

ANNUAL REPORT

2019-20

Satisfying Our
Share Holders,
Without Profiting
from Poverty



Chairman's Message



"Change is the end result of all true learning"

- Leo Buscagila

It is indeed a matter of great pleasure for me to present to you our 26th Annual Report for the year ending 31st March 2020. It appeared to be a great year for the Company in terms of portfolio growth and Profitability. Micro-finance industry as a whole witnessed an excellent performance registering a growth rate of 31% in loan portfolio.

I appreciate the efforts of our team for steady growth in the company's financial results. The Company has been continuously expanding its presence in newer geographies and seven (7) new branches were opened in Karnataka & Maharashtra during the year. The Company has reported growth in Disbursements and Asset Under Management (Portfolio) of Rs. 140.05 crores & Rs. 149.89 crores as of March 2020 as compared to Rs. 110.47 crores & Rs. 116.95 crores in March 2019 respectively. The profitability for FY 2019-20 rose to Rs. 2.00 crores from Rs. 1.57 crores in FY 2018-19.

The failure of IL&FS in 2018 and successive developments led to worsening of risk perception and highlighted liquidity stress in the sector. NBFC-MFI's faced the challenge of liquidity and NPA's mounted due to

fraud by some financial companies. This worsened the confidence of Bankers which led to their limited exposure to NBFC- MFIs sector during the year. Many NBFC-MFIs opted for BC Model/ Securitization as a tool for raising the funds which in turn, also helped in freeing up capital and sustaining high levels of portfolio growth.

During the year, company was able to raise debt from Banks/FI/NBFC's to the tune of Rs.80.00 crores. IDF FSPL also raised capital by issuing Optionally Convertible Preference shares (OCPS) to the tune of Rs. 5.05 crores after the redemption of shares issued to SIDBI.

With the need for diversifying its funding sources, IDF FSPL forayed into an arrangement with Jana Small Finance Bank by means of Direct Assignment business and also entered into Business Correspondence Model by the year end. The total off Book portfolio as at 31st March 2020 stood at Rs. 21.64 crs. Going forward the Company wishes to expand its managed portfolio by partnering with new Banks/NBFCs.

Further, the Company has been benefitting from interest subvention

scheme offered by MUDRA which in turn is being recompensed to clients.

For betterment of our operational procedure, new software has been implemented to automate our internal Audit process to track and monitor the data on daily basis. Going forward the Company is also looking at implementing a Software for automating the HR system in place.

I would like to express my sincere gratitude to all our customers for their business, our team for their best efforts to the company, RBI and other self-regulatory organization for extended supports. I would like to thank our promoters for their continuous support and commitment, our creditors for their continuous funding, government for their supportive environment and our business partners for their collaboration with us and their help throughout the year. Lastly, I would like to thank our Board of Directors, for their continuous support and guidance.

(Vivekanand N. Salimath)
Chairman

Message from Managing Director



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

Confucius

It is my pleasure to present to you our 26th Annual Report for the year ended March 31, 2020. I am pleased to announce that IDF Finance Limited has delivered growth in AUM of 28% and 27% in profitability on par with Industry standards. In fact, over the last five years, the Company has reported an AUM growth of nearly 128 times, increasing from Rs. 66 crores in FY14-15 to Rs. 150 crores in FY19-20.

India's Microfinance sector has also done well over this period. The industry registered a 31 per cent jump in its loan portfolio to Rs 2.36 lakh crore for 2019-20 and expects to post a moderate growth of about 15 per cent in the current financial year.

Based on current trends and prospects, we are confident of our continuing performance in the foreseeable future as well.

Performance of the Company

Your company was able to maintain the momentum in growth of recent years, following the sharp slowdown immediately after Demonetisation in

November, 2016. The company expanded to newer geographies such as Goa and opened 8 new branches in Karnataka and Maharashtra, which are also emerging as growth markets. The Company has a network of 58 branches across 3 States with presence in 19 districts.

IDFFSPL's AUM grew 28.16 percent from 116.95 crs in FY18-19 to 149.89 crs in FY19-20, active loan accounts increased by 20 percent to 69,453 from 58,083 last year. A total of 43,492 loan accounts were disbursed during the Financial year, and these loans have a 100% percent repayment rate.

The Company's operational revenue grew by 36 per cent to 28.54 crs for FY19-20 compared with 20.91 crs for FY18-19. We are now servicing over 70000 thousand customers in 3 states.

In view of business disruptions associated with demonetization, introduction of GST and liquidity squeeze for the NBFCs, the Company has been innovative in approach to find out alternative funding mechanism.

Your Company has forayed into a new arrangement by partnering with Jana Small Finance Bank for BC and Direct assignment business. The total managed portfolio for the year ending 31st Mar 2020 is Rs. 22.00 crores with 13,025 accounts.

Thank You!

I am grateful to all our shareholders and other stakeholders for the support extended to the company over the years. We remain indebted to the Reserve Bank of India for the support given to the industry over the years. I would also like to take this opportunity to commend our Management team for having led the company from strength to strength. Notwithstanding the current phase of stress, we look forward to a year of growth and profitability.

A handwritten signature in blue ink, appearing to read 'Naganagouda M Patil'.

(Naganagouda M Patil)
Managing Director



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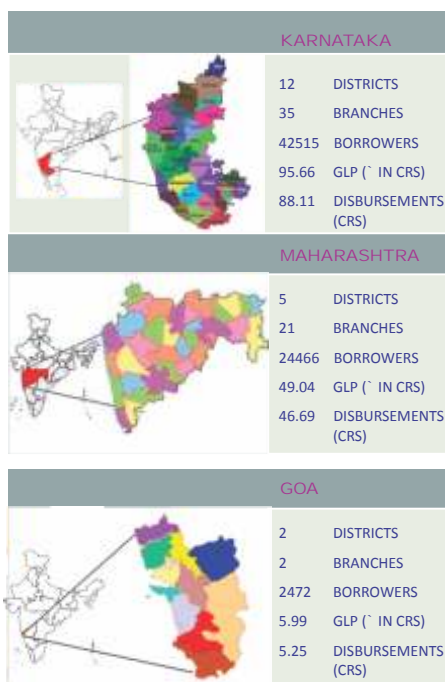


ANNUAL REPORT

2019-20

Section - 1

About IDF FSPL Overview



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



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

The Company has its registered office at Bangalore, and the administrative office at Dharwad. The operations are geographically aligned to cater to 19 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 monitors 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 in the area. 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

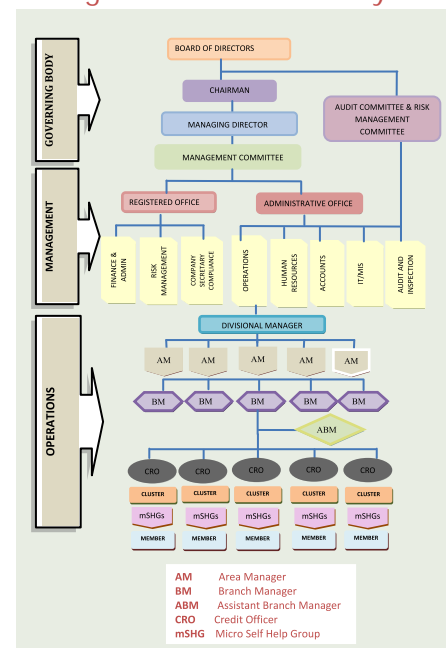
depending upon the volume of Business. Each and every Area office is able to sanction loans in its jurisdictional area.

The Company has 58 branches and a Staff Strength of 279. The total no of borrowers as at 31st March 2020 is 69453 with GLP of Rs. 149.89 crores. The Company disbursed an amount of Rs. 140.05 crores during the year 2019-20.

The Company has recently diversified its business by partnering with Jana SFB for BC and Direct assignment business. The total managed portfolio is Rs. 21.64 crores in 13,025 accounts.



Organisational Hierarchy



Who We Serve

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

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

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

100% Women clients

Client-assessment includes:

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

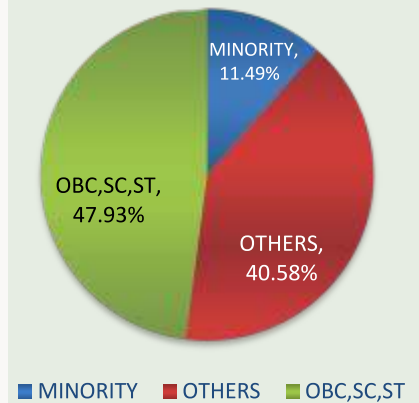
Profile of SHG Members

Characteristics	Description
Annual Income	Rural areas: Up to Rs. 1,25,000 Urban areas: Up to Rs. 2,00,000
Education	Illiterate or semi-literate
Age	Age group 18 to 59 years
Occupation	Rural Sector: Farming, animal husbandry, dairy, farming, share croppers, and agri-related labor works Urban Sector: Petty businesses and house hold works.

Services Offered:

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

Serving the Weakest Sections of the Society



Work Process

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

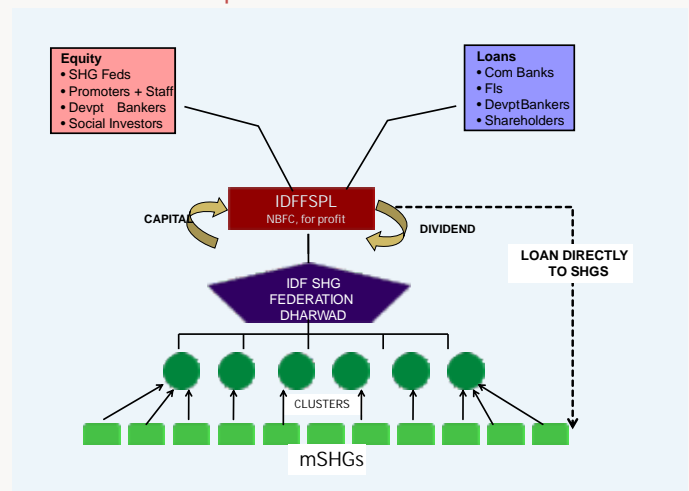
Micro-SHG (mSHGs) are a homogeneous group of 5 members living in close vicinity with similar economic background and a strong affinity for each other

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

All the mSHGs are federated into IDF SHG Federation Dharwad. The Federation is registered mutual benefit trusts aimed at socio-economic development of its members, in addition to representing the interests of mSHG members as equity shareholders of the Company.

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

Operational Structure

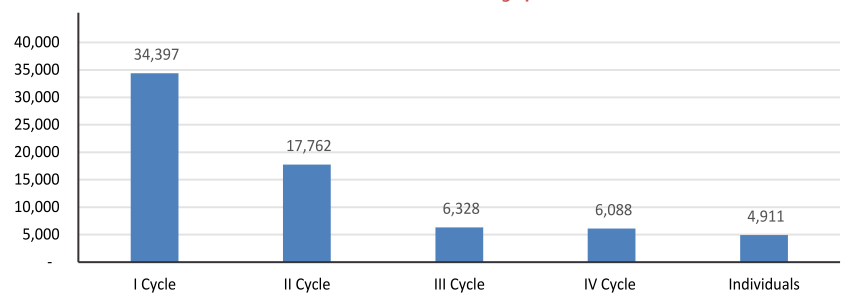


Products

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

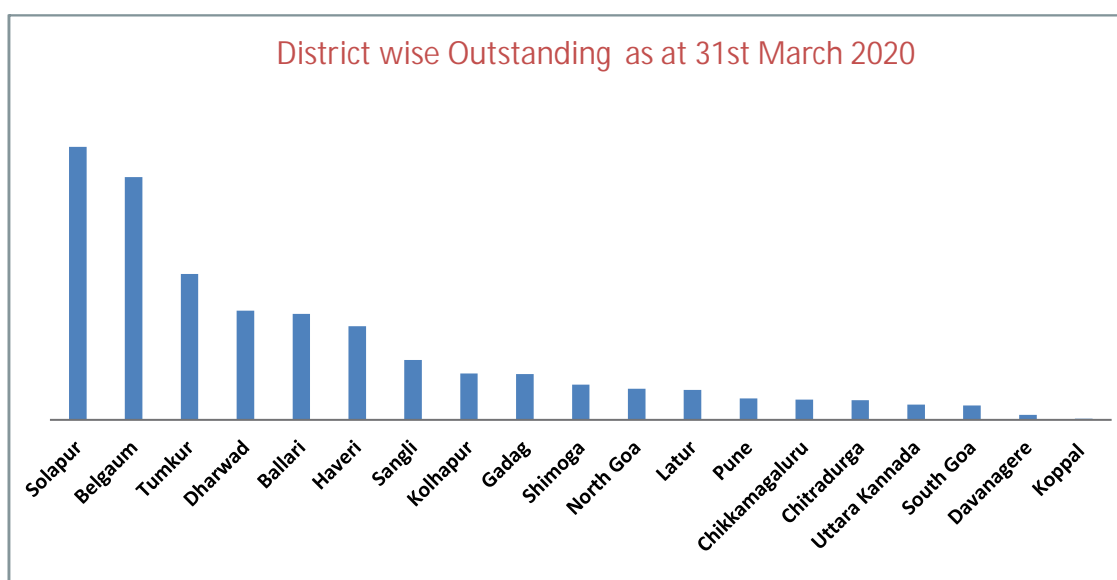
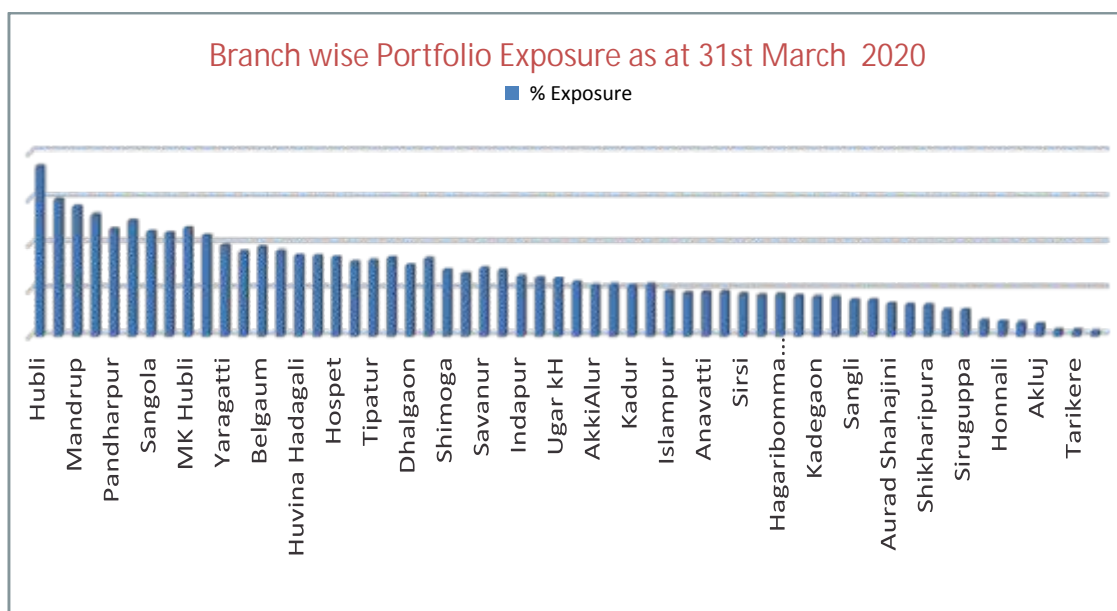
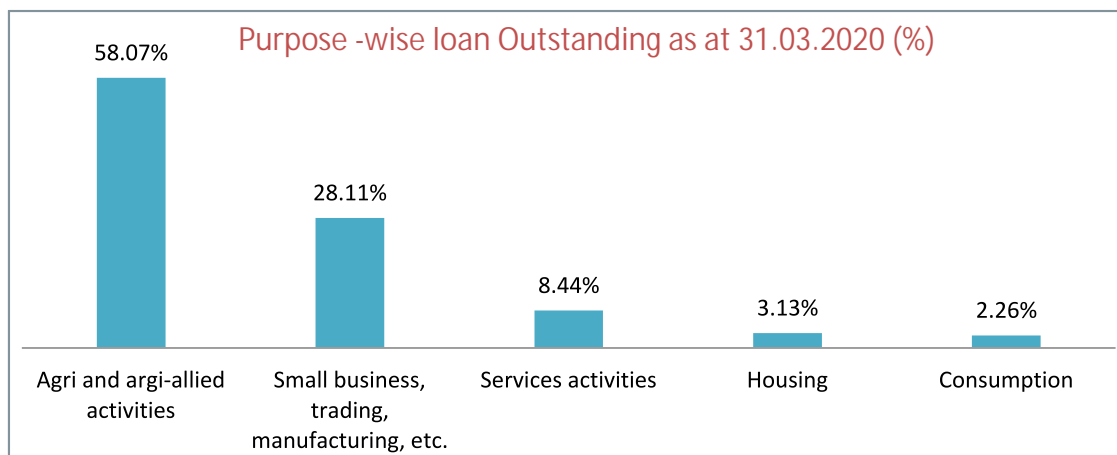
Product Name	Ticket Size (In Rs.)	Tenure (Years)	RoI (%) (Reducing)	Processing Fee (%)
1 Cycle	Rs. 25000 to Rs. 30000	12- 24 Month	24%	1%
2 Cycle	Rs. 30000 to Rs. 40000	24 Months	24%	1%
3 Cycle	Rs. 40000 to Rs. 50000	24 Months	24%	1%
4 th Cycle and above	Rs. 50000 to Rs. 60000	24 Months	24%	1%
Individual Loan	Rs. 60000 to Rs. 100000	24-36 Months	25%	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
- President, Association of Karnataka Microfinance Institutions (AKMI), Ex Board Member-NABARD-RECARD Member Board of Directors Sa-Dhan.
- Has considerable experience in rural enterprise development and Banking.



Naganagouda M. Patil
Managing Director

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



T V Srikantha Shenoy
Director

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



Kasturi Dambal
Director

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



Gururaj M Deshpande
Director

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



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.
- 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 Bibhuty
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.
- The appointing authority has now withdrawn his nomination after the redemption of OCPS.

Committees of the Board

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

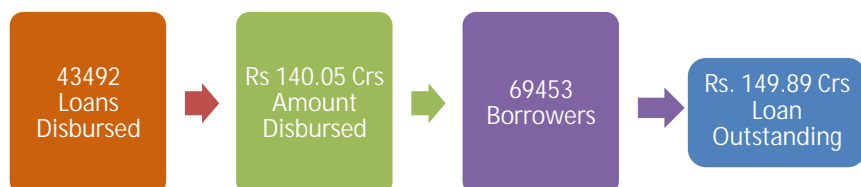
MRC is responsible for the daily management of risks within the framework defined by the General Risk Management Policy. MRC meets on periodic basis to discuss all the aspects of risk within the institution. The Chair of the MRC rotates among the Chairman, MD and Head Audit.

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.

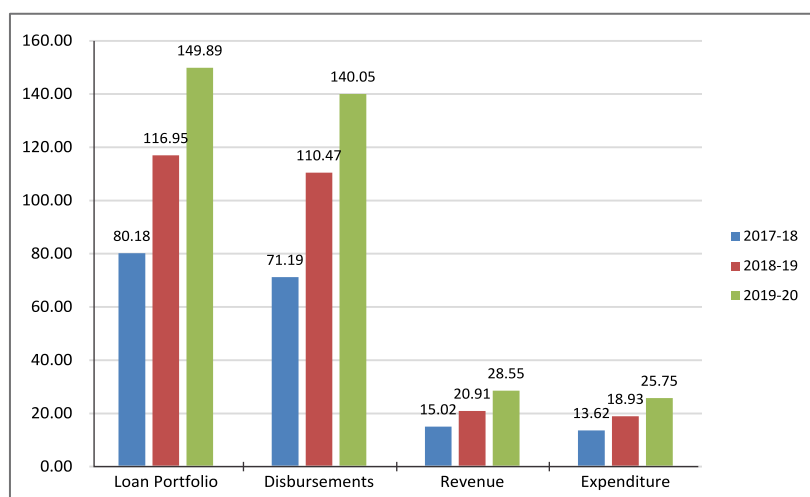
Section - 3 Results and Performance



Key Accomplishments Of Year 2019-20

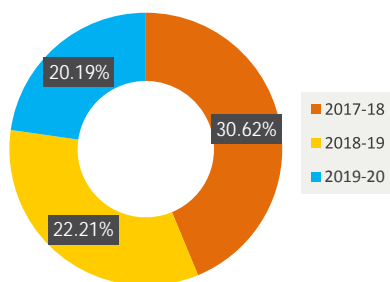


IDF FSPL- Results and Performance (Rs in Crores)

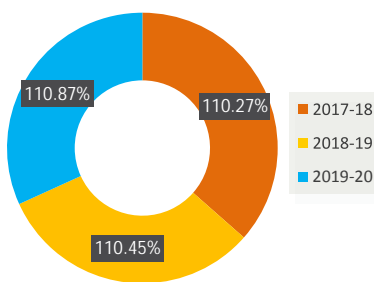


Financial Performance

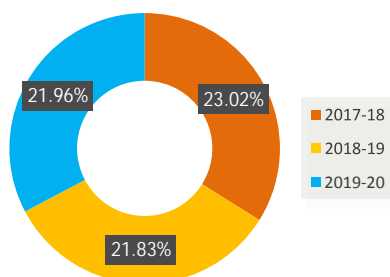
Capital adequacy



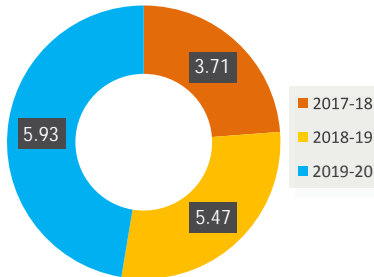
Operating Self Sufficiency



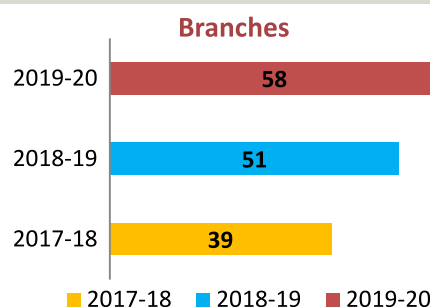
Yield on Portfolio



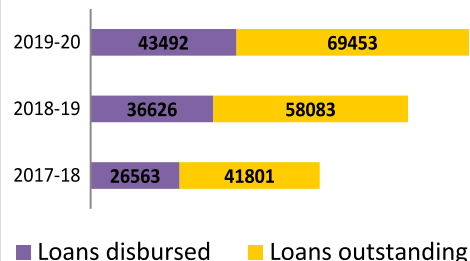
TOL/TNW



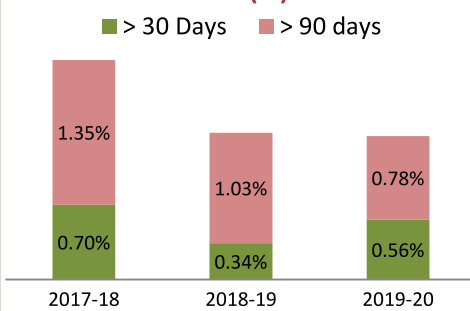
Operational Performance



No of Loans

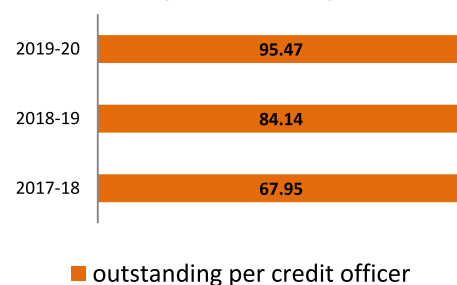


PAR (%)



Productivity

Outstanding per credit officer (Amt In Lakhs)



Section - 4

Organisational Development



Human Resource Development

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

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

As on 31st March 2020, the no of employees was 279.

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 enable 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 2020.

1. Financial Summary

Particulars	As at the end of current reporting period 31 Mar 2020
Revenue from Operation	27,61,27,211
Other income	93,41,682
Expenses	72,173,194
Profit before Financial Expenses, Depreciation and Taxation	21,32,95,699
Less: Financial Expenses	18,43,98,909
Profit before Depreciation and Taxation	2,88,96,790
Less: Depreciation	9,34,046
Profit before taxation	2,79,62,743
Less: Provisions for Taxation	
Current Tax	89,54,191
Deferred Tax	-10,23,219
Profit after Taxation	2,00,31,771

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, Five 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. 40,06,354 to statutory reserve.

12 Dividend:

Following dividend are distributed:

Sr. No	Particulars	Dividend payable in Rs.
1	Optionally Convertible Preference Shares	46,84,952
2	Compulsorily Convertible Preference Shares	43,39,491

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. Environment Protection Policy

The Company has put in place Board approved Environment Protection Policy, committing for a long term sustainable approach to safeguard our environment by balancing environmental considerations and social responsibilities with our business goals.

16. Corporate Social Responsibility:

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

17. 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.

18. Subsidiaries, Joint Ventures and Associate Companies:

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

19. Deposits:

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

20. Directors and KMP:

Following are the changes in Board and KMP:

Sr. No	Name	Designation	Appointment/cessation
1	Sunil Kumar Bibhuty	Nominee Director	cessation

21. Particulars of Employees:

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

22. 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.

23. Statutory Auditors:

M/s. appoint Chetan Padaki & Associates, Chartered Accountants (Firm Registration Number: 011274S) hold the office till the conclusion of Annual General Meeting to be held in the year 2024. As required by the Companies Act, 2013.

24. 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.

25. 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
Issue of 50,50,000 Optionally Convertible Preference Shares of Rs.10 each	Nil	Nil	Nil	Redemption of 50,50,000 Optionally Convertible Preference Shares of Rs. 10 each

26. 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.

27. 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.

28. 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.

29. 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 19, 2020



Place: Bengaluru

Annexure - A FORM No. MGT-9



EXTRACT OF ANNUAL RETURN AS ON THE FINANCIAL YEAR ENDED ON 31st MARCH 2020

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

I. Registration and other details:

i.	CIN	U67910KA1994PTC016476
ii.	Date of Incorporation	27-10-1994
iii.	Name of the Company	IDF FINANCIAL SERVICES PRIVATE LIMITED
iv.	Category/Sub-Category of the Company	PRIVATE LIMITED COMPANY, NON BANKING FINANCIAL COMPANY MICROFINANCE INSTITUTIONS
v.	Address of the Registered office and contact details	Registered Office: Girija", 31/1, II Floor, Patalamma , Temple Street, South End, Basavanagudi Bangalore 560004. Phone: 080 26577714 E-mail : idff.fin@gmail.com
vi.	Whether listed company	No
vii.	Name, Address and Contact details of Registrar and Transfer Agent, if any	N/A

II. Principal Business Activities of the Company

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

Sr. No.	Name and Description of main products/ services	NIC Code of the Product/ service	% to total turnover of the company
1	Financial Services	-	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	
A. Promoter								
1) Indian								
a) Individual/ HUF		3200249	3200249	29.57%	3250589	3250589	30.04%	-
b) Central Govt								
c) State Govt(s)								
d) Bodies Corp								
e) Banks / FI								
f) Any Other		902147	902147	8.34%	902147	902147	8.34%	-
Sub-total(A)(1):-		4102396	4102396	37.91%	4152736	4152736	38.37%	
2) Foreign								
g) NRIs-Individuals								
h) Other-Individuals								
i) Bodies Corp.								
j) Banks / FI								
k) Any Other....								
Sub-total(A)(2):-								
B. Public Shareholding								
1. Institutions								
a) Mutual Funds								
b) Banks / FI								
c) Central Govt								
d) State Govt(s)								
e) Venture Capital Funds								
f) Insurance Companies								
g) FII's								
h) Foreign Venture Capital Funds								
i) Others (specify)								
Sub-total(B)(1)								

2. Non-Institutions								
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		6718834	6718834	62.09%	6302167	6302167	58.24%	-
Sub-total(B)(2)		6718834	6718834	62.09%	6302167	6302167	58.24%	
Total Public Shareholding (B)=(B)(1)+ (B)(2)								
C. Shares held by Custodian for GDRs & ADRs								
Grand Total (A+B+C)		10821230	10821230	100%	10821230	10821230	100%	

ii. Shareholding of Promoters

Sr. No	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% 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 Hebhal	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	-
	Total	41,02,396	37.91%	0	41,02,396	37.91%		-

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	shares of the company
1	Gururaj M Deshpande				
	At the beginning of the year	6,50,833	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 from IDF Federation Kunigal	-	-	50,340	-
	At the End of the year	7,01,173	6.48%	7,01,173	6.48%

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	IDF SHG FEDERATION DHARWAD				
	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	-	-	-	-
	At the End of the year	6302167	58.24%	6302167	58.24%

v. Shareholding of Directors and Key Managerial Personnel

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	VIVEKANAND N SALIMATH				
	At the beginning of the year	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):				
	At the End of the year	650833	6 %	650833	6 %
2	NAGANAGOUDA M PATIL				
	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.):				
	At the End of the year	650833	6 %	650833	6 %
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):				
	At the End of the year	623875	5.77%	623875	5.77%
4	Gururaj M Deshpande				
	At the beginning of the year	6,50,833	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):			50,340	
	Transfer from IDF Federation Kunigal	-	-		-
	At the End of the year	7,01,173	6.48%	7,01,173	6.48%

IV. INDEBTEDNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not paid	11631,38,813	-	-	11631,38,813
Total (i+ii+iii)	11631,38,813	-	-	11631,38,813
Change in Indebtedness during the financial year	-	-	-	-
- Addition	8657,00,000			8657,00,000
- Reduction	7568,11,314			7568,11,314
Net Change	1088,88,686	-	-	1088,88,686
Indebtedness at the end of the financial year i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	12720,27,499	-	-	12720,27,499
Total (i+ii+iii)	12720,27,499	-	-	12720,27,499

V. Remuneration Of Directors And Key Managerial Personnel

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

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager		Total Amount
1.	Gross salary	Vivekanand N Salimath	Naganagouda M Patil	
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	12,37,452	12,37,452	24,74,904
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	18,64,644	18,64,644	37,29,288
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - Others, specify...	-	-	-
5.	Others, please specify	-	-	-
6.	Total(A)	31,02,096	31,02,096	62,04,192
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	-	-	-	-
	Total(1)				
	<u>Other Non-Executive Directors</u> · Fee for attending board committee meetings · Commission · Others, please specify	Kasturi Dambal 15,000	Gangappa Sahadev 20,000	R M Kummur 10,000	45000
	Total(2)	15,000	20,000	10000	45000
	Total(B)=(1+2)	15,000	20,000	10000	45000
	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/s 17(2) Income-tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	
2.	Stock Option	-	
3.	Sweat Equity	-	
4.	Commission - as % of profit - Others, specify...	-	
5.	Others, please specify	-	
6.	Total(A)		
7.	Ceiling as per the Act		

VI. I. Penalties/Punishment/Compounding of offences:

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

Management Discussion and Analysis



The Microfinance Landscape In 2019-20

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. 140.05 Crores during the year 2019-20. The disbursements increased by 26.78% as compared to the previous year i.e. 2018-19.
- ❖ The number of branches increased to 58 as compared to 51 the previous year.
- ❖ The loan portfolio increased by 28.17% from Rs. 116.95 crs in the previous year to Rs. 149.89 crs during the year.
- ❖ PAR above 90 days has decreased from 1.03% during March 2019 to 0.78% as on March 2020.

2.2 Portfolio:

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

Description	Amt in Lakh	
	As on March 2019	As on March 2020
Total value of loans disbursed during period	11046.95	14005.43
Total number of loans disbursed to SHGs during period	36626	43492
Number of active borrowers	58083	69453
Average number of active borrowers	49689	63768
Value of loan outstanding	11695.48	14988.58
Average outstanding balance of loans	8442.11	13342.03
Value of payments in arrears	99.68	56.80
Value of outstanding balance of loans in arrears	83.65	116.77
Value loans written off during period	78.63	14.20
Average loan size per member	30161	32089
Average loan term (months)	12 TO 24	12 TO 24
Average number of loans officers during period	139	157

Your company operates in 19 districts of Karnataka, Maharashtra and Goa and the district wise breakup of loan details as on 31st March 2020 is as follows:

No.	State	Districts	Disbursed		Amt Outstanding	
			Amt in Lakh `	%	Amt in Lakh `	%
1.	Karnataka	Belgaum	2475.29	17.67%	2761.77	18.43%
2.	Karnataka	Bellari	1201.13	8.58%	1205.70	8.04%
3.	Karnataka	Chikkamagaluru	261.59	1.87%	230.98	1.54%
4.	Karnataka	Chitradurga	213.57	1.52%	224.36	1.50%
5.	Karnataka	Davanagere	63.60	0.45%	59.27	0.40%
6.	Karnataka	Dharwad	1151.95	8.23%	1241.63	8.28%
7.	Karnataka	Gadag	512.14	3.66%	521.39	3.48%
8.	Karnataka	Haveri	1099.58	7.85%	1065.86	7.11%
9.	Maharashtra	Kolhapur	280.29	2.00%	529.68	3.53%
10.	Karnataka	Koppal	0.00	0.00%	16.07	0.11%
11.	Maharashtra	Latur	398.10	2.84%	340.26	2.27%
12.	Goa	North Goa	323.89	2.31%	353.64	2.36%
13.	Maharashtra	Pune	221.07	1.58%	245.45	1.64%
14.	Maharashtra	Sangli	465.07	3.32%	681.77	4.55%
15.	Karnataka	Shimoga	362.82	2.59%	403.18	2.69%
16.	Maharashtra	Solapur	3042.65	21.72%	3106.48	20.73%
17.	Goa	South Goa	201.60	1.44%	165.53	1.10%
18.	Karnataka	Tumkur	1569.26	11.20%	1661.12	11.08%
19.	Karnataka	Uttar kannada	161.83	1.16%	174.43	1.16%
Total			14005.43	100%	14988.58	100%

The portfolio is concentrated most in Solapur district accounting for 20.73% and 18.43% in Belgaum district followed by Tumkur district at 11.08%.

The Company opened seven new branches in the districts of Chikmangalur, Bellary, Belgaum and Koppal in Karnataka and Latur in Maharashtra during 2019-20.

2.3 Product-wise distribution

Product	2018-19			2019-20		
	Number of accounts	Amount in Lakh `	%	Number of accounts	Amount in Lakh `	%
I Cycle	36,943	6604.94	56.47%	34,364	6313.36	42.12%
II Cycle	13,164	2847.26	24.34%	17,762	3863.06	25.77%
III Cycle	5,595	1314.06	11.24%	6,328	1571.30	10.48%
IV Cycle	5,224	1428.35	12.21%	6,088	1733.31	11.56%
Individual Loan	4984	1511.24	12.92%	4,911	1507.55	10.06%
Total	58,083	11695.48	100.00%	69,453	14988.58	100%

2.4 Distribution of portfolio by purpose

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

Sl No	Category	Mar- 19 (%)	Mar-20 (%)
1	Agri and agri-allied activities	51.15%	58.07%
2	Small business, trading, manufacturing, etc.	30.32%	28.11%
3	Service activities	11.92%	8.44%
4	Housing	2.42%	3.13%
5	Consumption	4.19%	2.26%
	Total	100%	100%

94.61% of the loans are for livelihood activities while 5.39% 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

No.	Type of Loans	Mar-2019			Mar- 2020		
		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%	68,065	14733.52	98.03%
2	Less than 30 Days past due	72	11.33	0.10%	246	54.67	0.36%
3	Between 31-60 days past due	116	15.44	0.13%	246	41.77	0.28%
4	Between 61-90 days past due	178	24.45	0.21%	282	41.85	0.28%
5	Between 91-180 days past due	122	16.82	0.14%	209	79.05	0.53%
6	Between 181-365 days past due	689	72.25	0.62%	159	27.70	0.18%
7	>365 days past due	210	31.67	0.27%	46	10.02	0.07%
	Total	58,083	11695.48	100.00%	69,453	14988.58	100.00%

2.6 Portfolio yield, profitability and sustainability

The portfolio yield for the year 2019-20 was 21.96% which is slightly higher when compared to 21.83% during 2018-19.

The Company's Operational sustainability ratio was at 110.87%, slightly higher than that of 110.45% 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 2019-20 was approximately 15.91%.

Name of the bank/financial institution	Balance outstanding as at	
	31-Mar-19	31-Mar-20
1. TERM LOANS - SECURED		
A. From Banks		
Canara Bank	28,86,905	-
Canara Bank	1,74,99,548	97,31,961
Canara Bank	1,31,36,732	48,61,166
Canara Bank	9,10,27,534	5,43,20,622
Canara Bank	-	4,30,55,000
State Bank of India	11,42,79,829	4,25,52,719
State Bank of India	89,38,483	-
UCO Bank	4,99,81,990	1,18,82,440
UCO Bank	6,61,92,393	4,25,99,965
UCO Bank	4,97,21,247	3,32,99,944
UCO Bank	-	4,30,20,464
Union Bank	73,70,051	-
Union Bank	2,90,98,386	1,24,87,288
Union Bank	6,83,66,742	4,23,88,565
Union Bank	-	4,39,29,204
Total	51,84,99,841	38,41,29,338
B. From other Financial Institution		
Ananya Microfin	66,66,664	16,66,660
Ananya Microfin	2,66,66,657	-
Ananya Microfin	1,91,66,667	91,66,671
Ananya Microfin	-	1,08,33,337
Ananya Microfin	-	1,16,66,670
IDFC First Bank Ltd	8,99,26,942	6,00,00,004
IDFC First Bank Ltd	4,84,84,848	3,03,03,024
IDFC First Bank Ltd	-	12,14,28,576
Jainsons Fin Pvt Ltd	77,63,371	-
Jainsons Fin Pvt Ltd	1,92,42,548	-
Jainsons Fin Pvt Ltd	3,00,00,000	1,26,96,038
Karnataka Vikas Grameen Bank	26,01,831	-
Karnataka Vikas Grameen Bank	18,15,092	-
NABARD Financial services Ltd	1,41,66,631	41,56,723
NABKISAN	3,71,17,743	-
NABKISAN	6,46,47,520	3,83,19,136
NABSAMRUDHI	10,00,00,000	6,66,66,668
Laxmi Vilas Bank	2,49,93,398	1,50,00,006
Maanaveeya Pvt Ltd	8,00,00,000	6,66,40,000
Ecclars Leasing and Finance	2,50,00,000	2,99,45,461
Profectus Capital Private Limited	-	83,13,484
Karnataka Gramin Bank	-	2,24,97,729
Jana Small Finance Bank	-	6,23,47,045
Karnataka Vikas Grameen Bank	-	4,52,24,271
NABSAMRUDDHI Finance Limited	-	5,00,00,000
Karnataka Gramin Bank	-	4,66,55,144
NABKISAN Finance Limited	-	9,99,98,258
Total	59,82,59,912	81,35,24,905
2. CASH CREDIT FROM BANKS		
Karnataka Grameen Vikas Bank	4,63,79,060	2,60,69,721
Syndicate Bank	-10,86,696	4,83,03,535
Total	4,52,92,364	7,43,73,256
GRAND TOTAL	1,16,20,52,117	1,27,20,27,499

Currently the debt funds sources comprise: Banks (67.76%), Financial Institutions (32.24%). 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 2019. 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 20.19% as on 31st March 2020 which is lower than 22.21% as on 31st March 2019.



CHETAN PADAKI & ASSOCIATES
CHARTERED ACCOUNTANTS

**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 31st March 2020, 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, 2020 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

- 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.
- As required by section 143(3) of the Act, we report that:
 - 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.
 - 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.
 - 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.
 - 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.
 - On the basis of written representations received from the directors as on 31st March, 2020, taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2020, from being appointed as a director in terms of Section 164(2) of the Act.
 - 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:
- The Company does not have any pending litigations which would impact its financial position.
 - The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
 - 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: 10/07/2020

for CHETAN PADAKI & ASSOCIATES
CHARTERED ACCOUNTANTS
F.R.No. 011274S

(CA CHETAN PADAKI)
PARTNER
Mem.No.216929



"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 31st March, 2020:

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, 2020 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: 10/07/2020

for CHETAN PADAKI & ASSOCIATES
CHARTERED ACCOUNTANTS
F.R.No. 011274S


(CA CHETAN PADAKI)
PARTNER
Mem.No.216929



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

CIN No. U67910KA1994PTC016476

Tel: 080 26577714, e-Mail: finance@idf-finance.in; idf.finance@gmail.com, Website : www.idf-finance.in

(₹)

Balance Sheet as at	Note no.	31-Mar-20	31-Mar-19
I. Equity and Liabilities			
Shareholders' funds			
(a) Share capital	2.01	23,10,37,150	23,05,37,150
(b) Reserves and surplus	2.02	4,08,03,650	3,58,11,059
		27,18,40,800	26,63,48,209
Non-Current liabilities			
(a) Long-term borrowings	2.03	41,32,21,194	51,09,36,750
(b) Long-term provisions	2.08	15,74,359	2,06,867
		41,47,95,553	51,11,43,617
Current liabilities			
(a) Short-term borrowings	2.04	7,43,73,256	4,63,79,090
(b) Trade Payable			
(i) total outstanding dues of micro enterprises and small enterprises		-	-
(ii) total outstanding dues other than micro enterprises and small enterprise	2.06	48,12,829	25,34,663
(c) Other current liabilities	2.07	81,48,81,423	81,45,88,475
(d) Short-term provisions	2.08	3,16,33,611	1,68,56,611
		92,57,01,119	68,03,58,809
		1,61,23,37,472	1,45,78,50,635
II. Assets			
Non-current assets			
(a) Property, Plant and equipment	2.09		
(i) Tangible assets		14,71,908	19,96,144
(b) Deferred tax Asset (net)	2.05	13,13,694	2,90,474
(d) Long-term loans and advances	2.10	25,96,66,161	43,44,81,313
(e) Other Non-current assets	2.13	15,56,74,819	9,81,69,984
		41,81,26,582	53,49,37,915
Current assets			
(a) Current Investment	2.11	10,00,000	5,00,000
(b) Cash and cash equivalents	2.12	10,63,54,877	15,88,67,396
(c) Short-term loans and advances	2.10	1,06,83,46,558	75,36,85,072
(d) Other current assets	2.13	1,85,09,455	98,60,252
		1,19,42,10,890	92,29,12,720
		1,61,23,37,472	1,45,78,50,635

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 CHETAN PADAKI & ASSOCIATES

for IDF Financial Services Private Limited

CHARTERED ACCOUNTANTS

F.R.No. 0112745


(CA CHETAN PADAKI)

PARTNER

Mem.No.216929

UDIN: 20216929AAAABI9127





Prashant Hegde
Company
Secretary



V N Salimath
Chairman
DIN: 0253109



N M Patil
Managing Director
DIN: 1674210

Date : 10/07/2020

Place: Bengaluru

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

CIN No. U67910KA1994PTC016476

Tel: 080 26577714, e-Mail: finance@idf-finance.in; idf.finance@gmail.com, Website : www.idf-finance.in

	(₹)	
Cash flow statement for the year ended	31-Mar-20	31-Mar-19
Cash flow from operating activities		
Profit before tax	2,79,62,743	1,97,75,586
Adjustment for		
Depreciation and amortisation expenses	9,34,046	49,45,368
Interest on term deposits	(80,31,920)	(77,58,344)
Loan provisions and write offs	(1,30,62,970)	(1,16,20,303)
Provision for bad debts	-	-
Dividend Received	(3,48,947)	(11,73,038)
Profit on sale of Investments	-	-
Operating profit before working capital changes	74,52,952	41,69,269
Changes in working capital:		
(Decrease) / Increase in provisions	3,45,75,462	1,52,97,653
(Increase) / Decrease in Loans and advances	(13,98,46,334)	(37,90,04,583)
(Increase) / Decrease in other assets	(6,67,12,861)	(5,53,55,455)
(Decrease)/increase in other current liabilities	2,39,61,067	43,86,772
Cash generated from / (Used in) operating activities	(14,05,69,714)	(41,05,06,344)
Income tax paid (Net)	(1,43,22,191)	(59,11,999)
Net cash generated from / (Used in) operating activities (A)	(15,48,91,905)	(41,64,18,343)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,09,811)	(7,79,232)
Interest on term deposits	85,90,743	54,15,085
Purchase of Investments	(10,00,000)	(5,00,000)
Sale of Investments	5,00,000	1,26,65,000
Dividend Received	3,48,947	11,73,038
Net cash flow from / (Used in) investing activities (B)	80,29,879	1,79,73,891
Cash flows from financing activities		
Proceeds from issue of Optionally Convertible 9% Cumulative Preference shares	5,00,000	-
Proceeds from Long-Term borrowings (Net)	8,08,94,491	50,14,69,153
Proceeds from Short-Term borrowings (Net)	2,79,94,196	(59,64,890)
Dividend Distribution tax paid	(18,88,812)	(7,78,680)
Dividend paid	(1,31,50,368)	(45,00,000)
Net cash flow from / (Used in) financing activities (C)	9,43,49,507	49,02,25,583
Net increase/(decrease) in cash and cash equivalents (A)+(B)+(C)	(5,25,12,519)	9,17,81,131
Cash and cash equivalents at the beginning of the year	15,88,67,396	6,70,86,265
Cash and cash equivalents at the end of the year [Refer note 2.12]	10,63,54,877	15,88,67,396
Significant accounting policies and Notes on accounts	1 & 2	

As per our report of even date
for CHETAN PADAKI & ASSOCIATES

CHARTERED ACCOUNTANTS

F.R.No. 0112745

(CA CHETAN PADAKI)

PARTNER

Mem.No.216929



for IDF Financial Services Private Limited

Prashant Hegde

Prashant Hegde
Company Secretary

V N Salimath

V N Salimath
Chairman
DIN: 0253109

N M Patil

N M Patil
Managing Director
DIN: 1674210

Date : 10/07/2020

Place: Bengaluru

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

CIN No. U67910KA1994PTC016476

Tel: 080 26577714, e-Mail: finance@idf-finance.in; idf.finance@gmail.com, Website : www.idf-finance.in

(₹)

Statement of Profit and Loss for the year ended	Note no.	31-Mar-20	31-Mar-19
Revenue			
Revenue from operations	2.14	27,61,27,211	19,93,14,462
Other income	2.15	93,41,682	97,79,928
Total Revenue		28,54,68,893	20,90,94,390
Expenses			
Employee benefits expense	2.16	5,89,84,079	5,41,50,548
Finance costs	2.17	16,43,98,909	10,52,68,884
Depreciation and amortization expenses	2.09	9,34,046	49,45,368
Provisions and write-offs	2.18	1,27,87,683	1,16,20,303
Other expenses	2.19	2,04,01,433	1,33,33,702
Total expenses		25,75,06,150	18,93,18,805
Profit before tax		2,79,62,743	1,97,75,585
Tax expense:			
- Current tax		89,54,191	53,68,000
- Reversal of Income tax provision- prior years		-	(3,98,690)
- Deferred tax (credit) / charge		(10,23,219)	(9,28,193)
		79,30,972	40,41,117
Profit after tax		2,00,31,771	1,57,34,468
Earning per equity share (EPS) [refer note 3.04]			
- Basic (face value of ₹10/- each)		1.85	1.45
- Diluted (face value of ₹10/-each)		0.87	0.68
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 CHETAN PADAKI & ASSOCIATES

CHARTERED ACCOUNTANTS

F.R.No. 011274S

(CA CHETAN PADAKI)

PARTNER

Mem.No.216929



for IDF Financial Services Private Limited

[Signature]

Prashant Hegde
Company Secretary

[Signature]

V N Salimath
Chairman
DIN: 0253109

[Signature]

N M PATEL
Managing Director
DIN: 1674210

Date : 10/07/2020

Place: Bengaluru

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 non-deposit taking 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. The Company is a Non-Banking Finance Company - Micro Finance Institutions (NBFC-MFI). The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India for Non-Banking Finance Company - Micro Finance institution (NBFC-MFI).

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.

1.03.5 Amount received against previously written-off loans are recognised on receipt basis and classified under other operating revenue.

1.03.6 Income from interest strip (excess interest spread) is recognised in the statement of profit and loss (net of any loss) when redeemed in cash. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio. Profit / premium arising at the time of assignment of loan portfolio is amortised over the life of the underlying loan portfolio and any loss arising there from is accounted for immediately. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying loan portfolio.



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:

No such Assets are existing in the Company.

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%

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

No such Operating Assets are existing in the Company

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	
Standard Assets	1,29,46,43,521
Non Performing Assets:	
Sub-Standard	
91 days - 180 days	78,81,446
> 180 days	37,72,047
Loss Assets	-
Misappropriated Accounts	-
Gross Loan Portfolio	1,30,62,97,014
Provisioning Norms:	
Provisioning of Higher of:	
a) 1% of the outstanding loan portfolio	1,30,62,970
b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and	77,12,770
100% of the aggregate loan instalments which are overdue for 180 days or more.	
Actual Provisions already held	1,16,95,478
Additional Provision to be held during the current year	13,67,492
Additional Provision to be held due to Covid-19	1,00,00,000
Reversal of excess provisions held	-
Total Provision at the end of the year ₹	2,30,62,970

Note: As per the Circular RBI/2019-20/220 Dt: 17/04/2020, an additional provision for the standard assets in respect of all accounts classified as standard even though it is overdue and expected to become NPA in upcoming period has been provided by the Company in addition to the above required provision. The provision required as per statutory norms of the RBI is 1% which amounts to ₹ 1,30,62,970/- and an additional provision due to Covid-19 is provided amounting ₹ 1,00,00,000/- which is related to 17,371 accounts which standard but having overdue balance of ₹ 1,97,09,870/-.

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

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-20	31-Mar-19
Authorized		
1,50,00,000 [Previous year: 1,50,00,000] Equity shares of ₹10/- each	15,00,00,000	15,00,00,000
1,50,00,000 [Previous year: 1,50,00,000, Compulsorily Convertible] Preference shares of ₹10/- each	15,00,00,000	10,00,00,000
Previous year: 50,00,000 Optionally Convertible Preference Shares of ₹10/- each	-	5,00,00,000
	30,00,00,000	30,00,00,000
Issued, subscribed and paid-up		
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
72,32,485 [Previous year: 72,32,485] 9% (previous year 6%) Compulsorily Cumulative Convertible Preference shares of ₹10/- each fully paid-up	7,23,24,850	7,23,24,850
50,50,000 [Previous year: 50,00,000] 9% Cumulative Optionally Convertible Preference shares of ₹10/- each fully paid-up	5,05,00,000	5,00,00,000
	23,10,37,150	23,05,37,150

2.01.1 Reconciliation of shares

	31-Mar-20 Number	31-Mar-20 Amount	31-Mar-19 Number	31-Mar-19 Amount
a) Equity shares				
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	-	-	-	-
Balance at the end of the year	1,08,21,230	10,82,12,300	1,08,21,230	10,82,12,300
b) Compulsorily Convertible 9% Cumulative Preference shares				
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	-	-	-	-
Balance at the end of the year	72,32,485	7,23,24,850	72,32,485	7,23,24,850
c) Optionally Convertible 9% Cumulative Preference shares				
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	50,50,000	5,05,00,000	-	-
Less: Redeemed during the year	50,00,000	5,00,00,000	-	-
Balance at the end of the year	50,50,000	5,05,00,000	50,00,000	5,00,00,000

Redemption of shares: During the year company has redeemed and issued the 9% optionally convertible cumulative preference shares at par value. Shares are not redeemed out of the accumulated profits, but redeemed out of issue of new shares. Hence CRR is not necessary.



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 9% Cumulative Preference Shares [CCPS]:** All CCPS which are convertible into equity having completion of 7 years from the date of allotment had been extended for a further period of three years in the AGM dated 28th May, 2016, then tenure of the same shares were further extended for 3 years in the EGM held on 16th December, 2019 upto 15th December, 2022 and dividend rate was increased to 9% from existing 6%. 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 investor. Option to be exercised not before three (3) years from the date of allotment. The total tenure of OCPS is Six (6) years

2.01.3 The details of shareholders as at March 31st, 2020 is set out below:

	31-Mar-20		31-Mar-19	
	No. of shares	%	No. of shares	%
Equity share capital				
IDF SHG Federation - Dharwad	63,02,167	58%	63,02,167	58%
IDF FSPL balaga welfare trust	9,02,147	8%	9,02,147	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	7,01,173	6%	6,50,833	6%
Compulsorily Convertible 9% Preference share capital				
IDF SHG Federation - Dharwad	72,32,485	100%	72,32,485	100%
Optionally Convertible 9% Preference share capital				
IDF SHG Federation Dharwad	30,00,000	59.41%	-	-
IDF Sujeevana Federation Kunigal	6,00,000	11.88%	-	-
SIDBI	-	-	50,00,000	100%

2.02 Reserves and surplus

	31-Mar-20	31-Mar-19
Statutory reserve		
Opening balance	2,17,87,560	1,86,40,666
Additions during the year #	40,06,354	31,46,894
	2,57,93,914	2,17,87,560
Securities premium account		
Opening balance	7,76,700	7,76,700
Additions during the year	-	-
	7,76,700	7,76,700
Vehicle Revolving Fund		
Opening balance	-	1,17,887
Transferred to statement of Profit and Loss	-	(1,17,887)
	-	-



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Surplus in the statement of Profit and Loss		
Opening balance	1,32,46,799	58,20,018
Add: Profit/(loss) for the year	2,00,31,771	1,57,34,468
Add: Vehicle Revolving Fund	-	1,17,887
Less: Transferred to statutory reserve#	(40,06,354)	(31,46,894)
Less: Dividend Paid FY 2017-18	(1,31,50,368)	(45,00,000)
Less: Dividend tax paid	(18,88,812)	(7,78,680)
	1,42,33,036	1,32,46,799
	4,08,03,650	3,58,11,059

Statutory Reserve represents the reserve created pursuant to the Reserve Bank of India Act, 1934 (the "RBI Act"). In terms of Section 45-IC of the RBI Act, a Non-Banking Finance Company is required to transfer an amount not less than 20 per cent of its net profit to a Reserve Fund before declaring any dividend. Appropriation from this Reserve Fund is permitted only for the purposes specified by RBI.

2.03 Long Term Borrowings

	31-Mar-20	31-Mar-19
Secured		
- From banks		
Canara Bank	11,19,68,749	12,45,50,720
State Bank of India	4,25,52,719	12,32,18,312
Union Bank of India	9,88,05,057	10,48,35,179
Karnataka Vikas Grameen Bank	4,52,24,271	44,16,923
UCO Bank	13,08,02,813	16,58,95,630
IDFC First Bank	21,17,31,604	13,84,11,790
Lakshmi Vilas Bank	1,50,00,006	2,49,93,398
Karnataka Grameena Bank	6,91,52,873	-
Jana Small Finance Bank	6,23,47,045	-
	78,75,85,137	68,63,21,952
-From Financial Institutions/NBFC		
Jain Sons Finlease Ltd	1,26,96,038	5,70,05,919
Eclear Leasing And Fin. Pvt Ltd	2,99,45,461	2,50,00,000
Nabkisan Finance Ltd	13,83,17,394	10,17,65,263
Ananya Fin. for Inclusive Growth Pvt Ltd	3,33,33,338	5,24,99,988
NABARD Financial Services Pvt Ltd	41,56,723	1,41,66,831
Nabsamruddhi Finance Limited	6,66,66,668	10,00,00,000
Nabsamruddhi Finance Limited	5,00,00,000	-
Maanaveeya Development&Fin. Pvt Ltd	6,66,40,000	8,00,00,000
Profectus Capital Private Limited	83,13,484	-
	41,00,69,106	43,04,37,801
	1,19,76,54,243	1,11,67,59,753
Less: Current Maturities of Long Term Borrowings (refer note no 2.07)		
- From banks	48,57,65,553	37,55,60,845
- From Financial Institutions/NBFC	29,86,67,496	23,02,62,158
	78,44,33,049	60,58,23,003
Long term borrowings	41,32,21,194	51,09,36,750

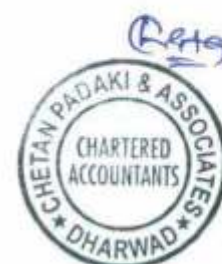


Note

i) Term loans availed from banks and financial institutions are fully secured by way of hypothecation of book debts. Term loans are repayable on monthly or quarterly basis depending on the respective loan arrangements. During the year, company has not defaulted in the repayment of dues to its lenders.

ii) Terms of repayments and Loans Gauranted by Directors are as follows:-

Name	Rate of Interest %	Date of Maturity	Sanction Amount	Tenure	Personal Guarantee
Ananya Finance for Inclusive Growth Pvt Ltd	15.50	31-07-21	1,00,00,000	24 EMI	-
	15.50	31-05-21	6,00,00,000	24 EMI	-
Canara Bank	12.50	31-10-22	5,00,00,000	36 EMI	
	12.80	29-12-21	10,00,00,000	60 EMI	1. Vivekanand M Salimath
	11.65	21-01-23	3,00,00,000	60 EMI	2. Naganagouda N Patil
	11.50	31-03-22	3,00,00,000	60 EMI	3. T V Srinkantha Shenoy
Eclear Leasing & Finance Pvt Ltd					
	15.25	30-06-21	5,00,00,000	24 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
					3. T V Srinkantha Shenoy
IDFC First Bank	14.00	31-08-21	15,00,00,000	24 EMIs	1. Vivekanand M Salimath
	14.00	31-12-21	5,00,00,000	36 EMIs	2. Naganagouda N Patil
	13.75	31-07-22	10,00,00,000	48 EMIs	3. T V Srinkantha Shenoy
Jainson Finlease Ltd					
	16.00	10-10-20	3,00,00,000	18 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
					3. T V Srinkantha Shenoy
Jana Small Finance Bank	14.00	22-11-21	7,00,00,000	24 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
Karnataka Gramin Bank	12.50	21-01-23	5,00,00,000	36 EMIs	1. Vivekanand M Salimath
	12.50	18-05-22	3,00,00,000	36 EMIs	2. Naganagouda N Patil
					3. T V Srinkantha Shenoy
Karnataka Vikas Grameena Bank	12.45	29-07-20	5,00,00,000	Renewal on every year	1. Vivekanand M Salimath
	12.45	21-12-22	5,00,00,000	36 EMIs	2. Naganagouda N Patil
					3. T V Srinkantha Shenoy
Laxmi Vilas Bank					
	11.10	02-08-21	3,00,00,000	36 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
					3. T V Srinkantha Shenoy
Maanaveeya Development & Finance Pvt Ltd	15.00	27-03-22	10,00,00,000	36 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
Nabkisan Finance Ltd					
	13.00	31-08-21	7,67,00,000	6 Half Yearly Installments	
	14.00	31-01-23	10,00,00,000	12 quarterly instalments	
NABARD Financial Services Ltd					
	15.50	16-07-20	2,00,00,000	24 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
					3. T V Srinkantha Shenoy
Nabsamrudhi Finance Ltd	13.50	14-01-22	5,00,00,000	24 EMIs	1. Vivekanand M Salimath
	13.50	07-02-22	10,00,00,000	12 quarterly instalments	2. Naganagouda N Patil
Profectus Capital Ltd					
	15.00	29-09-20	2,00,00,000	18 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
State Bank of India					
	11.25	31-12-20	20,00,00,000	36 EMIs	1. Vivekanand M Salimath
					2. Naganagouda N Patil
					3. T V Srinkantha Shenoy
Syndicate Bank					
	14.00	08-04-20	5,00,00,000	Renewal on every year	1. Vivekanand M Salimath
					2. Naganagouda N Patil
					3. T V Srinkantha Shenoy



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UCO Bank	11.75	29-06-2022	500,00,000	12 equally quarter instalments	
	11.80	01-02-2022	500,00,000	12 quarterly instalments	1. Vivekanand M Salimath
	11.85	27-09-2021	750,00,000	12 quarterly instalments	2. Naganagouda N Patil
	11.80	30-05-2020	500,00,000	12 quarterly instalments	3. T V Srinkantha Shenoy
Union Bank of India	10.95	27-09-2022	500,00,000	36 EMIs	1. Vivekanand M Salimath
	11.40	30-11-2021	700,00,000	36 EMIs	2. Naganagouda N Patil
	11.10	31-12-2020	500,00,000	36 EMIs	3. T V Srinkantha Shenoy

2.04 Short Term Borrowings
From Banks- Secured
Cash credit #

743,73,256	463,79,060
743,73,256	463,79,060

Santioned limit of Rs. 10 Crores Renewal in 1 year are fully secured by way of hypothecation of book debts. Rate of interest: 1 year MCLR+3.35%, 12-12.5% at present.

GRAND TOTAL BORROWINGS	12720,27,499	11631,38,813
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2.05 Deferred tax Asset (net)

	31-Mar-20	31-Mar-19
Deferred tax asset arising on:		
Opening Balance	2,90,475	-
Depreciation and amortisation	11,52,827	12,95,687
Provision on bad and doubtful debts	31,62,436	10,23,039
Provision on loan processing charges	(32,92,044)	-
Deferred tax liability arising on:		
Other items	-	(20,28,251)
Deferred tax Asset / (Liability) (net)	13,13,694	2,90,475

2.06 Trade Payable

	31-Mar-20	31-Mar-19
Outstanding dues of Micro, Small and Medium Enterprises (Refer note no 3.02)	-	-
Other Enterprises	48,12,829.00	25,34,663.00
	48,12,829.00	25,34,663.00

2.07 Other current liabilities

	31-Mar-20	31-Mar-19
Current Maturities of long-term borrowings (refer Note 2.03)	7844,33,049	6058,23,003
Interest accrued but not due on borrowings	22,80,315	20,84,895
Statutory Liabilities	11,79,603	10,25,038
Staff welfare fund payable	1,09,750	1,60,420.00
Insurance Premium/claim Payable	-	54,95,119
Statutory Audit Fees Payable	1,61,875	-
Payable towards securitisation/Assigned A/c	267,16,831	-
	8148,81,423	6145,88,475

Note: Payable towards securitisation/Assigned A/c represents the installment collections of assigned loan accounts which are payable to the securitisation service providers.



2.08 Provisions

	31-Mar-20		31-Mar-19	
	Long-Term	Short-Term	Long-Term	Short-Term
Provision for non-performing assets	15,74,359	1,14,88,611	2,06,867	1,14,88,611
Additional Provision on loans-Covid-19	-	1,00,00,000	-	-
Provision for Contingent Expenses	-	15,00,000	-	-
Provision for Taxation	-	86,45,000	-	53,68,000
	15,74,359	3,16,33,611	2,06,867	1,68,56,611

Note:

01) The board of directors in meeting held dated 16th December 2019 has accorded to replace cash handling insurance and fidelity insurance with contingency fund. Hence the provision for contingent expenses has been made. Accordingly, the company had made a provision on estimated basis based on annual premium.

2.10 Loans and advances

	31-Mar-20		31-Mar-19	
	Non-current	Current	Non-current	Current
Secured				
Considered good	23,60,03,019	1,03,47,97,131	41,56,49,152	74,18,25,119
Considered doubtful	19,47,437	97,06,056	2,13,553	1,18,59,953
Assigned MRR Securitisation A/c *	-	2,38,43,371	-	-
(* This a/c related to the 10% margin account of Assigned/Securitized portfolio)				
	23,79,50,456	1,06,83,46,558	41,58,62,705	75,36,85,072
Unsecured, considered good				
Rent Advance	19,89,500	-	16,87,000	-
Security deposits	25,000	-	75,000	-
TDS Receivables	18,70,363	-	6,11,999	-
Advance tax (1,40,00,000 - 57,44,220)	82,55,780	-	53,00,000	-
Security deposits against Loan	95,75,062	-	1,09,44,609	-
	2,17,15,705	-	1,86,18,608	-
	25,96,66,161	1,06,83,46,558	43,44,81,313	75,36,85,072

2.11 Investments

	31-Mar-20	31-Mar-19
In mutual funds (Unquoted and non-trade, lower of cost or net realisable value)#		
Union Bank of India	5,00,000	-
Canara Robeco Dual advantage fund [50,000 units (PY 50,000 units)]	5,00,000	5,00,000
	10,00,000	5,00,000

*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 investment as at 31 March 2020 is ₹ 5.54 lacs (2019: ₹ 5.41 Lacs) in case of Canara robeco dual advantage fund and the mutual fund fair market value of Union Bank of India is ₹ 4.79 Lacs which is as per the account statement of the respective Banks. As per AS 13 the long term investments are valued at cost. However, when there is a decline, other than temporary, in the value of long term investment, the carrying amount is reduced to recognise the decline. The decline in the value of investment at Union Bank of India at present is a temporary in nature due to covid-19, hence the decline in the value is not considered for accounting diminution value.



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2.12 Cash and cash equivalents	31-Mar-20	31-Mar-19
Balances with		
- in current accounts	8,60,13,993	13,67,42,463
- in deposit account	2,00,75,610	2,07,66,961
- in CC account (Debit balance)	-	10,86,696
Other bank balances		
Deposits (Encumbered) with maturity more than 12 Months*	14,83,78,528	9,37,95,192
Less: Amounts disclosed as other non-current assets (refer note 2.13)	(14,83,78,528)	(9,37,95,192)
Cash on hand	2,65,274	2,71,276
	10,63,54,877	15,88,67,396

*Note: Deposits encumbered held as margin against Term loans from Banks and Financial Institutions

2.13 Other assets	31-Mar-20		31-Mar-19	
	Non-current	Current	Non-current	Current
Interest Receivable on Investments	-	48,46,470	-	54,05,293
Deposits-maturity more than 12 Months(refer note 2.12)	14,83,78,528	-	9,37,95,192	-
FL Loan Receivables(IDF)	-	11,00,000	-	-
GST Receivable	-	24,53,210	-	5,91,135
Other receivables	-	3,73,481	-	9,47,991
Pre Paid Consultation Fees	8,36,111	11,22,917	43,74,792	29,15,833
Pre Paid Processing Charges	35,97,153	40,14,444	-	-
Pre Paid Assigned Processing Charges	28,63,027	37,74,512	-	-
Incentive Receivable A/c	-	3,58,011	-	-
	-	4,66,410	-	-
	15,56,74,819	1,85,09,455	9,81,69,984	98,60,252

2.14 Revenue from operations	31-Mar-20	31-Mar-19
Interest Income	25,79,60,653	18,85,49,852
Service charges on loans	1,33,26,720	1,07,64,610
Interest Strip A/c	48,39,838	-
	27,61,27,211	19,93,14,462

2.15 Other income	31-Mar-20	31-Mar-19
Interest on term deposits	80,31,920	77,58,344
Dividend Received	3,48,947	11,73,038
Bad debts recovered	4,98,894	8,33,864
Miscellaneous	1,13,228	14,682
Incentive Received A/c	3,48,692	-
	93,41,682	97,79,928

2.16 Employee benefit expenses	31-Mar-20	31-Mar-19
Salaries, wages and bonus	5,63,34,521	5,11,19,890
Contributions to provident and other funds	23,64,425	21,69,340
Staff welfare and training expenses	84,558	1,51,267
Gratuity	2,00,575	7,10,051
	5,89,84,079	5,41,50,548



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

2.17 Finance costs

	31-Mar-20	31-Mar-19
Interest on borrowings	15,62,56,443	10,00,61,578
Loan processing fee on borrowings	41,68,503	20,62,007
Bank charges	10,39,913	7,97,281
Documentation and evaluation expenses	9,90,057	13,12,601
Loan Consultation Fees	11,05,556	10,35,417
Processing Charges on Assigned Portfolio	8,38,437	-
	16,43,98,909	10,52,68,884

2.18 Provisions and write-offs

	31-Mar-20	31-Mar-19
Loans written-off	14,20,191	78,63,953
Additional provision for Non performing Assets	13,67,492	36,77,350
Cash Loss written off A/c	-	79,000
Additional Provision on loans-Covid-19 (refer note no. 2.08)	1,00,00,000	-
	1,27,87,683	1,16,20,303

2.19 Other operating expenses

	31-Mar-20	31-Mar-19
Rent (refer Note 3.08)	51,58,270	40,74,765
Travelling and conveyance	27,14,898	23,38,627
Communication Expenses	9,02,344	14,60,047
Office maintenance	17,78,120	12,58,993
Printing & stationary	11,06,047	9,47,372
Insurance	1,30,758	7,11,455
Remuneration to auditors (refer Note 2.17.1 below)	8,67,500	6,90,000
Repairs and maintenance	9,77,548	7,19,460
Meeting Expenses	1,81,681	2,11,385
Subscription Fees	4,09,680	1,25,000
Credit Burea Expenses	2,84,665	2,59,698
Legal and Professional Fees	5,250	1,65,939
Rates & Taxes	60,333	11,040
Miscellaneous Expenses	1,90,457	3,59,921
Contingent Expenses	15,00,000	-
Other Consultancy /Professional Fees	41,33,884	-
	2,04,01,433	1,33,33,702

2.19.1 Auditor's Remunerations

	31-Mar-20	31-Mar-19
Statutory audit	1,75,000	6,90,000
Concurrent Audit	6,92,500	-
	8,67,500	6,90,000

3) Supplementary information

3.01 Contingent liabilities and commitments

	31-Mar-20	31-Mar-19
Contingent liabilities-Arrears of cumulative preference dividend*	43,39,491	1,31,78,982
Commitments	Nil	Nil

*Working Note:

Compulsorily Convertible 6% Cumulative Preference shares	43,39,491	86,78,982
Optionally Convertible 9% Cumulative Preference shares	-	45,00,000
	43,39,491	1,31,78,982



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, Small and Medium Enterprises, to which the company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro, Small and Medium Enterprises has been determined as nil to the extent of such parties have been identified on the basis of information available with the company. This has been relied upon by the Auditor.

3.03.1 Capital to Risk-Assets Ratio [CRAR]

	31-Mar-20	31-Mar-19
Tier I Capital	2213,40,800	2163,48,209
Tier II Capital	505,00,000	500,00,000
Total	2718,40,800	2663,48,209
Total Risk weighted assets		
(i) Adjusted value of funded risk assets i.e. on-balance sheet items	13464,77,923	11993,20,047
(ii) Adjusted value of non-funded and off-balance sheet items	-	-
Total risk weighted assets/ exposures	13464,77,923	11993,20,047
Capital to Risk-Assets Ratio [CRAR]		
Tier I Capital as a percentage of Total Risk weighted assets (%)	16.44%	18.04%
Tier II Capital as a percentage of total Risk weighted assets (%)	3.75%	4.17%
CRAR (%)	20.19%	22.21%

3.03.2 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 classificat	Loan outstanding (without provisioning)		Provision	
	31-Mar-20	31-Mar-19	As on 31st Mar 2020	As on 31-March 2019
	Amount	Amount	Amount	Amount
Standard assets	12946,43,521	11574,74,271	-	-
Non Performing assets	116,53,493	120,73,506	230,62,970	116,95,478
Total	13062,97,014	11695,47,777	230,62,970	116,95,478

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 0.91% for the period ending 31st March 2020 as compared to 1.03% of total loan portfolio for the year ending 31st March 2019.

3.03.3 Disclosure relating to Securitisation

01. Details of assignment transaction:

Particulars	31-03-2020	31-03-2019
No. of accounts	13,025	-
Aggregate value (Net of provision) of accounts sold	2164,04,654	-
Aggregate consideration	1947,64,189	-
Additional consideration realised in respect of accounts transferred in earlier years	-	-
Aggregate gain or loss over net book value	-	-



02. Details of financial assets sold to

Particulars	31-03-2020	31-03-19
No of accounts	15,273	-
Aggregate value (Net of provision) of accounts sold	276,884,527	-
Aggregate consideration	27,886,453	-
Additional consideration (net of expenses) realized in respect of account transferred in earlier years	-	-
Aggregate gain or loss over net book value	-	-

3.03.4 Disclosure relating to SPVs sponsored

Disclosure required under RBI guidelines on Securitisation transaction DNBS, PD. No. 301/3.10.01/2012-13. The figures are as per the Certificate received from Auditor of SPV (M/s Omprakash Kedia & Co) dated 04/06/2020. The balance shown below are subject to reconciliation.

ANNEXURE- DISCLOSURE REQUIREMENTS FOR IDF 2019 MFI DA CHANDRAYAN & IDF 2020 MFI DA ARYABHATTA

Sl. No.	PARTICULARS	No./ Rs in Lakhs
1	No of SPVs sponsored by the NBFC for securitisations	2
2	Total amount of securitised assets as per books of SPVs sponsored by the NBFC (Direct Assignment)	2,384.25
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	
	i) Off-balance sheet exposure	
	a) First Class	-
	b) Others	-
	ii) On-balance sheet exposures	
	a) First Loss (In the form of Fixed Deposits)	-
	b) Originator's Exposure	238.42
4	Amount of exposures to securitisation transactions other than MRR	
	i) Off-balance sheet exposures	
	a) Exposure to own securitisations	
	First Loss	-
	Others *	-
	b) Exposure to third party securitisation transaction	
	First Loss	-
	Others	-
	ii) On-balance sheet exposures	
	a) Exposure to own securitisations	
	First Loss	-
	Others *	-
	b) Exposure to third party securitisation transaction	
	First Loss	-
	Others	-

* Includes Second Loss Facility (if any)

3.03.5 Margin

Margin Cap of the Company as on 31st March 2020 is 5.42%. 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

3.03.6 Qualifying Assets

As of 31st March 2020, 94.46% of net assets of (Total assets 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.



3.03.7 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.

3.04 Earnings per share

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

	31-Mar-20	31-Mar-19
Net profit as per Statement of profit and loss	20,031,771	15,734,468
Less: Arrears of cumulative preference dividend	-	4,500,000
Less: Dividend distribution tax	-	778,680
Net profit as per Statement of profit and loss for Basic EPS	20,031,771	10,455,788
Weighted average number of shares considered for computation of basic earnings per share	10,821,230	10,821,230
Effect of Dilution		
Add: Effect of compulsorily convertible preference shares	7,232,485	7,232,485
Add: Effect of optionally convertible preference shares	5,050,000	5,000,000
Weighted average number of shares considered for computation of diluted earnings per share	23,103,715	23,053,715
Earning per share:		
Basic	1.85	0.97
Diluted	0.87	0.68
Nominal value per share	10	10

* 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, then tenure of the same shares were further extended for 3 years in the EGM held on 16th December, 2019 and dividend rate was increased to 9% from existing 6%. such conversion is to effect at fair value to be determined at the time of conversion. Since the fair value is not ascertainable the potential equity shares arising on such conversion cannot be determined. Hence, conversion ratio of 1:1 is considered.

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 Life insurance corporation of India 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. The figures are as per the actuarial valuation report on gratuity issued by Saket Singhal (Actuarial Fellow Membership No. 175).

Expense recognised in the statement of Profit and Loss Account

	31-Mar-20	31-Mar-19
Current service cost	810,698	602,520
Past service cost	-	-
Interest cost	252,625	309,870
Expected return on plan asset	(344,008)	(293,665)
Net actuarial (gain) / loss recognized in the year	316,519	(776,532)
Expenses recognisable in statement of Profit and Loss Account	1,035,834	(157,807)

The amount to be recognised in the Balance Sheet

	31-Mar-20	31-Mar-19
Present value of obligation at the end of the period	4,117,200	3,726,031
Fair value of plan assets as at the end of the period	4,583,610	4,623,761
Funded status / Difference	466,410	897,730
Excess of actual over estimated	-	4,093
Unrecognised actuarial (gains) / losses	-	-
Net asset / (liability) recognisable in the balance sheet	466,410	897,730



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

Changes in present value of obligation

	31-Mar-20	31-Mar-19
Present value of obligation at the beginning of the period	3,726,031	3,952,427
Acquisition adjustment	-	-
Interest cost	252,625	309,870
Current service cost	810,698	602,520
Past service cost	-	-
Benefits paid	(968,527)	(366,347)
Actuarial (gain) / loss on obligation	296,373	(772,439)
Present value of obligation at the end of the period	4,117,200	3,726,031

Changes in the fair value of plan assets

	31-Mar-20	31-Mar-19
Fair value of plan assets at the beginning of the period	4,623,761	3,952,427
Acquisition adjustment	-	-
Expected return on plan assets	344,008	293,665
Contributions	666,985	800,000
LIC charges	(62,471)	(60,077)
Benefits paid	(968,527)	(366,347)
Actuarial (gain) / loss on plan assets	(20,146)	4,093
Fair value of plan assets at the end of the period	4,583,610	4,623,761

The Major categories of Plan assets

	31-Mar-20	31-Mar-19
Government of India Securities	-	-
High Quality Corporate bonds	-	-
Equity Shares of listed companies	-	-
Property	-	-
Funds Managed by Insurer	100%	100%
Fair value of plan assets at the end of the period	100%	100%

Principal Actuarial Assumptions

	31-Mar-20	31-Mar-19
Discount Rate	6.78 PA	7.84 PA
Salary Growth Rate	7.00 PA	7.00 PA
Expected Rate of Return on Plan Assets	7.44 PA	7.43 PA
Retirement Age	60 Years	60 Years
Mortality Table	IALM (2012 - 2014)	IALM (2006 - 2008)
Employee Turnover / Attrition Rate	100%	100%
18-30 Years	3.00%	3.00%
30-45 Years	2.00%	2.00%
Above 45 Years	1.00%	1.00%

Current / Non-Current Liability

	31-Mar-20	31-Mar-19
Current Liability	71,980	743,626
Non-Current Liability	4,045,220	2,982,405
Net Liability	4,117,200	3,726,031

Expected Company's contribution for next year is Rs 4,52,230/-

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

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-20	31-Mar-19
Mr. Vivekanand N Salimath	Remuneration	Payment	24,83,370	22,57,416
Mr. Naganagouda M Patil	Remuneration	Payment	24,83,370	22,57,416
IDF SHG Federation Dharwad	Issue of Preference share capital	Receipt	3,00,00,000	-
IDF Sujeevana Federation Kunigal	Issue of Preference share capital	Receipt	60,00,000	-

3.07 Earnings and expenditure in foreign currency

	31-Mar-20	31-Mar-19
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 ₹ 51,58,270/- (PY ₹40,74,765/-) have been charged to the Statement of Profit and Loss for the Year ended 31.03.2020

3.09 Rating

Brickwork Ratings India Pvt Ltd (BWR) have assigned ratings for the Fund based - Long Term facilities availed by the company as BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable; as per letter dated 02-12-2019. [Previous rating BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable.]

3.10 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 CHETAN PADAKI & ASSOCIATES

CHARTERED ACCOUNTANTS

F.R.No. 011274S


(CA CHETAN PADAKI)

PARTNER

Mem.No.216929



for IDF Financial Services Private Limited



Prashant Hegde
Company Secretary



V N Salimath
Chairman
DIN: 0253109



N M Patil
Managing Director
DIN: 1674210

Date : 10/07/2020

Place: Bengaluru

IDF FINANCIAL SERVICES PRIVATE LIMITED

Notes to the financial statements as at March 31st, 2020

Note 2.09 : Property, Plant and Equipment

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on March 31st, 2019	Additions for the year	Deletion for the year	As on March 31st, 2020	Up to March 31st, 2019	Additions for the year	As on March 31st, 2020	As at March 31, 2019
A. Tangible assets								
Computer and Accessories	70,60,011	1,49,591	-	72,09,602	64,42,294	4,71,152	2,96,155	6,17,717
Furniture and Fixtures	22,38,241	2,01,568	-	24,39,809	17,83,917	1,39,093	5,16,799	4,54,324
Vehicle	16,96,935	-	-	16,96,935	8,90,537	2,51,838	5,54,560	8,06,398
Office Equipment	29,49,936	58,652	-	30,08,588	28,32,232	71,963	1,04,394	1,17,704
Total [A]	1,39,45,123	4,09,811	-	1,43,54,934	1,19,48,980	9,34,046	14,71,908	19,96,143
B. Intangible assets								
Goodwill	3,70,00,000	-	-	-	3,70,00,000	-	-	-
Total [B]	3,70,00,000	-	-	-	3,70,00,000	-	-	-
Total [A+B]	5,09,45,123	4,09,811	-	1,43,54,934	4,89,48,980	9,34,046	14,71,908	19,96,143

Date : 10/07/2020
Place: Bengaluru



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 Financial Services Private Limited

Regd. Office :

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Admn. Office :

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Manjunatha Colony, Shivagiri, Dharwad- 580 007
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email : idff.ao@gmail.com,