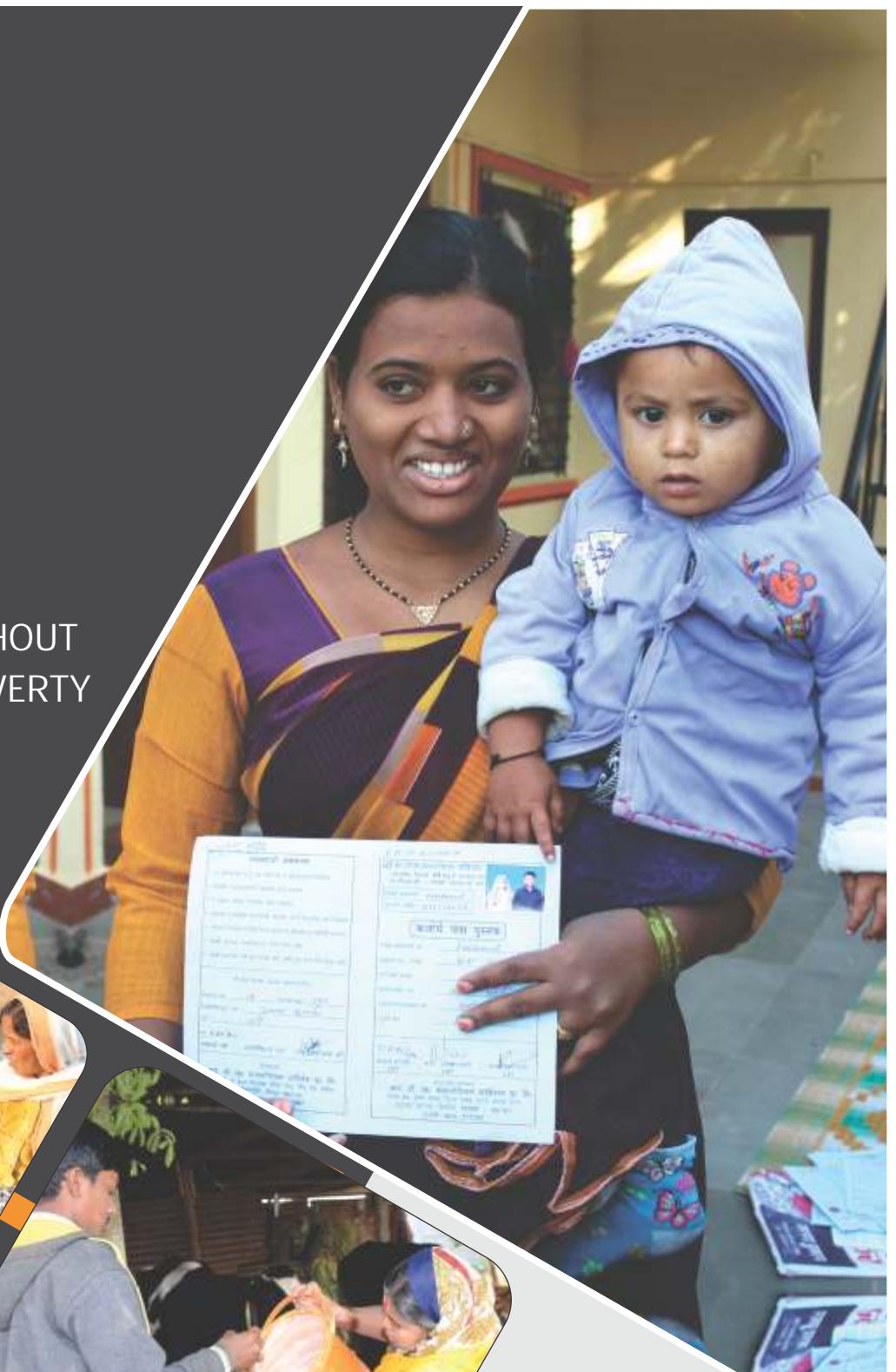


# ANNUAL REPORT

2018-19

SATISFYING OUR  
SHARE HOLDERS, WITHOUT  
PROFITING FROM POVERTY



*idf* | IDF Financial Services  
Private Limited

## Chairman's Message



*"Change is the end result of all true learning"*

- **Leo Buscaglia**

Unfolding the past successful year, I'm honored to present the Annual Report for the FY 2018-19 and happy to state that the year under review has been a truly rewarding one in several ways.

We closed the year on a high- ended note with the following highlights:

- a. We extended our operations into neighbouring state of Goa with two branches thus covering three South Indian States.
- b. Crossing 100 crore mark in Gross Loan Portfolio.
- c. Brisk growth in business as disbursements grew by 55% over the previous year
- d. Increase in customer base by 39% and branch network by 30% over the previous year
- e. Revenue increased by 40% over the previous year.
- f. Our Organizational Grading has increased by one notch to M3

In a year that witnessed one of the most dynamic changes to affect the country's financial landscape owing to increasing Banks NPAs, IDF FSPL has learned, tapped opportunities and grown from strength to strength. Our team successfully increased

organizational liquidity to support our growth aspiration and raised 95 crores from diverse lenders even as it widened its lender pool to include private banks and other financial institutions.

But fiscal 2018-19 was an important milestone in IDF FSPL's journey beyond just business growth. Our dogged determination towards the digital journey which was initiated in July 2016 yielded heartening returns. Now 100% of all our loan disbursements are cashless. Extending this success to its next logical step, we are making inroads with our cash-less collection module.

From bettering our operational processes to putting in place a fine technological and digital platform, from benefiting lives in the remotest of locations to diversifying its services to cater to the different segments of customers, IDF FSPL is steadily obtaining the opportunities and privileges of making a sustainable change in the underserved communities.

I wish to thank all our customers for their business, our employees for their relentless hard work, our senior management team for the leadership they provide, the RBI and other

regulators for being a proactive and supportive, the central and state governments for the supportive ground level ecosystem, our promoter group for their continued focus and commitment, our lenders for their continued support and our vendors and business partners for their cooperation and help throughout the year. Lastly, I would like to thank our Board of Directors, for their continuous support and guidance.

On behalf of my management team, I assure you that we will do our best to ensure the continued success of your company. We are grateful for your support and trust that you will continue to repose your confidence in us.

  
**(Vivekanand N. Salimath)**  
Chairman

## Message from Managing Director



*"Our greatest glory is not in never falling, but in rising every time we fall"*

*Confucius*

I am delighted to report yet another pleasing year by your company. In the 10th year of our existence as a microfinance institution, despite trying ground level conditions post demonetization, introduction of GST and our own operating system change, we have delivered a decent operational and financial performance.

IDF FSPL continued to strengthen its coverage of the Indian landmass to explore and capitalize on microfinance opportunities with cautious aggression. Hence, even as it continued to strengthen its presence in existing states, the Company established its footprint in one new state—Goa (rolling out 2 branches). In doing so, the Company added 36626 new customers, disbursing Rs. 110.47 crore during FY 2018-19.

With a strong management team and a committed workforce, IDFFSPL closed the financial year by crossing INR 100 Cr Asset under Management (AUM). We have successfully crossed serving over 50000 customers, through a network of 51 branches and employee strength of over 262 as of end March 2019

During the ensuing financial year 2019-20 the Company plans to open 16 new branches in the existing States of operation by disbursing a sum of Rs. 190 crores for reaching a portfolio of Rs. 185 crores.

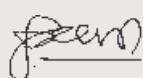
Going forward, the Company is also focused on entering the States of Odissa, UP and Jharkhand by 2020-21 for sustaining its growth prospects.

We are steadfastly working on ensuring operational efficiencies and internal controls as we pursue financial inclusion. This has helped us maintain lower operating costs and lower credit costs and report better profitability compared to our industry averages. We have been also enhancing our technology play.

We thank our customers for their enterprising efforts in using the loans from us for increasing their income opportunities and their wellbeing. Their success stories motivate us to continue to work with passion and commitment.

We would also like to thank our employees for their relentless hard work in meeting company's operating objectives.

We are also thankful to our lenders and investors who have trusted their funds with us and helped us expand our service provision to our target customers. Push on financial inclusion by all wings of the governments and RBI's oversight on the NBFC-MFI sector gives us confidence that we should continue on our path of serving larger number of customers.

  
**(Naganagouda M Patil)**  
Managing Director

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# Annual Report 2018-19



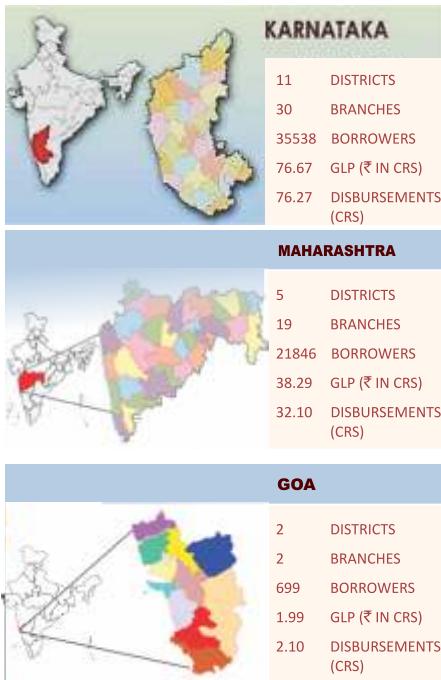


# Section - 1

## About IDF FSPL Overview



### IDF FSPL Overview

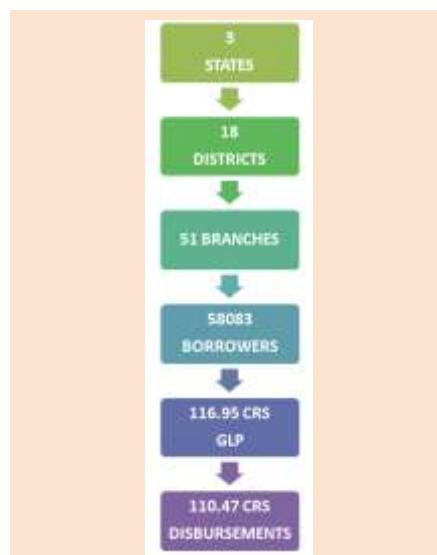


IDF Financial Services Pvt Ltd (IDF FSPL) is a predominantly community owned Non-Banking Micro Finance Company providing short term finance to micro Self Help Groups (mSHGs) that it forms and nurtures with a special focus on rural and semi urban segments. IDF FSPL believes in providing quality and sustainable 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 18 districts across 3 States in India viz Karnataka, Maharashtra and Goa.

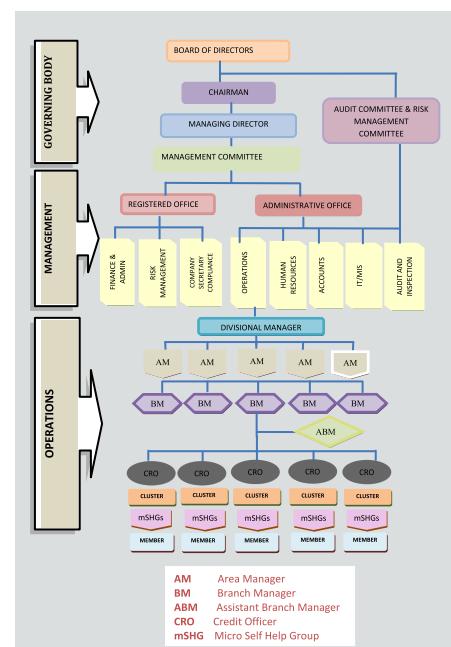
The operations of the Company is headed by Head – Operations and assisted by Divisional Managers. The Divisional Managers monitor 3-4 area offices. Each area office consists of 3-5 branches. The area offices are headed by Area Managers, who are responsible for the overall business development of the branches assigned to them. The Branches are headed by the Branch Manager (BM), who is assisted by 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 51 branches and a Staff Strength of 262. The total no of borrowers as at 31st March 2019 is 58083 with GLP of Rs. 116.95 crores. The Company disbursed an amount of Rs. 110.47 crores during the year 2018-19.



### Organisational Hierarchy



## Who We Serve

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

**The Company primarily serves low income households, both rural & urban**  
**100% Women clients**

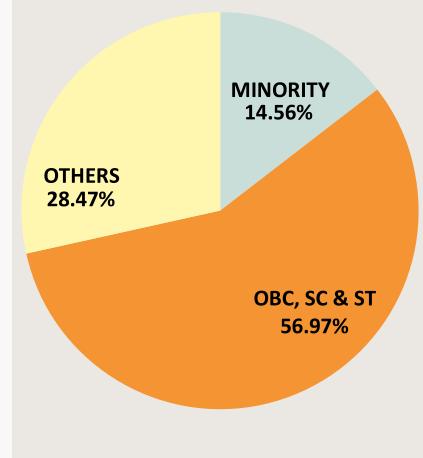
Client-assessment includes:

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

## Profile of SHG Members

Characteristics		Description
Annual Income		Rural areas: Up to Rs. 1,00,000 Urban areas: Up to Rs. 1,60,000
Education		Illiterate or semi-literate
Age		Age group 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 house hold works.

## Serving the Weakest Sections of the Society



## Work Process

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 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.

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.

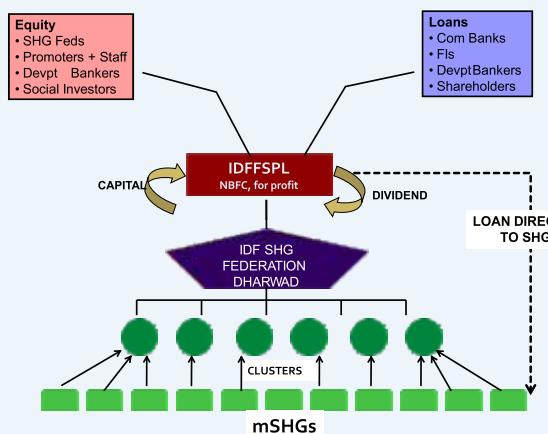
All the mSHGs are federated at the district level. Federations are registered mutual benefit trusts aimed at socio-economic development of its members, in addition to representing the interests of mSHG members as equity shareholders of the Company. Some Federations cover more than one district.

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.

## Services Offered:

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

## Operational Structure

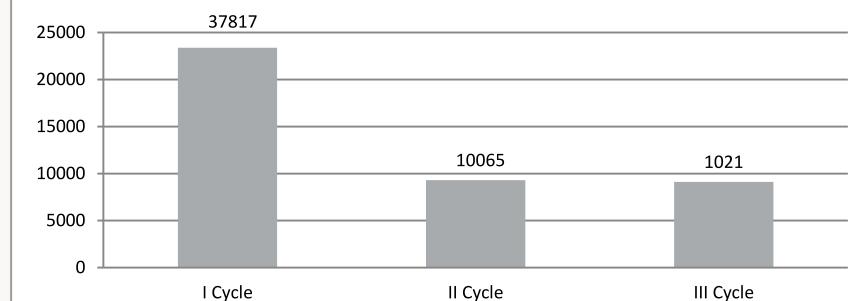


## Products

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

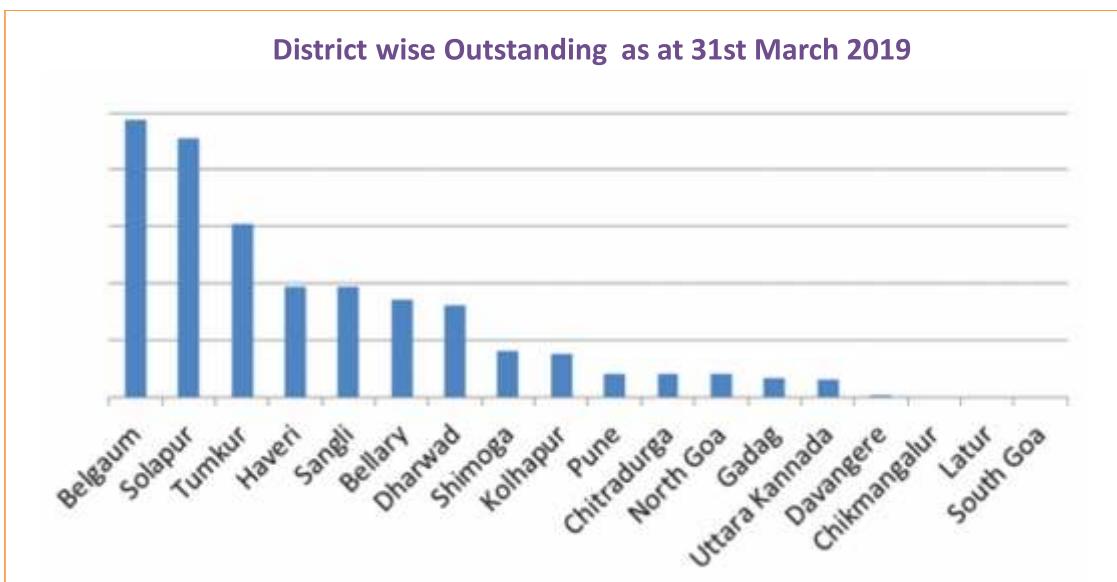
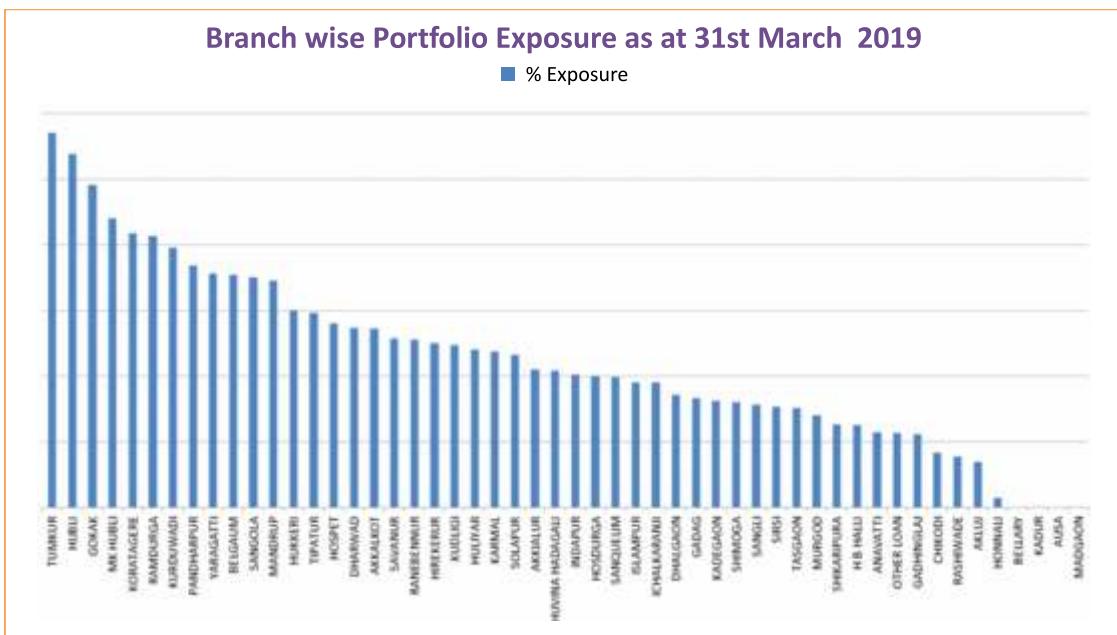
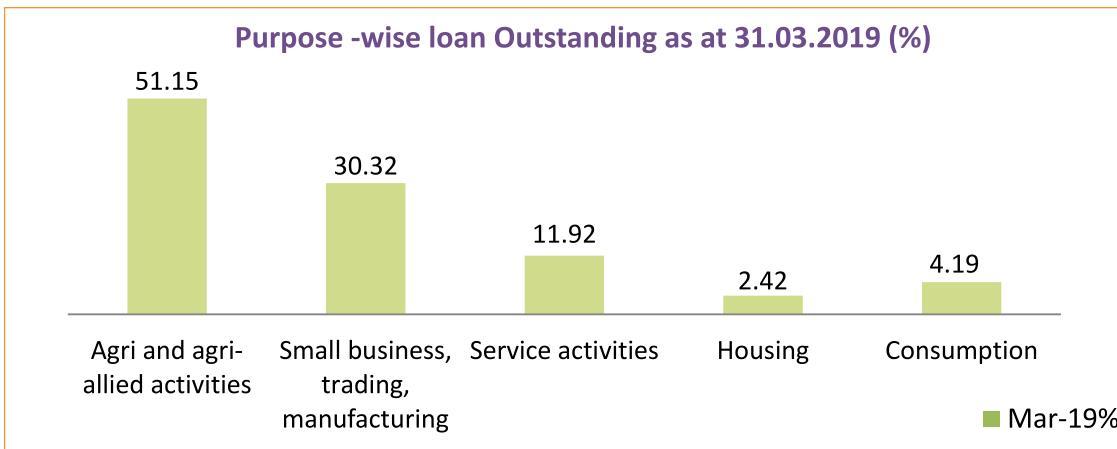
Loan Terms	mSHG Loans			
	Cycle I	Cycle II	Cycle III	Individual Loans
Max Loan Amount in Rs.	20000-25000 Per Member	25000- 35000 Per Member	35000- 50000 Per Member	Rs. Rs.60000 to Rs. 1,00,000 per member
Repayment Period in months	12	24	24	24 – 36
Rate of interest	24%	24%	24%	25%
Service Charge	1%	1%	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 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 MemberEx Board of Directors Sa-Dhan. Treasurer
- Has considerable experience in rural enterprise development and Banking.



**T V Srikantha Shenoy**  
Director

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



**Gururaj M Deshpande**  
Director

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



**Naganagouda M. Patil**  
Managing Director

- Has experience of 20 years in Syndicate Bank as Rural Development Officer, Lead District Manager.
- Director, RUDSETI (5 years) on deputation.
- With IDF since 2004, has implemented Watershed Development and livelihood programmes
- In-charge of MF operations of IDF since its inception in 2005 and Managing Director of IDF FSPL since inception from 01.04.2009
- Has considerable experience in rural enterprise development and Banking.



**Kasturi Dambal**  
Director

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



**R M Kummur**  
Director

- Dr Kummur is a M Sc (Agri) from University of Agriculture Sciences Bengaluru and Ph D from Indian Agriculture Research Institute New Delhi.
- Joined NABARD through campus recruitment in 1985 at one Grade above normal entry. Starting his service from NABARD HQ Mumbai, he worked at different places like Port Blair, Bengaluru, Lucknow, Chandigarh, Raipur and Mumbai again, reaching up to the position of Chief General Manager.

## Committees of the Board

- His major contributions were in the areas of microfinance, FPOs, Agriculture Policy, Watershed Development, Wadi, Climate change, organic production, tribal development, NFS development, skill development, etc.
- He also served as Director on the Board of A&N SCB Port Blair (1998-2000) and NCDEX Mumbai(2014-2017).
- After super annuation, he is settled in Bengaluru and working as President, Agrico's Foundation for New India, a nonprofit organization, to harness the energy of retiring Agri Sciences Graduates for nation building.



**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.



**Sunil Kumar Bibhutty**  
Director

- He is appointed on the Board of Directors as a Nominee Director from SIDBI.
- He is serving as Assistant General Manager, SIDBI- Corporate office, Lucknow.
- He has vast experience in areas of promotional and developmental, micro finance and direct finance operations of the Bank of around 22 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

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

**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

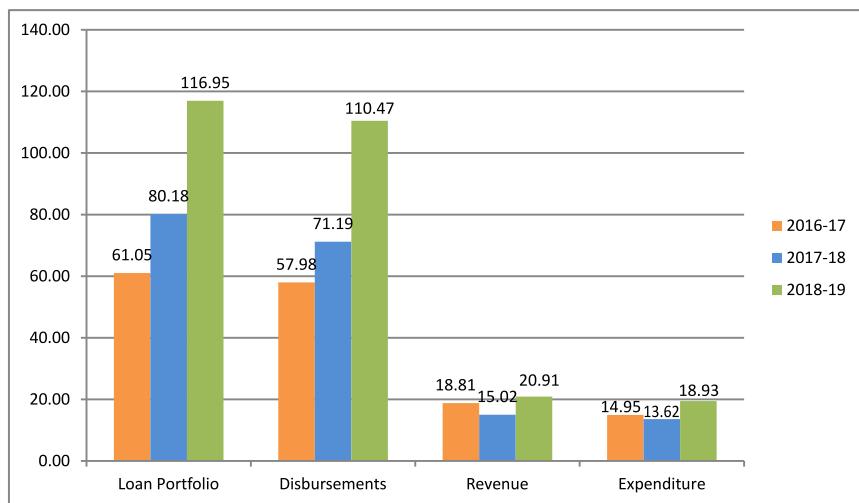
# Results and Performance



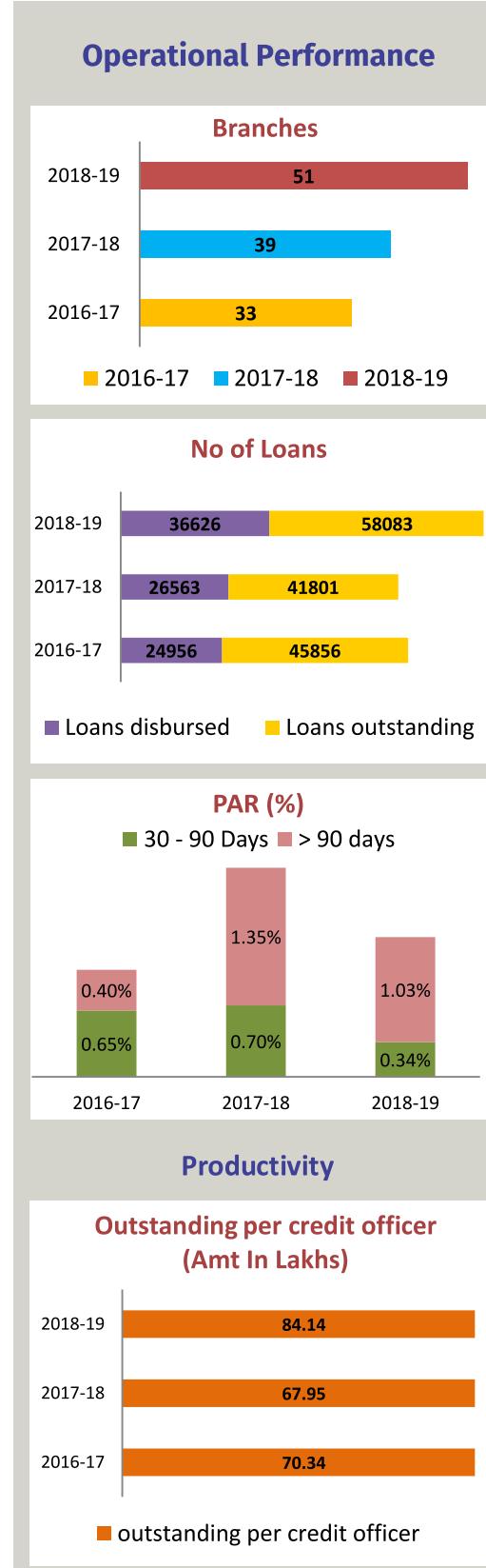
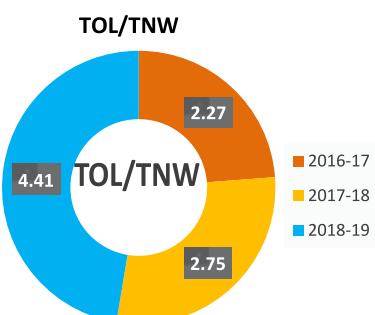
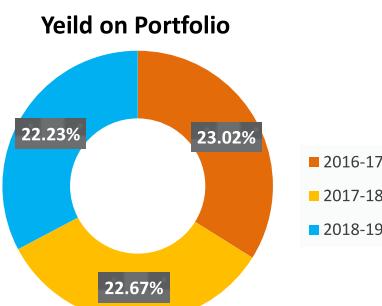
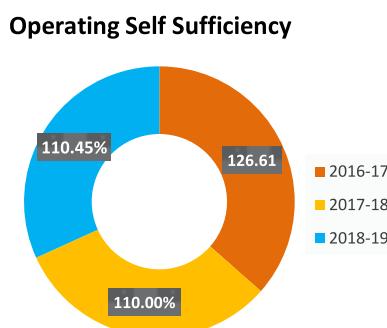
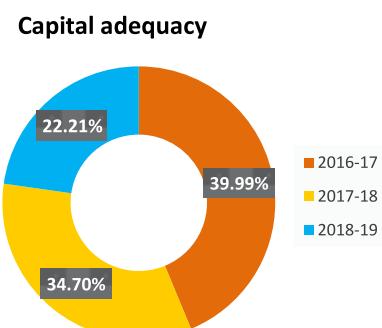
### Accomplishments of Year 2018-19



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



### Financial Performance



## 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/2019, the no of employees was 262.

## Compensation and Benefits

We at IDFFSPL commensurate employees based on their skill and performance which is in line 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 joiners. 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 are 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 regional, 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% Digitalized 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 submitting their Annual Report of the Company together with the Audited Statements of Accounts for the year ended 31st March 2019.

### 1. Financial Summary

Particulars	As at the end of current reporting period 31 Mar 2019
Revenue from Operation	199314462
Other income	97,79,928
Expenses	7,91,04,553
Profit before Financial Expenses, Depreciation and Taxation	12,99,89,837
Less: Financial Expenses	10,52,68,884
Profit before Depreciation and Taxation	2,87,62,070
Less: Depreciation	49,45,368
<b>Profit before taxation</b>	<b>1,97,75,585</b>
Less: Provisions for Taxation	40,41,117
Current Tax	53,68,000
- Reversal of Income tax provision—prior years	(3,98,690)
- Deferred Tax (Credit)/ Charge	(9,28,193)
<b>Profit after Taxation</b>	<b>1,57,34,468</b>

Financials are displayed in [www.idf-finance.in](http://www.idf-finance.in)

### 2. Principal Business Activities of the Company

The Company is in the business of Micro Finance.

### 3. Extracts of Annual Return

The extracts of the Annual Return of your Company pursuant to Section 92(3) of the Companies Act, and Rules 12(1) of the Companies (Management and Administration) Rules, 2014, is given in Annexure I in Form MGT-9 and the same forms part of this report.

### 4. Number of Meetings of the Board:

During the Financial year ended 31st March, 2019, Seven Board Meetings were held. The intervening gap between two meetings was well within the maximum allowed gap of 120 days as prescribed under Companies Act, 2013.

### 5. Directors' Responsibility Statement:

In accordance with the provisions of Section 134(5) of the Companies Act, 2013 the Board hereby submit its responsibility Statement:

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) 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;
- (d) the directors had prepared the annual accounts on a going concern basis;
- (e) 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
- (f) 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.

### 6. Declaration by Independent Directors:

The Company was not required to appoint Independent Directors under Section 149(4) and Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 hence no Declaration has been obtained.

### 7. Company's policy on Director's appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178:

The Provisions of Section 178(1) with respect to constitution of Nomination and Remuneration Committee are not applicable to the Company and hence no policy is formulated on director's appointment and remuneration, criteria for determining qualifications, positive attributes, independence of a director and other related matters as provided under Section 178(3) of the Companies Act, 2013.

### 8. Audit Report:

The Auditors' Report does not contain any qualifications, reservations and adverse remarks. The Provisions relating to submission of Secretarial Audit Report is not applicable to the Company.

### 9. Particulars of Loans, guarantees or investment under Section 186:

During the year under review, the Company has not advanced any loans/ given any guarantees/ made investments.

### 10. Particulars of contracts or arrangements made with related parties:

There were no contract or arrangements made with related parties as defined under Section 188 of the Companies Act, 2013 during the year under review and hence the said provision is not applicable.

### 11 Transfer to Reserve:

The Company has transferred Rs. 31,46,894 to statutory reserve.

### 12 Dividend:

Following dividend are distributed:

Sr. No	Particulars	Dividend payable in Rs.
1	Optionally Convertible Preference Shares	45,00,000

There were no unclaimed or unpaid dividends in the Company in pursuance of Section 124 of the Companies Act, 2013 and hence no funds were required to be transferred to the Investor Education and Protection Fund.

### 13. Material Changes between the date of the Board Report and end of the Financial Year:

There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of this report.

### 14. Risk Management Policy:

The Company has developed and implemented a risk management policy to create transparency, minimize adverse impact on the business objectives and enhance the Company's competitive advantage. The policy is designed to identify the elements of risk which may threaten the existence of the Company. The major risk identified by the business and functions are systematically addressed through mitigating actions on a continuing basis.

### 15. Corporate Social Responsibility:

The provisions of Section 135 of the Companies Act, 2013 are not applicable to the Company.

### 16. Conservation of Energy, Technology absorption, foreign exchange earnings and outgo:

The particulars as prescribed under clause (m) of sub-section (3) of section 134 of the Companies Act, 2013 read with Rule 8 of Companies (Accounts) Rules, 2014 are as under:

1. Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.

2. The Foreign exchange earnings and outgo for the financial year is Nil.

### 17. Subsidiaries, Joint Ventures and Associate Companies:

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

### 18. Deposits:

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

### 19. Directors and KMP:

Following are the changes in Board and KMP:

Sr. No	Name	Designation	Appointment/cessation
1	Muralidharan Thykat	Director	Resignation
2	Rudrayya Mallayya Kummur	Director	Appointment
3	Sunil Kumar Bibhutty	Nominee Director	Appointment
4	Swathi Gupta	Company Secretary	Resignation
5	Pallavi Lingraj	Company Secretary	Resignation
6	Prashant Hegde	Company Secretary	Appointment

### 20. Particulars of Employees:

Non of the employee has received remuneration exceeding the limits as stated under Companies Act, 2013.

### 21. 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 weakness in the design or operation were observed.

### 22. Statutory Auditors:

M/s. R R Kulkarni & Co, Chartered Accountants (Firm Registration Number: 010916S) hold the office till the conclusion of Annual General Meeting to be held in the year 2019. As required by the Companies Act, 2013.

### 23. 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.

### 24. Shares:

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

Increase in Share Capital	Buy Back of Securities	Sweat Equity	Bonus Shares	Employees Stock Option Plan
Nil	Nil	Nil	Nil	Nil

### 25. 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.

### 26. Disclosure Under the Sexual Harassment of Women at Workplace (Prevention, Prohibition And Redressal) Act, 2013

There were no complaints reported under The Sexual Harassment of Women at Workplace (Prevention, Provision and Redressal) Act, 2013 during the year under review.

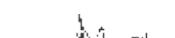
### 27. Acknowledgements:

Your Directors place on record their sincere thanks to bankers, business associates, consultants, and various Government Authorities for their continued support extended to your Companies activities during the year under review. Your Directors also acknowledges gratefully the shareholders for their support and confidence reposed on your Company.

### 28. Details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government:

There is no frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government.

For and on behalf of the Board



Vivekanand N Salimath  
Chairman  
DIN: 00253109



Naganagouda M Patil  
Managing Director  
DIN: 01674210

Date : June 17, 2019



Place: Bengaluru

## Annexure - A

# FORM No. MGT- 9



### EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31st MARCH 2019

[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	<b>IDF FINANCIAL SERVICES PRIVATE LIMITED</b>
iv.	Category/Sub-Category of the Company	PRIVATE LIMITED COMPANY, NON BANKING FINANCIAL COMPANY MICROFINANCE 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	-	95.33%

#### 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		3200249	3200249	29.57%	3200249	3200249	29.57%	-
b) Central Govt								
c) State Govt(s)								
d) Bodies Corp								
e) Banks / FI								
f) Any Other		902147	902147	8.34%	902147	902147	8.34%	-
<b>Sub-total(A)(1):-</b>		<b>4102396</b>	<b>4102396</b>	<b>37.91%</b>	<b>4102396</b>	<b>4102396</b>	<b>37.91%</b>	
<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 Trusts	<b>6718834</b>	<b>6718834</b>	<b>62.09%</b>	<b>6718834</b>	<b>6718834</b>	<b>62.09%</b>	<b>-</b>
<b>Sub-total(B)(2)</b>	<b>6718834</b>	<b>6718834</b>	<b>62.09%</b>	<b>6718834</b>	<b>6718834</b>	<b>62.09%</b>	
Total Public Shareholding (B)=(B)(1)+(B)(2)							
<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

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	Vivekanand. N. Salimath	6,50,833	6.01%	0	6,50,833	6.01%	0	-
2.	Naganagouda M Patil	6,50,833	6.01%	0	6,50,833	6.01%	0	-
3.	T V Srikantha Shenoy	6,23,875	5.77%	0	6,23,875	5.77%	0	-
4.	Shrikant M Hebbal	6,23,875	5.77%	0	6,23,875	5.77%	0	-
5.	Gururaj M Deshpande	6,50,833	6.01%	0	6,50,833	6.01%	0	-
6.	IDF FSPL Balaga Welfare Trust	9,02,146	8.34%	0	9,02,146	8.34%	0	-
	<b>Total</b>	<b>41,02,396</b>	<b>37.91%</b>	<b>0</b>	<b>41,02,396</b>	<b>37.91%</b>		-

*iii Change 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
<b>1</b>	<b>VIVEKANAND N SALIMATH</b>				
	At the beginning of the year	650833	6.01%	650833	6.01%
	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	-	-	-	-
	<b>At the End of the year</b>	<b>650833</b>	<b>6.01%</b>	<b>650833</b>	<b>6.01%</b>
<b>2</b>	<b>NAGANAGOUDA M PATIL</b>				
	At the beginning of the year	650833	6.01%	650833	6.01%
	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	-	-	-	-
	<b>At the End of the year</b>	<b>650833</b>	<b>6.01%</b>	<b>650833</b>	<b>6.01%</b>
<b>3</b>	<b>T V SRIKANTHA SHENOY</b>				
	At the beginning of the year	623875	5.77%	623875	5.77%
	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	-	-	-	-
	<b>At the End of the year</b>	<b>623875</b>	<b>5.77%</b>	<b>623875</b>	<b>5.77%</b>
<b>4</b>	<b>IDF FSPL Balaga Welfare Trust</b>				
	At the beginning of the year	902147	8.34%	902147	8.34%
	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	-	-	-	-
	<b>At the End of the year</b>	<b>902147</b>	<b>8.34%</b>	<b>902147</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	6302167	58.24%	6302167	58.24%
	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	-	-	-	-
	<b>At the End of the year</b>	<b>6302167</b>	<b>58.24%</b>	<b>6302167</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	650833	6 %	650833	6 %
	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				
	<b>At the End of the year</b>	<b>650833</b>	<b>6 %</b>	<b>650833</b>	<b>6 %</b>
2	<b>NAGANAGOUDA M PATIL</b>				
	At the beginning of the year	650833	6 %	650833	6 %
	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				
	<b>At the End of the year</b>	<b>650833</b>	<b>6 %</b>	<b>650833</b>	<b>6 %</b>

3	T V SRIKANTHA SHENOY				
	At the beginning of the year	623875	5.77%	623875	5.77%
	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				
	<b>At the End of the year</b>	<b>623875</b>	<b>5.77%</b>	<b>623875</b>	<b>5.77%</b>

#### **vi. 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	66,76,34,550	-	-	66,76,34,550
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not paid				
<b>Total (i+ii+iii)</b>	<b>66,76,34,550</b>	<b>-</b>	<b>-</b>	<b>66,76,34,550</b>
Change in Indebtedness during the financial year	-	-	-	-
- Addition	94,17,00,000			94,17,00,000
- Reduction	44,72,82,433			44,72,82,433
<b>Net Change</b>	<b>49,44,17,567</b>	<b>-</b>	<b>-</b>	<b>49,44,17,567</b>
Indebtedness at the end of the financial year		-	-	
i) Principal Amount	116,20,52,117			116,20,52,117
ii) Interest due but not paid				
iii) Interest accrued but not due				
<b>Total (i+ii+iii)</b>	<b>116,20,52,117</b>	<b>-</b>	<b>-</b>	<b>116,20,52,117</b>

**Vii Remuneration of Directors and Key Managerial Personnel**

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

Sl. No	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
1.	Gross salary  (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961  (b) Value of perquisites u/s 17(2) Income-tax Act, 1961  (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Vivekanand N Salimath  11,27,442  11,29,974	Naganagouda M Patil  11,27,442  11,29,974		22,54,884  22,59,948
2.	Stock Option	-	-	-	-
3.	Sweat Equity	-	-	-	-
4.	Commission - as % of profit - Others, specify...	-	-	-	-
5.	Others, please specify	-	-	-	-
6.	Total(A)	22,57,416	22,57,416	22,57,416	45,14,832
7.	Ceiling as per the Act				

**B. Remuneration to other directors:**

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager				Total Amount
	<u>Independent Directors</u> - Fee for attending board committee meetings - Commission - Others, please specify	-	-	-	-	-
	<b>Total(1)r</b>					
	<u>Other Non-Executive Directors</u> - Fee for attending board committee meetings - Commission - Others, please specify	Kasturi Dambal  20000	Gangappa Sahadev  40000	Muralidharan Thykat  5000	R M Kummur  15000	80000
	<b>Total(2)</b>	20000	40000	5000	15000	80000
	<b>Total(B)=(1+2)</b>	<b>20000</b>	<b>40000</b>	<b>5000</b>	<b>15000</b>	<b>80000</b>
	Total Managerial Remuneration					
	Overall Ceiling as per the Act					

**C. Remuneration to KMP:**

Sl. No.	Particulars of Remuneration	Name of KMP	Total Amount
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	Prashant Hegde	
			66,250
			66,250
2.	Stock Option	-	
3.	Sweat Equity	-	
4.	Commission - as % of profit - Others, specify...	-	
5.	Others, please specify	-	
6.	Total(A)	66,250	66,250
7.	Ceiling as per the Act		

**viii. Penalties/Punishment/Compounding of offences:**

Type	Section of the companies Act	Brief description	Details of Penalty/ Punishment/Compounding fees imposed	Authority[R D/NCLT/ Court]	Appeal made. If any(give details)
<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



In 2018-19, microfinance in India showed rapid, regionally-balanced and resilient growth.

Microfinance industry has a presence in 615 districts in India whose 210 districts constitute 80% of the portfolio outstanding. The industry's gross loan portfolio (GLP) stood at ₹ 1,88.5 thousand crore at the end of March 19, up 38 per cent year-on-year, and the total number of microfinance accounts was 9.33 crore at the end of March 2019, showing a growth of 21.9 per cent.

Non-Banking Finance Company-Microfinance Institutions (NBFC-MFIs) hold the largest share of portfolio in micro-credit with the total loan outstanding of ₹ 68,868 crore, which is 36.8 per cent of total micro-credit universe.

As per industry body Microfinance Institutions Network (MFIN), the regional distribution of portfolio (GLP) of

NBFC-MFI currently stands as: East and North-East (37%), South (25 %), North (14%), West (15%) and Central India (9%).

As on March 31, 2019, aggregated GLP of NBFC-MFIs stood at ₹ 68,868 crore, 47 per cent year-on-year growth compared to March 2018.

Compared with the financial year 2017-18, there has been a year-on-year increase of 28 per cent in number of loans disbursed and 44 per cent in loan amount disbursed.

In 2018-19, NBFC-MFIs received a total of ₹ 35,759 crore in debt funding (from banks and other financial institutions).

"This represents a growth of 63 per cent compared to 2017-18. Total equity grew by 42 per cent during the same period and is at ₹ 14,206 crore

## 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. 110.47 Crores during the year 2018-19. The disbursements increased by 55.18% as compared to the previous year i.e. 2017-18.
- ❖ The number of branches increased to 51 as compared to 39 the previous year.
- ❖ The loan portfolio increased by 46% from Rs. 80.18 crs in the previous year to Rs. 116.95 crs during the year.
- ❖ PAR above 90 days has decreased from 1.35% during March 2018 to 1.03% as on March 2019.

### 2.2 Portfolio:

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

Description	As on March 2019	Amt in Lakh As on March 2018
Total value of loans disbursed during period	11046.95	7119.51
Total number of loans disbursed to SHGs during period	36626	26563
Number of active borrowers	58083	41801
Average number of active borrowers	49689	41386
Value of loan outstanding	11695.48	8018.12
Average outstanding balance of loans	8442.11	6562.54
Value of payments in arrears	99.68	74.78
Value of outstanding balance of loans in arrears	83.65	108.93
Value loans written off during period	78.63	52.56
Average loan size per member	30161	26802
Average loan term (months)	12 TO 24	12 TO 24
Average number of loans officers during period	139	104

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	Bellary	1001.87	9.07%	862.73	7.38%
2.	Karnataka	Belgaum	2362.32	21.38%	2433.51	20.81%
3.	Karnataka	Chitradurga	210.28	1.90%	213.78	1.83%
4.	Karnataka	Dharwad	757.61	6.86%	926.95	7.93%
5.	Karnataka	Gadag	163.32	1.48%	167.37	1.43%
6.	Karnataka	Uttar kannada	174.61	1.58%	148.78	1.27%
7.	Karnataka	Davanagere	-	0.00%	14.84	0.13%
8.	Karnataka	Haveri	1075.12	9.73%	1003.00	8.58%
9.	Karnataka	Kolhapur	98.33	0.89%	524.87	4.49%
10.	Karnataka	Sangli	337.55	3.06%	814.85	6.97%
11.	Karnataka	Shimoga	412	3.73%	383.38	3.28%
12.	Maharashtra	Solapur	2520.4	22.82%	2277.99	19.48%
13.	Maharashtra	Tumkur	1469.84	13.31%	1512.77	12.93%
14.	Maharashtra	Pune	253.45	2.29%	211.55	1.81%
15.	Goa	North Goa	210.25	1.90%	199.10	1.70%
	<b>Total</b>		<b>11046.95</b>	<b>100.00%</b>	<b>11695.47</b>	<b>100.00%</b>

The portfolio is concentrated most in Belgaum district accounting for 20.81% and 19.48% in Solapur district followed by Tumkur district at 12.93%.

The Company opened three new branches in the districts of Chikmangalur in Karnataka, Latur in Maharashtra and in South Goa during March 2019.

### 2.3 Product-wise distribution

Product	2018-19			2017-18		
	Number of accounts	Amount in Lakh ₹	%	Number of accounts	Amount in Lakh ₹	%
I Cycle	37,817	7032.24	60.13%	23,381	3873.81	48%
II Cycle	10,065	2146.85	18.36%	9,304	1785.65	22%
III Cycle	3,977	879.14	7.52%	4,589	1144.14	14%
IV Cycle	4,012	895.22	7.65%	4,527	1214.53	16%
V Cycle	1,819	497.75	4.26%	0.00	0.00	0.00
VI Cycle	391	130.25	1.11%	0.00	0.00	0.00
Others	2	114.03	0.98%	0.00	0.00	0.00
<b>Total</b>	<b>58,083</b>	<b>11695.48</b>	<b>100.00%</b>	<b>41,801</b>	<b>8018.13</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.

SI No	Category	Mar- 19%	Mar-18%
1	Agri and agri-allied activities	51.15	31.35
2	Small business, trading, manufacturing, etc.	30.32	35.11
3	Service activities	11.92	17.28
4	Housing	2.42	4.57
5	Consumption	4.19	11.69
	<b>Total</b>	<b>100.00</b>	<b>100.00</b>

93.39% of the loans are for livelihood activities while 6.61% 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 loans disbursed by your company are used for different purposes by the borrowers. The majority are invested in enterprise, as illustrated below.

No.	Type of Loans	Mar-2019			Mar- 2018		
		No. of Borrowers	Value of Loans	% Loan Outstanding	No. of Borrowers	Value of Loans	% Loan Outstanding
1	Regular Loans	56,696	11523.52	98.53%	39894	7820.5	97.54%
2	Less than 30 Days past due	72	11.33	0.10%	280	32.91	0.41%
3	Between 31-60 days past due	116	15.44	0.13%	204	21.57	0.27%
4	Between 61-90 days past due	178	24.45	0.21%	328	34.22	0.43%
5	Between 91-180 days past due	122	16.82	0.14%	738	80.79	1.01%
6	Between 181-365 days past due	689	72.25	0.62%	357	28.13	0.35%
7	>365 days past due	210	31.67	0.27%	0	0	0
	<b>Total</b>	<b>58,083</b>	<b>11695.48</b>	<b>100.00%</b>	<b>41,801</b>	<b>8018.12</b>	<b>100.00%</b>

## 2.6 Portfolio yield, profitability and sustainability

The portfolio yield for the year 2018-19 was 22.23% which is slightly lower when compared to 22.67% during 2017-18.

The Company's Operational sustainability ratio was at 110.28%, slightly higher than that of 110% during the previous year.

There has been a sizeable profits earned during the year.

## 3.0 Resource Mobilisation

The Company has been enjoying excellent rapport with the players in the financial sector. It is in touch with various Banks and is in the process of 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 2018-19 was approximately 13.56%.

Name of the bank/financial institution	Balance outstanding as at	
	31-Mar-19	31-Mar-18
<b>1. TERM LOANS - SECURED</b>		
<b>A. From Banks</b>		
Canara Bank	-	54,98,847
Canara Bank	28,86,905	1,29,47,080
Canara Bank	1,31,36,732	2,04,14,316
Canara Bank	1,74,99,548	3,00,16,392
Canara Bank	9,10,27,534	-
Syndicate Bank	-	1,23,64,879
State Bank of India	-	87,62,197
State Bank of India	89,38,483	3,36,21,067
State Bank of India	11,42,79,829	19,83,43,886
Union Bank of India	-	94,09,488
Union Bank of India	73,70,051	2,49,25,767
Union Bank of India	2,90,98,386	4,58,33,333
Union Bank of India	6,83,66,742	-
Karnataka Grameen Vikas Bank	18,15,092	1,19,20,001
Karnataka Grameen Vikas Bank	26,01,831	2,17,31,240
UCO Bank	4,99,81,990	10,06,53,320
UCO Bank	6,61,92,393	-
UCO Bank	4,97,21,247	-
Laxmi Vilas Bank	2,49,93,398	-
<b>Total</b>	<b>54,79,10,162</b>	<b>53,64,41,813</b>
<b>B. From other Financial Institution</b>		
SIDBI	-	43,21,451
Jain Sons Finlease Ltd	77,63,371	-
Jain Sons Finlease Ltd	1,92,42,548	-
Jain Sons Finlease Ltd	3,00,00,000	-
NABKISAN Finance Ltd	3,71,17,743	7,45,27,335
NABKISAN Finance Ltd	6,46,47,520	-
Ananya Finance for Inclusive growth Pvt Ltd	66,66,664	-
Ananya Finance for Inclusive growth Pvt Ltd	2,66,66,657	-
Ananya Finance for Inclusive growth Pvt Ltd	1,91,66,667	-
Capital First Ltd	8,99,26,942	-
Capital First Ltd	4,84,84,848	-
NABSAMRUDDHI Finance Ltd	10,00,00,000	-
NABARD Financial Services Pvt Ltd	1,41,66,631	-
Maanaveeya Development & Finance Pvt Ltd	8,00,00,000	-
Eclear Leasing & Finance Pvt Ltd	2,50,00,000	-
<b>Total</b>	<b>56,88,49,591</b>	<b>7,88,48,786</b>
<b>2. CASH CREDIT FROM BANKS</b>		
Karnataka Grameen Vikas Bank	4,63,79,060	4,92,27,930
Syndicate Bank	(10,86,696)	31,16,020
<b>Total</b>	<b>4,52,92,364</b>	<b>5,23,43,950</b>
<b>GRAND TOTAL</b>	<b>1,16,20,52,117</b>	<b>66,76,34,550</b>

Currently the debt funds sources comprise: Banks (51.05%), Financial Institutions (48.95%). 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.

### Ratings and evaluations

Your company has received a Grading of MFI 3 (where MFI 1 is highest, and MFI 8 is lowest on an eight point scale) by SMERA, an accredited credit rating agency during Dec 2018. The Grading 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.

### Capital Adequacy

The Capital Adequacy Ratio of the company was 22.22% as on 31st March 2019 which is lower than 30.62% as on 31st March 2018.

# Auditor's Report





**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IDF FINANCIAL SERVICES  
PRIVATE LIMITED**

**1. Report on the Audit of financial statements**

**Opinion**

We have audited the accompanying financial statements of IDF Financial Services Private Limited ('the Company'), which comprise the Balance Sheet as at 31<sup>st</sup> March 2019, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019 and its profit and its cash flows for the year ended on that date.

**2. Basis for Opinion**

We conducted our audit in accordance with the standards on Auditing (SAs) specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3. Information other than the financial statements and Auditor's report thereon**

The Company's Board of Directors is responsible for the other information. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. Reporting under this section is not applicable at the date of this auditor's report.

#### **4. Responsibilities of Management and Those Charged with Governance for the financial statements**

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of 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.

In preparing the financial statements, the Board of Director's is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

#### **5. Auditor's responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### 6. Report on other legal and regulatory requirements

- i. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- ii. 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 it 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 31<sup>st</sup> March, 2019, taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March, 2019, from being appointed as a director in terms of Section 164(2) of the Act.
  - f) With respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B" issued under Clause (I) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act").



g) The provisions of section 197 read with Schedule V to the act are not applicable to the Company since the Company is not a public company and accordingly, reporting under section 197(16) is not applicable.

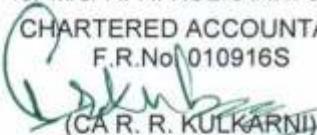
h) With respect to the other matters to be included in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The Company does not have any pending litigations which would impact its financial position.
- ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

Place: Bengaluru  
Date: 21/06/2019

for M/s. R. R. KULKARNI & Co.

CHARTERED ACCOUNTANT  
F.R.No 010916S

  
(CA R. R. KULKARNI)

PROPRIETOR

Mem No. 211616



**"Annexure A" to the Independent Auditors' Report on Audit of the Financial statement.**

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 31March, 2019:

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 Company does not hold any immovable property. Accordingly, provisions of clause 3(i)(c) of the order are not applicable to the Company
2. The Company is a Non-Banking Financial Company, primarily engaged in business of lending activities directed to ultimate benefit of poor women and does not hold any inventories. Accordingly, provisions of clause 3(ii) of the Order are not applicable to the Company
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.
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 within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposit) Rules, 2014 (as amended). Accordingly, the provisions of clause 3 (v) of the Order are not applicable to the Company.
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. Accordingly, the provisions of clause 3 (vi) of the Order are not applicable to 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, 2019 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 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.
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. The provisions of section 197 of the Act read with Schedule V to the Act are not applicable to the Company since the Company is not a public company. Accordingly, the provisions of clause 3 (xi) of the Order are not applicable to the Company.
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.
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 them covered under section 192 of the Act.
16. The company is required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.

Place: Bengaluru  
Date: 21/06/2019



**IDF FINANCIAL SERVICES PRIVATE LIMITED**  
**No. 31/1, "Girija", Patalamma Temple Street,**  
**South circle, Basavanagudi, Bangalore- 560004**

(₹)

Balance Sheet as at	Note no.	31-Mar-19	31-Mar-18
<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	3,58,11,059	2,53,55,270
		<u>26,63,48,209</u>	<u>25,58,92,420</u>
<b>Non-Current liabilities</b>			
(a) Long-term borrowings	2.03	51,09,36,750	29,99,99,333
(b) Deferred tax liability (net)	2.04	-	6,37,719
(c) Long-term provisions	2.06	2,06,867	80,18,129
		<u>51,11,43,617</u>	<u>30,86,55,181</u>
<b>Current liabilities</b>			
(a) Short-term borrowings	2.03	4,63,79,060	5,23,43,950
(b) Other current liabilities	2.05	-	
(i) total outstanding dues of micro enterprises and small enterprises		-	
(ii) total outstanding dues other than micro enterprises and small enterprises	2.06	61,71,23,138	32,22,04,629
(c) Short-term provisions		1,14,88,611	3,98,690
		<u>67,49,90,809</u>	<u>37,49,47,269</u>
		<u>1,45,24,82,635</u>	<u>93,94,94,870</u>
<b>II. Assets</b>			
<b>Non-current assets</b>			
(a) Property, Plant and equipment	2.07	19,96,144	24,62,280
(i) Tangible assets		-	37,00,000
(ii) Intangible assets			
(b) Deferred tax Asset (net)	2.04	2,90,474	-
(d) Long-term loans and advances	2.08	42,91,13,313	22,71,64,329
(e) Other Non-current assets	2.11	9,81,69,984	4,61,69,488
		<u>52,95,69,915</u>	<u>27,94,96,097</u>
<b>Current assets</b>			
(a) Current Investment	2.09	5,00,000	1,26,65,000
(b) Cash and cash equivalents	2.10	15,88,67,396	6,70,86,265
(c) Short-term loans and advances	2.08	75,36,85,072	57,60,85,474
(d) Other current assets	2.11	98,60,252	41,62,034
		<u>92,29,12,720</u>	<u>65,99,98,773</u>
		<u>1,45,24,82,635</u>	<u>93,94,94,870</u>

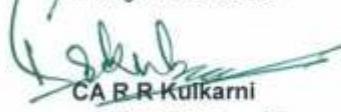
**Significant accounting policies and notes on accounts**

1 & 2

The accompanying notes are an integral part of these financial statements

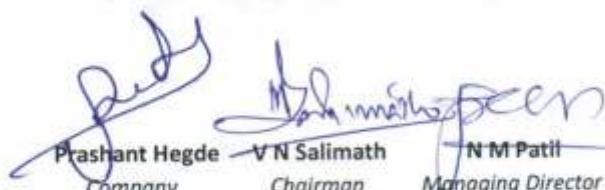
As per our report of even date  
for M/s. R R Kulkarni & Co.,

Chartered Accountants  
Firm Reg. No.: 010916S



CA R R Kulkarni  
Proprietor  
M. No.: 211616

for IDF Financial Services Private Limited



Prashant Hegde  
Company Secretary  
V N Salimath  
Chairman  
DIN: 0253109  
N M Patil  
Managing Director  
DIN: 1674210

Date : 21-06-2019

Place: Bengaluru



**IDF FINANCIAL SERVICES PRIVATE LIMITED**

No. 31/1, "Girija", Patalamma Temple Street, South circle, Basavanagudi,  
Bangalore- 560004

(₹)

Statement of Profit and Loss for the year ended	Note no.	31-Mar-19	31-Mar-18
<b>Revenue</b>			
Revenue from operations	2.12	19,93,14,462	14,19,58,022
Other income	2.13	97,79,928	82,93,537
<b>Total Revenue</b>		<b>20,90,94,390</b>	<b>15,02,51,559</b>
<b>Expenses</b>			
Employee benefits expense	2.14	5,41,50,548	4,32,61,821
Finance costs	2.15	10,52,68,884	6,67,51,686
Depreciation and amortization expenses	2.07	49,45,368	49,33,945
Provisions and write-offs	2.16	1,16,20,303	71,69,474
Other expenses	2.17	1,33,33,702	1,41,42,586
<b>Total expenses</b>		<b>18,93,18,805</b>	<b>13,62,59,512</b>
<b>Profit before tax</b>		<b>1,97,75,585</b>	<b>1,39,92,047</b>
<b>Tax expense:</b>			
- Current tax		53,68,000	63,22,356
- Reversal of Income tax provision- prior years		(3,98,690)	-
- Deferred tax (credit) / charge		(9,28,193)	(5,05,068)
		<b>40,41,117</b>	<b>58,17,288</b>
<b>Profit after tax</b>		<b>1,57,34,468</b>	<b>81,74,759</b>
<b>Earning per equity share (EPS) [refer note 3.04]</b>			
- Basic		1.45	0.76
- Diluted		0.68	0.35
<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
<b>Significant accounting policies and notes on accounts</b>		<b>1 &amp; 2</b>	
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  
Firm Reg. No.: 010916S  
  
CA R R Kulkarni  
Proprietor  
M. No.: 211616



Date : 21-06-2019  
Place: Bengaluru

for IDF Financial Services Private Limited  
  
Prashant Hegde  
Company Secretary  
V N Salimath  
Chairman  
DIN: 0253109  
N M Patil  
Managing Director  
DIN: 1674210

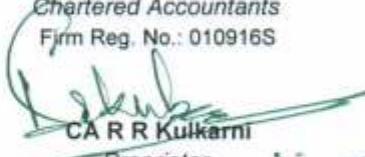
**IDF FINANCIAL SERVICES PRIVATE LIMITED**

No. 31/1, "Girija", Patalamma Temple Street, South circle, Basavanagudi, Bangalore-560004

	(₹)	31-Mar-19	31-Mar-18
<b>Cashflow statement for the year ended</b>		<b>31-Mar-19</b>	<b>31-Mar-18</b>
<b>Cash flow from operating activities</b>			
Profit before tax		1,97,75,585	1,39,92,047
Adjustment for			
Depreciation and amortisation expenses		49,45,368	49,33,945
Interest on term deposits		(77,58,344)	(74,56,495)
Loan provisions and write offs		(1,16,20,303)	(71,69,474)
Profit on sale of Investments		(11,73,038)	-
<b>Operating profit before working capital changes</b>		<b>41,69,269</b>	<b>43,00,023</b>
<b>Changes in working capital:</b>			
(Decrease) / Increase in provisions		1,52,97,652	94,80,710
(Increase) / Decrease in Loans and advances		(37,90,04,583)	(19,15,93,507)
(Increase) / Decrease in other assets		(5,53,55,455)	(4,49,63,968)
(Decrease)/increase in other current liabilities		43,86,772	(72,63,532)
<b>Cash generated from / (Used in) operating activities</b>		<b>(41,05,06,345)</b>	<b>(23,00,40,274)</b>
Income tax paid (Net)		(59,11,999)	(63,22,356)
<b>Net cash generated from / (Used in) operating activities</b>	<b>(A)</b>	<b>(41,64,18,344)</b>	<b>(23,63,62,630)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(7,79,232)	(12,95,511)
Interest on term deposits		54,15,085	73,62,485
Purchase of Investments		(5,00,000)	(1,26,65,000)
Sale of Investments		1,38,38,038	-
<b>Net cash flow from / (Used in) investing activities</b>	<b>(B)</b>	<b>1,79,73,891</b>	<b>(65,98,026)</b>
<b>Cash flows from financing activities</b>			
Proceeds from Long-Term borrowings (Net)		50,14,69,153	11,97,43,555
Proceeds from Short-Term borrowings (Net)		(59,64,890)	1,80,19,504
Dividend Distribution tax paid		(7,78,680)	(49,00,096)
Dividend paid		(45,00,000)	-
<b>Net cash flow from / (Used in) financing activities</b>	<b>(C)</b>	<b>49,02,25,583</b>	<b>13,28,62,963</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(A)+(B)+(C)</b>	<b>9,17,81,130</b>	<b>(11,00,97,693)</b>
Cash and cash equivalents at the beginning of the year		6,70,86,265	17,71,83,958
<b>Cash and cash equivalents at the end of the year [Refer note 2.10]</b>		<b>15,88,67,396</b>	<b>6,70,86,265</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  
Firm Reg. No.: 010916S

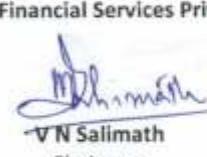
  
CA R R Kulkarni  
Proprietor  
M. No.: 211616

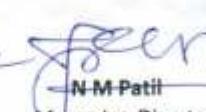
Date : 21-06-2019  
Place: Bengaluru



for IDF Financial Services Private Limited

  
Prashant Hegde  
Company Secretar

  
V N Salimath  
Chairman  
DIN: 0253109

  
N M Patil  
Managing Director  
DIN: 1674210

**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, 2013 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 (RBI) as a Non Banking Financial Company Microfinance institution (NBFC - MFI) with Certificate of Registration No B-02.00164 issued by RBI dated 17th October 2013.

**1) Significant accounting policies**

**1.01 Basis of preparation of financial statements**

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), read together with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and stipulated in the directions issued by Reserve Bank of India (RBI) to the extent applicable to the Company. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are in consistent with those of previous year.

**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 explained below.

**1.03.1** 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 Master Circular - Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016." For a loan account turning into NPA, interest already charged on accrual basis and not collected, is reversed.

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

**1.03.3** Service charges on loans is recognised on receipt basis.

**1.03.4** Dividend income is recognised when right to receive is established.

**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 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 Property, Plant and Equipment and Intangible assets**

**Property, Plant and Equipment:**

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.

**Intangible assets:**

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 1 '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 based on the useful life specified under as per Part "C" of Schedule II of the Companies Act 2013:

Class of Fixed Assets	Useful Life (in years)	Rate of Depreciation
Furniture & fixtures	10	25.89%
Office equipment	5	45.07%
Computers	3	63.16%
Vehicles	8	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.

**1.07 Borrowing costs**

Borrowing cost includes interest and other costs incurred in connection with the arrangement of borrowings. All borrowing costs are expensed in the period they occur. The loan processing fees and other similar charges incurred at the time of origination of the loan are recognised over the period of the loan in the Statement of Profit and Loss.

**1.08 Investments**

Investment that are readily realisable and intended to be held for not more than one year from the date in which such investments are made are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost or fair value. Long term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long-term investments.

**1.09 Operating leases**

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Lease rentals in respect of assets taken on 'operating lease' are charged to the Statement of Profit and Loss on a straight line basis over the lease term.

**1.10 Asset classification**

These are classified as standard assets and sub-standard assets in terms of Reserve Bank of India directions as laid down in "Master Direction - Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016".

**1.11 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 Master Direction - Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 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%
Non performing Assets	The loan instalments which are over due for more than 90 days but not more than 180 days.	50%
Non performing Assets	The aggregate loan instalments which are over due for more than 180 days.	100%

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



Asset Classification	
<b>Standard Assets</b>	1,15,74,74,271
<b>Non Performing Assets:</b>	
<b>Sub-Standard Assets</b>	
91 days - 180 days	16,81,743
> 180 days	1,03,91,763
<b>Loss Assets</b>	-
Misappropriated Accounts	-
<b>Gross Loan Portfolio</b>	1,16,95,47,777
<b>Provisioning Norms:</b>	
<b>Provisioning of Higher of:</b>	
a) 1% of the outstanding loan portfolio	1,16,95,478
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.	1,12,32,635
<b>Actual Provisions already held</b>	80,18,128
<b>Additional Provision to be held during the current year</b>	36,77,350
<b>Reversal of excess provisions held</b>	-
<b>Total Provision at the end of the year ₹</b>	1,16,95,478

#### 1.12 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.

#### 1.13 Employee benefits

**1.13.1 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.

**1.13.2 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 Employees State Insurance Act -1961.

**1.13.3 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 expenses.

#### 1.14 Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income originating during the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date.

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

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



**1.16 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. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date.

A disclosure of contingent liability is made, when there is a possible obligation or a present obligation that will probably not require outflow of resources or where reliable estimate of the obligation cannot be made.

**1.17 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.

**1.18 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'. The Company primarily operates in India and does not have any reportable geographical segment.

**2) Notes on accounts**

**2.01 Share capital**

		31-Mar-19	31-Mar-18
<b>Authorized</b>			
1,50,00,000 [Previous year: 1,50,00,000] Equity shares of ₹10/- each		15,00,00,000	15,00,00,000
1,00,00,000 [Previous year: 1,00,00,000] 6% Compulsorily Convertible Preference shares of ₹10/- each		10,00,00,000	10,00,00,000
50,00,000 [Previous year: 50,00,000] 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>			
1,08,21,230 [Previous year: 1,08,21,230] Equity shares of ₹10/- each fully paid -up		10,82,12,300	10,82,12,300
<b>Compulsorily Convertible 6% Preference Shares</b>			
72,32,485 [Previous year: 72,32,485] 6% Cumulative Convertible Preference shares of ₹10/- each fully paid-up		7,23,24,850	7,23,24,850
<b>Optionally Convertible 9% Preference shares</b>			
50,00,000 [Previous year: 50,00,000] 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-19	31-Mar-19	31-Mar-18	31-Mar-18
	Number	Amount	Number	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) Compulsorily Convertible 6% Cumulative 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% Cumulative 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 Rights, preferences, restrictions of share capital

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

b) **Compulsorily Convertible Cumulative Preference Shares [CCPS]:** All CCPS which are convertible into equity having completion of 7 years from the date of allotment have been extended for a further period of three years in the AGM dated 28th May, 2016 and such conversion is to effect at fair value to be determined at the time of conversion. Preference share holders are not entitled to any voting rights except where the rights of the preference share holders are proposed to be affected. In such event, preference share holders will have the same right as the equity share holders in the meeting of the share holders for the agenda of the meeting affecting their rights only. Dividends are accumulatable until fully paid.

c) **Optionally Convertible Preference Shares [OCPS]:** OCPS are convertible at the option of the investors. OCPS will be converted into equity at a price derived from break up value of the Company based on the last financial year's audited results.

2.01.3 The details of shareholders as at March 31st, 2019 is set out below:

	31-Mar-19		31-Mar-18	
	No. of shares	%	No. of shares	%
<b>Equity share capital</b>				
IDF SHG Federation - Dharwad	63,02,167	58%	63,02,168	58%
IDF FSPL balaga welfare trust	9,02,147	8%	9,02,146	8%
Vivekanand. N. Salimath	6,50,833	6%	6,50,833	6%
Naganagouda M Patil	6,50,833	6%	6,50,833	6%
T V Srikantha Shenoy	6,23,875	6%	6,23,875	6%
Shrikant M Hebbal	6,23,875	6%	6,23,875	6%
Gururaj M Deshpande	6,50,833	6%	6,50,833	6%
<b>Compulsorily Convertible 6% Preference share capital</b>				
IDF SHG Federation - Dharwad	72,32,485	100%	72,32,485	100%
<b>Optionally Convertible 9% Preference share capital</b>				
SIDBI	50,00,000	100%	50,00,000	100%

2.02 Reserves and surplus

	31-Mar-19	31-Mar-18
<b>Statutory reserve</b>		
Opening balance		1,86,40,666
Additions during the year		31,46,894
	<b>2,17,87,560</b>	<b>1,86,40,666</b>
<b>Securities premium account</b>		
Opening balance		7,76,700
Additions during the year		-
	<b>7,76,700</b>	<b>7,76,700</b>
<b>Vehicle Revolving Fund</b>		
Opening balance		1,17,887
Transferred to statement of Profit and Loss		(1,17,887)
	<b>-</b>	<b>1,17,887</b>
<b>Surplus in the statement of Profit and Loss</b>		
Opening balance		58,20,018
Add: Profit/(loss) for the year		1,57,34,468
Add: Vehicle Revolving Fund		1,17,887
Less: Transferred to statutory reserve		(31,46,894)
Less: Dividend distribution tax paid for FY 2017-18		-
Less: Dividend Paid		(45,00,000)
Less: Dividend tax paid on preference shares for FY 2017-18		(7,78,680)
	<b>1,32,46,799</b>	<b>58,20,017</b>
	<b>3,58,11,059</b>	<b>2,53,55,270</b>



2.03 Borrowings

	31-Mar-19	31-Mar-18
<b>Secured [Refer note 3.03]</b>		
<b>i) Long Term Borrowings</b>		
- From banks		
Canara Bank	12,45,50,719	6,88,76,635
Syndicate Bank	-	1,23,64,879
State Bank of India	12,32,18,312	24,07,27,150
Union Bank of India	10,48,35,179	8,01,68,588
Karnataka Vikas Grameen Bank	44,16,923	3,36,51,242
UCO Bank	16,58,95,630	10,06,53,320
IDFC First Bank (Previously Capital First Ltd)	13,84,11,790	-
Lakshmi Vilas Bank	2,49,93,398	-
	<b>68,63,21,952</b>	<b>53,64,41,814</b>
- From Financial Institutions		
SIDBI	-	43,21,451
Jain Sons Finlease Ltd	5,70,05,919	-
Eclear Leasing And Finance Pvt Ltd	2,50,00,000	-
Nabkisan Finance Ltd	10,17,65,263	7,45,27,335
Ananya Finance for Inclusive Growth Pvt Ltd	5,24,99,988	-
NABARD Financial Services Pvt Ltd	1,41,66,631	-
Nabsamruddhi Finance Limited	10,00,00,000	-
Maanaveeya Development & Finance Pvt Ltd	8,00,00,000	-
	<b>43,04,37,801</b>	<b>7,88,48,786</b>
	<b>1,11,67,59,753</b>	<b>61,52,90,600</b>
Less: Current Maturities of Long Term Borrowings		
- From banks	37,55,60,845	27,78,17,593
- From Financial Institutions	23,02,62,158	3,74,73,674
	<b>60,58,23,003</b>	<b>31,52,91,267</b>
	<b>51,09,36,750</b>	<b>29,99,99,333</b>
<b>ii) Short Term Borrowings</b>		
From Banks		
- Cash credit Limits	4,63,79,060	5,23,43,950
	<b>4,63,79,060</b>	<b>5,23,43,950</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 3.03. Term loans are repayable on monthly and quarterly basis depending on the respective loan arrangements as detailed in Note 3.03.

2.04 Deferred tax Asset (net)

	31-Mar-19	31-Mar-18
Deferred tax asset arising arising on:		
Depreciation and amortisation	12,95,687	-
Provision on loan assets	10,23,039	-
Deferred tax liability arising on:		
Depreciation and amortisation	-	(6,37,719)
Other items	(20,28,252)	-
<b>Deferred tax Asset / (Liability) (net)</b>	<b>2,90,474</b>	<b>(6,37,719)</b>



IDF FINANCIAL SERVICES PRIVATE LIMITED  
Significant accounting policies and notes on accounts

2.05 Other current liabilities	31-Mar-19	31-Mar-18
Current Maturities of long-term borrowings (refer Note 2.03)	60,58,23,003	31,52,91,267
Interest accrued but not due on borrowings	20,84,895	-
Statutory Liabilities	10,25,038	5,26,821
Payable to staff	15,35,477	23,71,429
Staff welfare fund payable	1,60,420	-
Insurance Premium/claim Payable	54,95,119	22,59,171
Sundries payable	7,34,448	5,73,544
Other payables	2,64,738	11,82,397
	<b>61,71,23,138</b>	<b>32,22,04,629</b>

Note: Refer to Note 3.02

2.06 Short-term provisions

	31-Mar-19		31-Mar-18	
	Long-Term	Short-Term	Long-Term	Short-Term
Contingent provision for Standard Assets standard assets	-	-	19,12,545	-
Provision for non-performing assets	2,06,867	1,14,88,611	61,05,584	-
Provision for Tax (Net of Taxes paid) CY: Nil, PY: Rs 1,78,18,686)				3,98,690
	<b>2,06,867</b>	<b>1,14,88,611</b>	<b>80,18,129</b>	<b>3,98,690</b>

2.08 Long-term loans and advances

	31-Mar-19		31-Mar-18	
	Non-current	Current	Non-current	Current
<b>Unsecured</b>				
Considered good	41,56,49,152	74,18,25,119	22,54,38,488	56,54,81,827
Considered doubtful	2,13,553	1,18,59,953	2,88,841	1,06,03,847
Loss Assets- Misappropriated Accounts	-	-	-	-
	<b>41,58,62,705</b>	<b>75,36,85,072</b>	<b>22,57,27,329</b>	<b>57,60,85,474</b>
<b>Unsecured, considered good</b>				
Rent Advance	16,87,000	-	13,52,000	-
Security deposits	75,000	-	75,000	-
Vehicle loans to staff	-	-	10,000	-
Advance tax [net of provision ₹53,68,000 (31 March 2018: Nil)]	5,43,999	-	-	-
Security deposits against Loan	1,09,44,609	-	-	-
	<b>1,32,50,608</b>	-	<b>14,37,000</b>	-
	<b>42,91,13,313</b>	<b>75,36,85,072</b>	<b>22,71,64,329</b>	<b>57,60,85,474</b>

2.09 Current Investments

	31-Mar-19	31-Mar-18
<b>In mutual funds (Unquoted and non-trade, lower of cost or net realisable value) #</b>		
Reliance Liquid Fund [Nil units (31 March 2018: 146,140 units)]	-	6,00,000
Aditya Birla Floating rate fund [Nil units (31 March 2018: 2,670,723 units)]	-	6,00,000
Union Bank of India [Nil units (31 March 2018: 7,74,442,388 units)]*	-	1,14,65,000
Canara Robeco Dual advantage fund [ 50,000 units (31 March 2018: Nil units)]	5,00,000	-
	<b>5,00,000</b>	<b>1,26,65,000</b>

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

#Note: The fair market value of the above investments as at 31 March 2019 ₹ 5.41 lacs (2018: ₹ 128 lacs).



IDF FINANCIAL SERVICES PRIVATE LIMITED  
Significant accounting policies and notes on accounts

2.10	Cash and cash equivalents	31-Mar-19	31-Mar-18
<b>Balances with banks</b>			
- in current accounts		13,87,42,463	78,76,300
- in deposit account		2,07,66,961	5,90,41,466
- in CC account (Debit balance)		10,86,696	-
<b>Other bank balances</b>			
Deposits with maturity more than 12 Months*		9,37,95,192	4,61,69,488
Less: Amounts disclosed as other non-current assets (refer note 2.11)		(9,37,95,192)	(4,61,69,488)
Stamps on hand		-	5,807
Cash on hand		2,71,276	1,62,692
		<b>15,88,67,396</b>	<b>6,70,86,265</b>
*Note: Encumbered against Term loans from Banks and Financial Institutions			
2.11	Other assets	31-Mar-19	31-Mar-18
		Non-current	Current
Interest Receivable		-	54,05,293
Deposits with maturity more than 12 Months		9,37,95,192	-
FL Loan		-	-
Receivables(IDF)		-	4,61,69,488
GST Receivable		-	-
Other receivables		-	-
Prepaid Expenses		43,74,792	29,15,833
		<b>9,81,69,984</b>	<b>98,60,252</b>
		Non-current	Current
		31-Mar-19	31-Mar-18
Interest Income		-	30,62,034
Service charges on loans		-	-
		<b>18,85,49,852</b>	<b>13,48,43,162</b>
		Non-current	Current
		31-Mar-19	31-Mar-18
Interest on term deposits		-	1,07,64,610
Profit on sale of Investments		-	-
Bad debts recovered		-	71,14,860
Miscellaneous		-	-
		<b>19,93,14,462</b>	<b>14,19,58,022</b>
2.12	Revenue from operations	31-Mar-19	31-Mar-18
		Non-current	Current
Interest on term deposits		-	74,56,495
Profit on sale of Investments		-	-
Bad debts recovered		-	8,32,131
Miscellaneous		-	-
		<b>77,58,344</b>	<b>41,62,034</b>
2.13	Other income	31-Mar-19	31-Mar-18
		Non-current	Current
Interest on term deposits		-	74,56,495
Profit on sale of Investments		-	-
Bad debts recovered		-	8,32,131
Miscellaneous		-	-
		<b>11,73,038</b>	<b>4,61,69,488</b>
		Non-current	Current
		31-Mar-19	31-Mar-18
Interest on term deposits		-	4,911
Profit on sale of Investments		-	-
Bad debts recovered		-	14,682
Miscellaneous		-	-
		<b>8,33,864</b>	<b>41,62,034</b>
2.14	Employee benefit expenses	31-Mar-19	31-Mar-18
		Non-current	Current
Salaries, wages and bonus		-	4,00,97,333
Contributions to provident and other funds		-	22,94,355
Staff welfare and training expenses		-	62,008
Gratuity		-	8,08,125
		<b>21,69,340</b>	<b>5,41,60,548</b>
2.15	Finance costs	31-Mar-19	31-Mar-18
		Non-current	Current
Interest on borrowings		-	6,14,69,370
Loan processing fee on borrowings		-	37,75,152
Bank charges		-	7,88,806
Documentation and evaluation expenses		-	7,18,358
Consultation Fees (Loan)		-	-
		<b>10,00,61,578</b>	<b>10,35,417</b>
		Non-current	Current
		31-Mar-19	31-Mar-18
Interest on borrowings		-	-
Loan processing fee on borrowings		-	10,52,68,884
Bank charges		-	6,67,51,686
Documentation and evaluation expenses		-	-
Consultation Fees (Loan)		-	-



IDF FINANCIAL SERVICES PRIVATE LIMITED  
Significant accounting policies and notes on accounts

2.16 Provisions and write-offs		31-Mar-19	31-Mar-18
Loans written-off		78,63,953	52,56,929
Additional provision for Non performing Assets		36,77,350	19,12,545
Cash Loss written off A/c		79,000	-
		<b>1,16,20,303</b>	<b>71,69,474</b>
2.17 Other operating expenses		31-Mar-19	31-Mar-18
Rent (refer Note 3.08)		40,74,765	35,57,319
Travelling and conveyance		23,38,627	18,02,633
Communication Expenses		14,60,047	13,67,124
Office maintenance		12,58,993	7,95,875
Printing & stationary		9,47,372	7,63,444
Insurance		7,11,455	7,03,176
Remuneration to auditors (refer Note 2.17.1 below)		6,90,000	6,44,850
Repairs and maintenance		7,19,460	8,71,984
Meeting Expenses		2,11,385	2,86,338
Subscription Fees		1,25,000	1,52,600
Credit Bureau Expenses		2,59,698	-
Legal and Professional Fees		1,65,939	29,69,824
Rates & Taxes		11,040	2,536
Miscellaneous Expenses		3,59,921	2,24,883
		<b>1,33,33,702</b>	<b>1,41,42,586</b>
2.17.1 Auditor's Remunerations		31-Mar-19	31-Mar-18
-			
Statutory audit		6,90,000	6,44,850
		<b>6,90,000</b>	<b>6,44,850</b>
<b>3) Supplementary Information</b>			
3.01 Contingent liabilities and commitments		31-Mar-19	31-Mar-18
Contingent liabilities-Arrears of cumulative preference dividend		1,31,78,982	43,39,491
Commitments		Nil	Nil
3.02 Micro and Small enterprises			
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]		₹ in Lacs	
Tier I Capital		31-Mar-19	31-Mar-18
Tier II Capital		2,163.48	1,926.08
Total		500.00	500.00
<b>Total Risk weighted assets</b>		<b>2,663.48</b>	<b>2,426.08</b>
(i) Adjusted value of funded risk assets i.e. on-balance sheet items		11,993.20	7,922.67
(ii) Adjusted value of non-funded and off-balance sheet items		-	-
<b>Total risk weighted assets/ exposures</b>		<b>11,993.20</b>	<b>7,922.67</b>
<b>Capital to Risk-Assets Ratio [CRAR]</b>			
Tier I Capital as a percentage of Total Risk weighted assets (%)		18.04%	24.31%
Tier II Capital as a percentage of total Risk weighted assets (%)		4.17%	6.31%
<b>CRAR (%)</b>		<b>22.21%</b>	<b>30.62%</b>



**IDF FINANCIAL SERVICES PRIVATE LIMITED**  
**Significant accounting policies and notes on accounts**

**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 "Master Direction - Non-Banking Financial Company -Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016". The necessary provisions as per RBI norms have been made. The details are shown below:

Asset classification	Loan outstanding				Provision	
	31-Mar-19		31-Mar-18		As on 31st March 2019	As on 31-March 2018
	No. of	Amount	No. of	Amount	Amount	Amount
Standard assets	57,062	1,15,74,74,271	40,706	79,09,20,115	-	-
Non Performing assets	1,021	1,20,73,506	1,095	1,08,92,688	1,16,95,478	80,18,129
Total	58,083	1,16,95,47,777	41,801	80,18,12,803	1,16,95,478	80,18,129

These are classified as standard assets and Non performing assets in terms of Reserve Bank of India directions as laid down in Master Direction DNBR.PD.007/03.10.119/2016-17

The Non performing assets is 1.03% for the year ending 31st March 2019 as compared to 1.36% of total loan portfolio for the year ending 31st March 2018.

**3.02.3 Margin**

Margin Cap of the Company as on 31st March 2019 is 8.68%. This has been computed as per the norms prescribed by Reserve Bank of India in Master Direction DNBR.PD.007/03.10.119/2016-17

**3.02.4 Qualifying Assets**

As of 31st March 2019, 89.53% of net assets of ₹ 129,36,15,239/- (excluding cash balance with Banks and financial institutions, Government Securities and Money Market Instruments) are in the nature of "Qualifying Assets" as defined in Master Direction DNBR.PD.007/03.10.119/2016-17.

**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.

**3.03 Terms and conditions of Borrowings**

Name of the bank/financial institution	Balance outstanding as at		Repayment period including moratorium period	
	31-Mar-19	31-Mar-18	ROI	Repayment Terms
<b>1. TERM LOANS -</b>				
<b>A. From Banks</b>				
Canara Bank	9,10,27,534	1,29,47,080	11.65%	
Canara Bank	1,31,36,732	2,04,14,316	11.50%	Repayable in 60 equated monthly installments
Canara Bank	28,86,905	54,98,847	11.65%	
Canara Bank	1,74,99,548	3,00,16,392	11.65%	
Syndicate Bank	-	1,23,64,879	13.50%	Repayable in 36 equated monthly installments
State Bank of India	-	87,62,197	11.25%	
State Bank of India	89,38,483	3,36,21,067	11.25%	Repayable in 36 equated monthly installments
State Bank of India	11,42,79,829	19,83,43,886	11.25%	
Union Bank of India	6,83,66,742	94,09,488	11.40%	
Union Bank of India	73,70,051	2,49,25,767	10.95%	Repayable in 12 quarterly instalments
Union Bank of India	2,90,98,386	4,58,33,333	10.95%	
IDFC First Bank (Previously Capital First Ltd)	8,99,26,942	-	13.75%	Repayable 48 monthly instalments
IDFC First Bank (Previously Capital First Ltd)	4,84,84,848	-	14.00%	
Karnataka Vikas Grameen Bank	18,15,092	1,19,20,002	12.45%	Repayable in 36 equated monthly installments
Karnataka Vikas Grameen Bank	26,01,831	2,17,31,240	12.45%	
UCO Bank	4,97,21,247	-	11.85%	
UCO Bank	6,61,92,393	10,06,53,320	11.80%	Repayable in 12 quarterly instalments
UCO Bank	4,99,81,990	-	11.70%	
Lakshmi Vilas Bank	2,49,93,398	-	11.10%	Repayable in 36 equated monthly instalments
<b>Total</b>	<b>68,63,21,952</b>	<b>53,64,41,814</b>		



IDF FINANCIAL SERVICES PRIVATE LIMITED  
Significant accounting policies and notes on accounts

B. From Other Financial Institutions				
SIDBI	-	43,21,451	14.00%	Repayable in 24 Equated monthly installments
Jain Sons Finlease Ltd	77,63,371	-	15.00%	Repayable in 12 monthly installments
Jain Sons Finlease Ltd	3,00,00,000	-	16.00%	Repayable in 12 monthly installments
Jain Sons Finlease Ltd	1,92,42,548	-	16.00%	Repayable in 12 monthly installments
Eclear Leasing And Finance Pvt Ltd	2,50,00,000	-	15.25%	Repayable in 24 monthly installments
Nabkisan Finance Ltd	3,71,17,743	7,45,27,335	13.00%	Repayable in 12 quarterly installments
Nabkisan Finance Ltd	6,46,47,520	-	13.50%	Repayable in 12 monthly installments
Ananya Finance for Inclusive Growth Pvt Ltd	2,66,66,657	-	15.50%	Repayable in 18 monthly installments
Ananya Finance for Inclusive Growth Pvt Ltd	66,66,664	-	15.50%	Repayable in 18 monthly installments
Ananya Finance for Inclusive Growth Pvt Ltd	1,91,66,667	-	15.00%	Repayable in 12 monthly installments
NABARD Financial Services Pvt Ltd	1,41,66,631	-	15.50%	Repayable in 24 monthly installments
Nabsamruddhi Finance Limited	10,00,00,000	-	13.50%	Repayable in 24 monthly installments
Maanaveeya Development & Finance Pvt Ltd	8,00,00,000	-	15.00%	Repayable in 36 monthly installments
<b>Total</b>	<b>43,04,37,801</b>	<b>7,88,48,786</b>		
<b>2. CASH CREDIT FROM BANKS</b>				
Karnataka Vikas Grameen Bank	4,63,79,060	4,92,27,930	12.45%	Limits Valid upto 30.06.2019
Syndicate Bank	(10,86,696)	31,16,020	13.50%	Limits Valid upto 30.09.2019
<b>Total</b>	<b>4,52,92,364</b>	<b>5,23,43,950</b>		
<b>Grand Total</b>	<b>1,16,20,52,117</b>	<b>66,76,34,550</b>		

**3.04 Earnings per share**

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

	31-Mar-19	31-Mar-18
Net profit as per Statement of profit and loss	1,57,34,468	81,74,759
Weighted average number of shares considered for computation of basic earnings per share	1,08,21,230	1,08,21,230
Add: Effect of compulsorily convertible preference shares	72,32,485	72,32,485
Add: Effect of optionally convertible preference shares	50,00,000	50,00,000
Weighted average number of shares considered for computation of diluted earnings per share	2,30,53,715	2,30,53,715
Nominal value per share	10	10

**3.05 Gratuity (As per AS 15, Employee Benefits)**

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. Under this policy the eligible employees are entitled to receive gratuity payments upon their resignation or death in lump sum after deduction of necessary taxes over and above a maximum limit of Rs. 20,00,000.

The following tables summaries the components of net benefit expense recognized in the Statement of Profit and Loss Account and the funded status and amounts recognized in the Balance Sheet:

**3.05.1 Expense recognised in the statement of Profit and Loss Account**

	31-Mar-19	31-Mar-18
Current service cost	6,02,520	-
Past service cost	-	-
Interest cost	3,09,870	-
Expected return on plan asset	(2,93,665)	-
Net actuarial (gain) / loss recognized in the year	(7,76,532)	-
Expenses recognised in statement of Profit and Loss Account	(1,57,807)	-



**3.05.2 The amount to be recognised in the Balance Sheet**

	31-Mar-19	31-Mar-18
Present value of obligation at the end of the period	37,26,031	-
Fair value of plan assets as at the end of the period	46,23,761	-
Funded status / Difference	8,97,730	-
Excess of actual over estimated	4,093	-
Unrecognised actuarial (gains) / losses	-	-
Net asset / (liability) recognised in the balance sheet	<u>8,97,730</u>	-

**3.05.3 Changes in present value of obligation**

	31-Mar-19	31-Mar-18
Present value of obligation at the beginning of the period	39,52,427	-
Acquisition adjustment	-	-
Interest cost	3,09,870	-
Current service cost	6,02,520	-
Past service cost	-	-
Benefits paid	(3,66,347)	-
Actuarial (gain) / loss on obligation	(7,72,439)	-
Present value of obligation at the end of the period	<u>37,26,031</u>	-

**3.05.4 Changes in the fair value of plan assets**

	31-Mar-19	31-Mar-18
Fair value of plan assets at the beginning of the period	39,52,427	-
Acquisition adjustment	-	-
Expected return on plan assets	2,93,665	-
Contributions	8,00,000	-
LIC charges	(60,077)	-
Benefits paid	(3,66,347)	-
Actuarial (gain) / loss on plan assets	4,093	-
Fair value of plan assets at the end of the period	<u>46,23,761</u>	-

**3.05.5 The Major categories of Plan assets**

	31-Mar-19	31-Mar-18
Government of India Securities	-	-
High Quality Corporate bonds	-	-
Equity Shares of listed companies	-	-
Property	-	-
Funds Managed by Insurer	100%	-
Fair value of plan assets at the end of the period	<u>100%</u>	-

**3.05.6 Principal Actuarial Assumptions**

	31-Mar-19	31-Mar-18
Discount Rate	7.84 PA	
Salary Growth Rate	7.00 PA	
Expected Rate of Return on Plan Assets	7.43 PA	
Retirement Age	60 Years	
Mortality Table	IAALM (2006 -2008)	
Employee Turnover / Attrition Rate	100%	
18-30 Years	3.00%	
30-45 Years	2.00%	
Above 45 Years	1.00%	

**3.05.7 Current / Non-Current Liability**

	31-Mar-19	31-Mar-18
Current Liability	7,43,626	
Non-Current Liability	29,82,405	
Net Liability	<u>37,26,031</u>	-



**3.05.8** Expected Company's contribution for next year is Rs 15,17,186/-

Note: In the previous year, the Company does not have actuarial valuation and disclosures as required by AS 15 was not made available in Actuarial valuation provided by LIC.

**3.06 Related party disclosures**

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

Description of relationship	Nature of relationship
(I) Key managerial personnel Mr. V N Salimath Mr. N M Patil	Chairman Managing Director
II) Other related parties IDF Sujeevana Federation – Kunigal IDF SHG Federation – Dharwad	Shareholder Shareholder

**3.6.2 Nature of transactions with related parties**

Name of related party	Nature of transaction	Type	31-Mar-19	31-Mar-18
Mr. Vivekanand N Salimath	Remuneration	Payment	22,57,416	20,40,939
Mr. Naganagouda M Patil	Remuneration	Payment	22,57,416	20,43,040
IDF Sujeevana Federation – Kunigal	Loans	Payment	-	30,05,873
IDF SHG Federation Dharwad	Loans	Payment	-	2,67,98,198

**3.07 Earnings and expenditure in foreign currency**

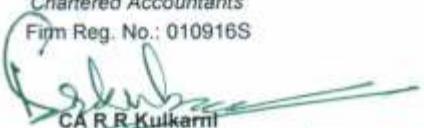
	31-Mar-19	31-Mar-18
Earnings	Nil	Nil
Expenditure	Nil	Nil

**3.08 Leases**

The Company has taken certain offices and residential premises/ facilities under operating lease/ sub-lease agreements. The lease agreements generally have an escalation clause and are not non-cancellable and are renewable by mutual consent on mutually agreed terms. There are no restrictions imposed by lease/ sub-lease agreements. The aggregate lease rental of ₹ 40,74,765/- (PY₹35,57,319/-) have been charged to the Statement of Profit and Loss.

**3.09 Prior year comparatives**

The previous year's figures are regrouped /reclassified wherever necessary to conform to the current year's presentation.

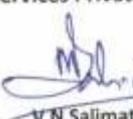
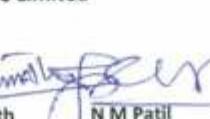
As per our report of even date  
for M/s. R R Kulkarni & Co.,  
Chartered Accountants  
Firm Reg. No.: 010916S  
  
CA R.R. Kulkarni  
Proprietor  
M. No.: 211616

Date : 21-06-2019  
Place: Bengaluru



for IDF Financial Services Private Limited

  
Prashant Hegde  
Company Secretary

  
V.N. Salimath  
Chairman  
DIN: 0253109  
  
N.M. Patil  
Managing Director  
DIN: 1674210

**IDF FINANCIAL SERVICES PRIVATE LIMITED**

**Notes to the financial statements as at March 31st, 2019**

**Note 2.07 : Property, Plant and Equipment**

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on March 31st, 2018	Additions for the year	Deletions for the year	As on Mar 31st, 2019	Up to March 31st, 2018	Additions for the year	Deletions for the year	As on Mar 31st, 2019	As on Mar 31st, 2019	As at March 31, 2018
<b>A. Tangible assets</b>										
Computer and Accessories	65,60,150	4,99,861	-	70,60,011	57,54,832	6,87,461	-	64,42,293	6,17,718	8,05,318
Furniture and Fixtures	20,34,573	2,03,668	-	22,38,241	16,71,272	1,12,645	-	17,83,917	4,54,324	3,63,301
Vehicle	16,96,935	-	-	16,96,935	5,24,333	3,66,204	-	8,90,537	8,06,398	11,72,602
Office Equipment	28,74,233	75,703	-	29,49,936	27,53,173	79,060	-	28,32,233	1,17,703	1,21,060
<b>Total [A]</b>	<b>1,31,65,891</b>	<b>7,79,232</b>	-	<b>1,39,45,123</b>	<b>1,07,03,610</b>	<b>12,45,369</b>	-	<b>1,19,48,979</b>	<b>19,96,144</b>	<b>24,62,281</b>
<b>B. Intangible assets</b>										
Goodwill	3,70,00,000	-	-	3,70,00,000	3,33,00,000	37,00,000	-	3,70,00,000	-	37,00,000
<b>Total [B]</b>	<b>3,70,00,000</b>	<b>-</b>	<b>-</b>	<b>3,70,00,000</b>	<b>3,33,00,000</b>	<b>37,00,000</b>	-	<b>3,70,00,000</b>	-	<b>37,00,000</b>
<b>Total [A+B]</b>	<b>5,01,65,891</b>	<b>7,79,232</b>	-	<b>5,09,45,123</b>	<b>4,40,03,610</b>	<b>49,45,369</b>	-	<b>4,89,48,979</b>	<b>19,96,144</b>	<b>61,62,281</b>

Date : 21-06-2019  
Place: Bengaluru



## Notes



### 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

Add the following details

- 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.
- Lakshmi Vilas Bank
- Ananya Finance for Inclusive Growth Pvt Ltd.
- IDFC First Bank Ltd.
- Eclear Leasing and Finance Pvt Ltd.
- NABARD Financial Services Limited
- Nabsamruddhi Finance Limited
- Maanaveeya Development & Finance Private Limited

### Statutory Auditors

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

## *idf* | IDF Financial Services Private Limited

Regd. Office : "Girija", 31/1, 2nd Floor, Patalamma Temple Street, South End, Basavanagudi, Bangalore - 560 004  
Tel.: 080 26577714, email: [idff.fln@gmail.com](mailto:idff.fln@gmail.com)

Admn. Office : No. 81, Bhushan Nilaya, 3rd Main, 10th Cross, Manjunatha Colony, Shivagiri, Dharwad- 580 007  
Phone: 0836 2772701, 2771804 | email: [idff.ao@gmail.com](mailto:idff.ao@gmail.com), website: [www.idf-finance.in](http://www.idf-finance.in)