar-18	31-Mar-17
R O C Filing fee	27,590	20,412
	<b>27,590</b>	<b>20,412</b>
	<b>1,43,05,861</b>	<b>1,51,45,613</b>

## 2.17 Auditor's Remunerations

	31-Mar-18	31-Mar-17
Audit Fees	6,44,850	6,90,000
	<b>6,44,850</b>	<b>6,90,000</b>

### 3) Supplementary information

#### 3.01 Contingent liabilities and commitments

	31-Mar-18	31-Mar-17
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-18	31-Mar-17
Tier I Capital	1,926.08	1,952.18
Tier II Capital	500.00	500.00
<b>Total</b>	<b>2,426.08</b>	<b>2,452.18</b>
<b>Total Risk weighted assets</b>		
(i) Adjusted value of funded risk assets i.e. on-balance sheet items	7,922.67	6,131.94
(ii) Adjusted value of non-funded and off-balance sheet items	-	-
<b>Total risk weighted assets/ exposures</b>	<b>7,922.67</b>	<b>6,131.94</b>
Capital to Risk-Assets Ratio [CRAR]		
Tier I Capital as a percentage of Total Risk weighted assets (%)	24.31%	31.84%
Tier II Capital as a percentage of total Risk weighted assets (%)	6.31%	8.15%
<b>CRAR (%)</b>	<b>30.62%</b>	<b>39.99%</b>

#### 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-18		31-Mar-17		As on 31st Mar 2018	As on 31-March 2017
	No. of accounts	Amount	No. of accounts	Amount	Amount	Amount
Standard assets	40,706	79,09,20,115	45,635	60,81,31,891	-	-
Non-Performing assets	1,095	1,08,92,688	221	24,26,405	80,18,128	61,05,583
<b>Total</b>	<b>41,801</b>	<b>80,18,12,803</b>	<b>45,856</b>	<b>61,05,58,296</b>	<b>80,18,128</b>	<b>61,05,583</b>

These are classified as standard assets and Non-performing 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.

The Non-performing assets are 1.36% for the period ending 31st March 2018 as compared to 0.40% of total loan portfolio for the year ending 31st March 2017.

#### 3.02.3 Margin

Margin Cap of the Company as on 31st March 2018 is 9.78%. 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 2018, 90.42% of total assets of ` 83,23,45,482/- (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%- 25% p.a.on reducing balance basis and upfront fees not more than 1% of the loan disbursed.

The Company has charged its borrowers only actual cost of insurance as per the extant 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-18	31-Mar-17		
<b>1. Term Loans - Secured</b>				
<b>A. From Banks</b>				
Canara Bank	54,98,847	2,37,53,766	Repayable in 36 equated monthly installments	
Canara Bank	1,29,47,080	2,39,86,553	Repayable in 60 equated monthly installments	
Canara Bank	2,04,14,316	2,47,97,746	Repayable in 60 equated monthly installments	
Canara Bank	3,00,16,392	-	Repayable in 60 equated monthly installments	
Syndicate Bank	-	13,28,896	Repayable in 36 equated monthly installments	
Syndicate Bank	1,23,64,879	3,48,05,303	Repayable in 36 equated monthly installments	
State Bank of India	87,62,197	7,70,94,189	Repayable in 36 equated monthly installments	
State Bank of India	3,36,21,067	10,50,28,762	Repayable in 36 equated monthly installments	
State Bank of India	19,83,43,886	-	Repayable in 36 equated monthly installments	
Union Bank of India	94,09,488	2,80,62,077	Repayable in 36 equated monthly installments	
Union Bank of India	2,49,25,767	4,63,02,403	Repayable in 12 quarterly instalments	
Union Bank of India	4,58,33,333	-	Repayable in 12 quarterly instalments	
Karnataka Grameen Vikas Bank	-	1,14,52,569	Repayable in 36 equated monthly installments	
Karnataka Grameen Vikas Bank	1,19,20,002	2,19,14,005	Repayable in 36 equated monthly installments	
Karnataka Grameen Vikas Bank	2,17,31,240	-	Repayable in 36 equated monthly installments	
UCO Bank	10,06,53,320	-	Repayable in 12 quarterly instalments	
<b>Total</b>	<b>53,64,41,814</b>	<b>39,85,26,269</b>		
<b>B. From Other Financial Institutions</b>				
SIDBI	43,21,451	2,91,50,000	Repayable in 24 Equated monthly installments	
Jain Sons Finlease Ltd	-	1,03,28,246	Repayable in 12 monthly installments	
NABKISAN Finance Ltd	7,45,27,335	2,99,99,845	Repayable in 12 quarterly Installments	
<b>Total</b>	<b>7,88,48,786</b>	<b>6,94,78,091</b>		
<b>2. Cash Credit from Banks</b>				
Karnataka Grameen Vikas Bank	4,92,27,930	3,89,95,253	Limits Valid upto 28.02.2019	
Syndicate Bank	31,16,020	2,28,71,877	Limits Valid upto 31.08.2018	
<b>Total</b>	<b>5,23,43,950</b>	<b>6,18,67,130</b>		
<b>Grand Total</b>	<b>66,76,34,551</b>	<b>52,98,71,490</b>		

### 3.0.4 Earnings per share

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

	31-Mar-18	31-Mar-17
Net profit as per profit and loss account	81,74,759	26,91,61,202
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
<b>Nominal value per share</b>	<b>10</b>	<b>10</b>

### 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 LIC 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
IDF Sujeevana Federation – Kunigal	Share Holder
IDF SHG Federation – Dharwad	Share Holder

#### 3.06.2 Nature of transactions

Name of related party	Nature of transaction	Type	31-Mar-18	31-Mar-17
IDF Sujeevana Federation – Kunigal	Loans	Payment	30,05,873	-
Idf SHG Federation Dharwad	Loans	Payment	2,67,98,198	-
Total			<b>2,98,04,071</b>	-

### 3.07 Earnings and expenditure in foreign currency

	31-Mar-18	31-Mar-17
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, 2013.

As per our report of even date

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



(R R Kulkarni)  
Proprietor

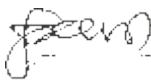
M. No.: 211616



for IDF Financial Services Private Limited



(V N Salimath)  
Chairman  
DIN: 0253109

(N M Patil)  
Managing Director  
DIN: 1674210

Date: June 25, 2018  
Place: Bengaluru

## IDF FINANCIAL SERVICES PRIVATE LIMITED

Notes to the financial statements as at March 31, 2018

### Note 2.7 : Fixed assets

Particulars	Gross Block			Depreciation			Net Block			
	As on March 31st, 2017	Additions for the year	Deletions for the year	As on Mar 31st, 2018	Up to March 31st, 2017	Additions for the year	Deletions For the year	As on Mar 31st, 2018	As At Mar 31st, 2018	As at March 31, 2017
<b>A. Tangible assets</b>										
Computer and Accessories	61,28,133	4,32,017	-	65,60,150	50,37,771	7,17,061	-	57,54,832	8,05,318	10,90,362
Furniture and Fixtures	18,96,344	1,38,229	-	20,34,573	15,80,945	90,327	-	16,71,272	3,63,301	3,15,399
Vehicle	9,86,671	7,10,264	-	16,96,935	1,95,961	3,28,372	-	5,24,333	11,72,602	7,90,710
Office Equipment	28,59,233	15,000	-	28,74,233	26,54,989	98,184	-	27,53,173	1,21,060	2,04,244
<b>Total [A]</b>	<b>1,18,70,381</b>	<b>12,95,510</b>	<b>-</b>	<b>1,31,65,891</b>	<b>94,69,666</b>	<b>12,33,945</b>	<b>-</b>	<b>1,07,03,610</b>	<b>24,62,281</b>	<b>24,00,715</b>
<b>B. Intangible assets</b>										
Goodwill	3,70,00,000	-	-	3,70,00,000	2,96,00,000	37,00,000	-	3,33,00,000	37,00,000	74,00,000
<b>Total [A+B]</b>	<b>4,88,70,381</b>	<b>12,95,510</b>	<b>-</b>	<b>5,01,65,891</b>	<b>3,90,69,666</b>	<b>49,33,945</b>	<b>-</b>	<b>4,40,03,610</b>	<b>61,62,281</b>	<b>98,00,715</b>

Date : June 25, 2018  
Place: Bengaluru



# ANNUAL REPORT

## *idf* | 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 Grameena Vikas Bank
- Canara Bank
- Union Bank of India
- Syndicate Bank
- UCO Bank
- Small Industries Development Bank of India (SIDBI)
- NABKISAN Finance Ltd
- Jainsons Finlease Ltd

### Statutory Auditors

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

## *idf* | IDF Financial Services Private Limited

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Street, South End, Basavanagudi, Bangalore - 560 004  
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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](mailto:idff.ao@gmail.com), website: [www.idf-finance.in](http://www.idf-finance.in)