



rising to the next level

**Arohan Financial Services Private Limited**  
annual report **2016 -17**





## RISING TO THE NEXT LEVEL

In a year characterized by unprecedented challenges, there is no greater achievement than a coming of age with elan. With accomplishments of the past and an eye on the future, Arohan is poised for scale.

Since its inception in the year 2006, Arohan's objective has been to build initiatives for a better tomorrow. Eleven years since its origination, it has traveled the path that sets the base for a promising future. With its diversified services, customer centricity, operational excellence and best in class technology infrastructure, Arohan is driving sustainability across its customer communities.

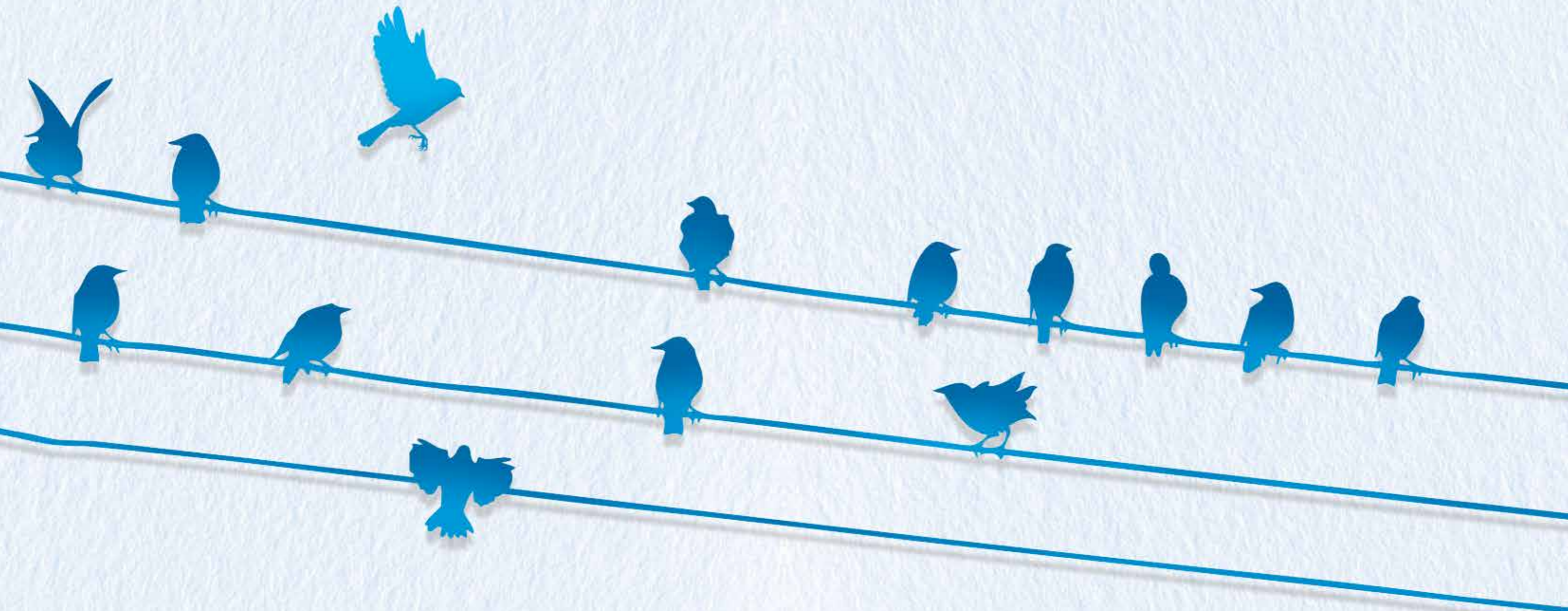
Product innovations and robust operational practices drives the company to serve its growing customer base.

Join us as we take you through our journey to the future as Arohan gears up to rise to the next level.



## MFI 1 GRADING, A-BANK LOAN RATING

**Arohan Financial Services Private Limited** has been awarded the highest rated MFI 1 grading from CARE Ratings. The grading is assigned on an 8-point scale with "MFI 1" being the highest. This makes Arohan the only NBFC-MFI in the East & North-east to be rated as MFI 1 and enables it to break into the elite league of MFIs in India. CARE Ratings also reaffirmed our rating at A- in January, 2017, after reviewing our performance post demonetization. An upgrade on our bank loan rating to A- takes us into a select group of just six MFIs with an A category rating.







## **AROHAN RAISES** INR **155.5 CRORE** EQUITY CAPITAL FROM EXISTING AND NEW INVESTORS

One of the top 10 microfinance organizations in India, Arohan Financial Services Private Limited, a part of the Aavishkaar-Intellicap Group, has raised a total of INR 155.5 crores equity capital in FY 17 to assist in expansion of its operations in new states, while also strengthening operations in its existing states.





## AWARDS AND RECOGNITION

- » CARE Credit Rating A- (July 2016)
- » SKOCH Order-of-Merit for Additional Life Insurance (ALI) as one of the best 100 Financial Inclusion projects in India (September 2016)
- » CoCA Assessment score of 8 out of 10 indicating "High Level of Adherence" (September 2016)
- » CARE MFI 1 Grading, highest on an 8 point scale (February, 2017)
- » SP 2+ rating for our Social Performance by ICRA (February, 2017)
- » CSR Excellence Award by India International CSR Conclave (May, 2017)



## MISSION

To empower the underserved by offering a range of financial services, in a manner sustainable for all stakeholders.

## VISION

To be one of the top three financial inclusion players in 10 low-income states, serving close to 10 million customers, and being in the top 10 preferred places to work.

## CORE VALUES



**EMPLOYEE  
ENGAGEMENT**



**TRANSPARENCY**



**HONESTY  
& INTEGRITY**



**INNOVATION**



**CUSTOMER  
CENTRICITY**



**SHAREHOLDER  
VALUE FOCUS**

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# MD's Desk

## Dear Shareholders,

I am delighted to write to you to report yet another year of outstanding achievements by your company. In the 10th year of our existence as a microfinance institution, despite slightly challenging economic and ground level conditions during and post demonetization, we have delivered one of the best operational and financial performance. As we closed March'17, with some of our peers in the industry having transformed into Small Finance Banks, Arohan has broken into the list of top 10 NBFC-MFIs in the country and is the largest one based out of the East.

The year 2016/17 has been an eventful year in many respects. Demonetization announced by our Hon'ble Prime Minister on November 8, 2016 was the biggest step taken towards enabling financial inclusion through banking in India through clean and digitized money. While, businesses that deal in cash, such as ours, were greatly impacted, we have been fortunate as a company to be operating in areas which weren't as critically wedged by negative propagandists as others. Against all odds, the financial year 2016-17 has witnessed many notable achievements by your company. With due credit to a strong management team and a committed workforce, Arohan closed the previous financial year by crossing the milestone of INR 1000 Cr AUM with a portfolio of INR 1014 Cr as on March 31, 2017.

We have expanded to seven low income states in India with Meghalaya and Chattisgarh being added to our areas of operation last financial year. We serve over 7,25,000 micro borrowers, through a network of 272 branches, with an employee strength of over 2400 as of end March'17. With a rights issue of INR 58 Cr from existing investors notably from Aavishkaar Venture Management Services & Tano Capital in January, 2017 and a INR 97Cr equity infusion from a new investor MAJ Invest, the company now has a net worth of over INR 341 Cr (inclusive of accrued profits) as on end of March, 2017. This makes Arohan one of the best capitalized NBFC-MFIs in its peer group. Customer focus and sustainable growth were two key areas of focus for the company, in addition to strengthening the management team for future growth.

Arohan's Board of Directors continues to be its strength and helps us ensure robust corporate governance. While Ms Matangi Gowrishankar, a HR Specialist joined the board as an independent director, we had Mr. Wim Van Der Beek, founder of Goodwell Investments and Mr. Kasper Svarrer from one of Denmark's leading asset management companies, MAJ Invest, joining us as investor nominee directors. FY 17 also saw new additions to the core management team to further strengthen the company's management depth and bench strength

As Arohan enters the 11th year of its existence, we have redrawn plans for the future based on the vast opportunities before us. An upgrade on our bank loan rating to A- takes us into a select group of just six MFIs with an A category rating. CARE Ratings also reaffirmed our rating at A- in January, 2017, after reviewing our performance post demonetization. In February 2017, we were awarded a top notch MF1 grading which is the number one microfinance grading for our operations along with an SP2 rating on our Social Performance Management.

In its tireless efforts to mainstream financial inclusion in India, Arohan has identified the need to go digital to expedite its processes and ensure smooth operations through mobile applications. Our philosophy on IT has been to focus on – from “paperless to cashless”. With this objective in line, we launched “GRAVITY” which is an android based mobile application which helps capture operational transactions in the field on a real time basis. This also helps in real time authentication of customers, e-KYC and credit bureau checks. Each and every field officer in Arohan today is equipped with a tab which reduces the TAT significantly and helps us go paperless at the front-end. Arohan is the first among its peers to facilitate such a process across its loan officers. In order to strengthen the back-end system, Arohan has signed up with FIS, a global leader in core banking system to implement a state-of-the-art loan management system. We also rolled out “Predix”, a Centralised Digital Audit System. This has enabled an overall IT transformation for the company making it the best among its peers in the industry. The entire gamut of solutions are all so integrated, that it lays the platform for stability, security, scalability and diversification.

It is a testament to our customer centricity that we focused on improving products, processes and pricing in the last FY. In line with its mission to provide inclusive financial services, Arohan has Banking Correspondent tie-ups with IndusInd Bank and IDBI Bank. This arrangement helps Arohan offer formal banking services to its customers thus facilitating financial inclusion. Arohan also provides micro-insurance facilities in collaboration with Bajaj Allianz (for term life insurance - Credit Linked Insurance [CLI] and Additional Life Insurance

[ALI]) and Future Generali (for general insurance). While the association with Bajaj Allianz helps Arohan support a customer's family in the unfortunate event of her demise over and above the loan linked protection with the product features being very similar to the Pradhan Mantri Bima Yojana, the association with Future Generali helps Arohan protect her income of upto INR 500 a day in case the customer happens to be hospitalized due to ill health. We have won the SKOCH Award for Additional Life Insurance (ALI) as one of the best 100 Financial Inclusion projects in India.

To help its customers gain access to utility products at affordable cost, Arohan has tie-ups with well known utility brands in solar lamps, mobiles, bicycles, water purifiers to name a few. To provide further access to a range of utility products for our customers, we have launched a new marketing tool in the form of a mobile application for cross sell products. Named as “Arohan E-Bazaar”, the application is a first of its kind in the industry. The app is an exclusive rural assisted e-commerce platform that reaches out to the doorsteps of customers to offer a wide range of utility product categories.

Three new PSU lenders - Bank of India, Indian Bank, NABARD - were added in FY17 to the twelve existing PSU lenders – IDBI Bank, NABARD, Bank of Baroda, SBI, Bank of Maharashtra, Corporation Bank, MUDRA Bank, SIDBI, UCO Bank, Union Bank, United Bank and Vijaya Bank. With the enhanced credit rating & support of our lenders, we were able to announce a fine price of 22.99% interest to all our clients with effect from April 1, 2017.

Business growth, last FY, was driven through the organic, as well as, inorganic channels. A new inorganic channel which seeks to leverage strong ground connect of local players and create a win – win alliance was created with over INR 40 Cr portfolio and five partners. A new product called Sanitation Loan, to facilitate construction of toilets has also been added to our offerings. We also recently ventured into a unique alliance with PayTM (a Payments Bank licensee) to facilitate on-boarding of customers on to a digital transactions platform.

Arohan's social interventions aim at catering to the communities it operates in with a long term vision to touch over 1,00,000 lives in the next three years through the various Corporate Social Responsibility (CSR) initiatives. Our CSR initiative has gained more traction with skill building initiatives, women's health and welfare through health camps, anti-trafficking measures, disaster relief and employee volunteering programmes. Arohan has been the recipient of the Jury Award for CSR Practice of the Year 2017, part of the CSR Excellence Awards at The India International CSR Conclave and Awards, held in Delhi. Arohan also runs a Financial Literacy programme which is designed to empower our customers with the knowledge of financial planning, cash flow and budgeting, savings, debt, insurance, investment and banking through classroom trainings, as well as, mass awareness campaigns.

Financial Inclusion in India is witnessing change. With our Hon'ble Prime Minister putting financial inclusion at the top of the government's agenda and the microfinance industry being positioned to reach new heights with exponential reach and recognition, we have a promising future ahead. The enabling ecosystem, a supportive regulator, strong promoter group, committed investors, an experienced board, and a strong management team makes us even more confident as a company to being a strong contributor to the agenda of financial inclusion in the country.

I wish to thank all our customers for their business, our employees for their relentless hard work, our senior management team for the leadership they provide, the RBI for being a proactive and supportive regulator, the central and state governments for the supportive ground level ecosystem, our promoter group for their continued focus and commitment, our investor group for their support and confidence, our lenders for their continued support and our vendors and business partners for their cooperation and help throughout the year. Lastly, I would like to thank our Board of Directors, for their continuous support and guidance.

I consider it an honor to lead the team as the Managing Director since 2012, and look forward to the support and good wishes of all the stakeholders to take Arohan forward on its next phase of growth.

Warm regards,

**Manoj Kumar Nambiar**  
Managing Director





## BOARD OF DIRECTORS

**Mr. Manoj Kumar Narayan Nambiar**  
*Managing Director*

**Mr. Sumantra Banerjee**  
*Non-executive, Independent Director*

**Mr. Rajat Mohan Nag**  
*Non-executive, Independent Director*

**Ms. Matangi Gowrishankar**  
*Non-executive, Independent Director*

**Mr. Vineet Chandra Rai**  
*Non-executive, Promoter Director*

**Mr. Anurag Agrawal**  
*Non-executive, Promoter Director*

**Mr. Piyush Goenka**  
*Non-executive, Nominee Director*

**Mr. Wilhemus Marthinus Maria Wen Der Beek**  
*Non-executive, Nominee Director*

**Mr. Kailash Chand Vaid**  
*Non-executive, Nominee Director*

**Mr. Kasper Svarrer**  
*Non-executive, Nominee Director*

## OTHER SENIOR MANAGEMENT

**Mr. Shirish Kumar Panda**  
*Sr. Vice-President (Business)*

**Mr. Harsh Patnaik**  
*Sr. Vice-President (Central Operations)*

**Ms. Shraddha Srimal**  
*AVP (Risk & Strategy)*

**Mr. Prashant Rai**  
*AVP (HR, Admin, CSR & Training)*

**Mr. Arvind Murarka**  
*AVP (Information Technology)*

**Mr. Anant Jayant Natu**  
*AVP (Central Ops)*

**Mr. Abin Mukhopadhyay**  
*AVP (Internal Audit)*

**Joyanta Bakali**  
*Zonal Business Head - Zone 1*

**Vinod Pandey**  
*Zonal Business Head - Zone 2*

## CHIEF FINANCIAL OFFICER

**Mr. Milind Ramchandra Nare**

## COMPANY SECRETARY

**Ms. Vanita Mundhra**

## REGISTERED AND CORPORATE OFFICE

PTI Building, 4th Floor, Block DP,  
DP-9, Sector V, Salt Lake,  
Kolkata – 700 091  
Tele: 033- 4015-6000  
Fax: 033- 4015-6060  
E-mail: [vanita.mundhra@arohan.in](mailto:vanita.mundhra@arohan.in)  
Website: [www.arohan.in](http://www.arohan.in)

## AUDITORS

Walker Chandiok & Co LLP  
(Registration No-001076N/N500013)  
10 C Hungerford Street  
5th Floor, Kolkata-700017

## CORPORATE IDENTITY NUMBER

U74140WB1991PTC053189

## REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited  
C-13, Pannalal Silk Mills Compound,  
L.B.S Marg, Bhandup (West),  
Mumbai - 400078

## AREAS OF OPERATION

- » West Bengal
- » Odisha
- » Jharkhand
- » Bihar
- » Meghalaya
- » Assam
- » Chattisgarh



## MANOJ KUMAR NAMBIAR

Manoj Kumar Nambiar is currently the Managing Director of Arohan and a Board Member. Manoj has over 27 years of experience in consumer finance & retail banking, starting with Modi Xerox, GE Countrywide, ANZ Grindlays & ABN Amro Bank in India. He then headed retail banking at National Bank of Oman, was COO at Alhamrani Nissan Finance Company, KSA and then Deputy CEO of Ahli Bank in Oman. Manoj is a mechanical engineer from VJTI, Mumbai, and a management post graduate from JBIMS, Mumbai. He has tertiary qualifications in insurance and has completed the "Strategic leadership in Microfinance" course from Harvard Business School, Boston, US. He is a director on the boards of Intellecash Microfinance Network Company (P) Limited, Intellecap Software Technologies (P) Limited, is a member of the Credit Committee at Intellecash & Intellecash. Manoj was in the board of MFIN from 2013 to 2016 and served as its President in 2015-16.



## ANURAG AGRAWAL

Anurag is a Promoter Director of Arohan. Anurag is a partner at Aavishkaar, one of the leading Impact focussed Investment funds in India. He has been a part of the founding team of the group company Intellecap and last served as its CEO. In over a decade of his association with Intellecap, Anurag set up and built the Company's Investment Banking Practice with a specific focus on assisting early and growth-stage multiple bottom-line enterprises to raise capital. Anurag has the unique distinction of working with most of the leading microfinance institutions in India and has helped many of these institutions in their fund raising efforts. Anurag has played a key role in incubating I3N (Intellecap Impact Investment Network), India's first impact focused angel network within Intellecap. He was also one of the key architects of creating the current structure of the Aavishkaar Intellecap Group and led the efforts of the Group in the incubation and acquisition of the 3 NBFCs (Intellecash, Intellegrow and Arohan) within the Group. In addition to serving on the Board of Intellecap, Anurag has in the past served as an independent Director on the Board of A Little World and Zero Mass Foundation. He represents Intellecap interest on the board of Group Companies Arohan, Intellegrow and Intellecash. Before joining the Aavishkaar Intellecap Group, Anurag worked with the Cash Management Services Division of ICICI Bank.



## SUMANTRA BANERJEE

Sumantra is currently an Independent Director on the Board of Arohan. Sumantra Banerjee has served as the MD of CESC, CEO of Spencer's Retail and was also a long serving board member with the RPG Group. He has over 35 years' experience of which, 25 years are at Board/ Key Management positions. He has sectoral experience across a diverse set of industries including Power, Retail, and Entertainment, IT, Automotive and Petrochemical sectors. Earlier Mr. Banerjee was involved in setting up of AIPM (Asian Institute of Power Management), in collaboration with Singapore Power for training personnel in power industry. Mr. Banerjee is an MBA in Marketing & Finance from USA. He holds a B Tech in Chemical Engineering from IIT, Kharagpur and MS in Polymer Science from the USA.



## PIYUSH GOENKA

Piyush is a Nominee Director from Tano. Piyush Goenka has over 15 years of experience in the financial services industry. Prior to his work with Tano, Piyush was working with IL&FS Ltd. in investment banking for over 3 years and was part of the team headed by Hetal Gandhi. Before that Piyush worked with Export Import Bank of India in Corporate Banking and with First Global Securities as an equity analyst. Piyush is a Postgraduate in Business Administration from Management Development Institute, India and a Graduate in Commerce from St. Xaviers College, India. He is also a CFA Charter holder.



## RAJAT M. NAG

Rajat is currently an Independent Director on the Board of Arohan. Rajat M. Nag was the Managing Director General of the Asian Development Bank (ADB). With broad experience across Asia, Mr. Nag has played a critical role in providing strategic and operational direction to ADB so it achieves its mission of helping its developing member countries reduce poverty and improve the quality of life of their people. He has also provided oversight to the risk management operations of ADB. Prior to this, he was head of ADB's Southeast Asia Department and Special Advisor to the President on Regional Economic Cooperation and Integration. Mr. Nag began his professional career at the Bank of Canada and held senior positions in a leading international consulting firm before joining ADB. He holds engineering degrees from the Indian Institute of Technology, Delhi and University of Saskatchewan (Canada). He also has Masters degrees in Business Administration from Canada and Economics from London School of Economics.



## WILHELMUS MARTHINUS MARIA VAN DER BEEK

Wim is the Nominee Director from Aavishkaar Goodwill II. He is the founder of Goodwill Investments (GIBV) - a Netherlands based investment firm focused on high-impact high-return investment solutions - and also the Managing Partner for the microfinance funds (AGIMDC I & II). In 2007, GIBV joined hands with Aavishkaar to launch Aavishkaar Goodwill India MDC (AGIMDC) focused on equity investments in early and growth stage MFIs, and a very important part of Arohan's ecosystem. Wim has over two decades of experience in financial structuring, investment management, private equity and cross border direct investments. Before launching Goodwill, Wim co-founded and managed an institutional fund advisory company. He has served in international client service leadership roles, led many industry initiatives and fulfilled various knowledge management roles. He holds a masters degree in economics and taxation from Erasmus University Rotterdam and post-graduate qualifications from Insead, Darden Business School and the multi-disciplinary Comenius program at seven European universities.



## MATANGI GOWRISHANKAR

Matangi Gowrishankar has extensive senior leadership experience across multiple industries in India and overseas. She is passionate about building high performing teams and is recognised as being an effective coach and mentor across levels. She has been associated with BP India Services Pvt. Ltd for the past 10 years and is currently the Director of the global Leadership Academy & Head of Capability Development. Matangi has over three decades of business and HR experience with leading companies such as Standard Chartered Bank, Reebok India, GE, ICIL and Cummins. She has been a board member of the NHRDN (National HRD Network in India) and one of 20 mentors for the NHRDN Womentoring Initiative. A BA in Sociology with a post-graduation in Personnel Management & Industrial Relations from XLRI, Matangi has attended Strategic Human Resources Programme from Harvard Business School, Senior HR Leadership Programme Cornell. She is a Certified Coach (Neuro-leadership Group), Certified Assessment Centre (Design & Conduct) from SHL, and Certified Facilitator & SATE Practitioner from IBM Skillbase.



## KASPER SVARRER

Kasper has been with Maj Invest since 2009 and has been developing Maj Invest's international private equity business in Latin America, Asia and Africa. Kasper has more than 15 years of experience with investments in frontier and emerging markets and is now Managing Partner of Financial Infrastructure leading the team managing the two financial inclusion funds, Danish Microfinance Partners K/S and Maj Invest Financial Inclusion Fund II K/S. Previously Kasper has worked for the World Bank in Washington DC and The Investment Fund for Developing Countries (IFU). Kasper represents the fund DMP on the board of directors in the portfolio company Microcred Holding. He holds an MSc in Forestry and has an Executive MBA from Henley Business School, Reading University, UK. Additionally he holds a diploma in Business Management from Georgetown University, USA.



## VINEET CHANDRA RAI

Vineet is a Promoter Director of Arohan. Vineet Rai is the Founder and Managing Director of Aavishkaar and Co-founder & Chairman of the Intellecap Group of companies. He has over 18 years of experience in early stage investing, small business incubation and microfinance. Vineet with his experience and expertise in venture capital, micro enterprises, microfinance, investments, incubations and social investment advisory has led the setting up of Aavishkaar I and II funds. In 2002, Vineet founded Intellecap with the idea to harness intellectual capital for development. Intellecap has since then, grown to become a unique development advisory company that provides a full spectrum of services for social enterprises and businesses focused on the low-income population. Vineet's other pioneering initiatives include I 'Cube' N - India's first Impact Angel Network and SANKALP Forum, one of the foremost global platforms for inclusive development. Vineet is an Ashoka Fellowship and has received an honorary membership of XLRI Alumni Association. He holds a post graduate diploma in Forestry Management from the Indian Institute of Forest Management, Bhopal. Vineet has also been awarded the G20 SME Finance Award & UNDP-IBLF Business Award.



## KAILASH CHAND VAID

Kailash is a nominee Director from SIDBI. Kailash Chand Vaid is Regional Head of SIDBI, Kolkata having over 21 years of development banking experience. He has exposures in Credit, Risk and Recovery. Prior to joining SIDBI, he has over 7 years of experience with Allahabad Bank and 2 years in Composite Textile Mill. He is a B. Tech. (Textile Technology) and a MBA. He is also a Certified Associate of Indian Institute of Bankers (CAIIB).





## MILIND NARE | Chief Financial Officer

Milind Nare is the Chief Financial Officer at Arohan. He is a finance professional with over two decades of experience spanning the entire gamut of finance. Milind is directly responsible for Financial Management, Treasury Management, Audit & Taxation, Regulatory Compliance, Legal and Secretarial verticals. His role also includes liaising with all external Stakeholders. Milind joins us from India Factoring & Financial Services (P) Limited where he was CFO and has over 20 years of work experience. His previous work experience includes years at Global Trade Finance (P) Limited, The Bombay Dyeing & Manufacturing Company Limited, Associated Capsules, L & T Capital Limited & Savant & Co. He brings expertise in Strategic planning, Treasury management, Resource mobilization, FOREX management, Audit & taxation, Regulatory Compliance, Information system control & MIS. Milind holds a masters & diploma in Financial Management and also in Computer Applications.



## ARVIND MURARKA | Assistant Vice President - IT & Hubs

Arvind Murarka heads the IT function at Arohan and has an extensive experience of over 24 years. Arvind is responsible for developing the IT Strategy for Arohan as well as for new technology implementation, software development, data security and management. He is also responsible for overall Hub Operations. Arvind has rich experience across multiple industries including NBFC, IT Consulting, Digital Commerce, Healthcare, Infrastructure, Plantations, Retail and F&B. He has implemented ERP on instances of SAP R/3 Implementation and Microsoft Dynamics across enterprises and geographies. Earlier in his career he had been instrumental in pioneering the bar-coding project for Speed Post (East) and also auto-tendering system for Eastern Railways. He has worked in various organizations like GPT Infraprojects, Medica Hospitals, Intrasoft Technologies Limited, iNavigators, Softweb Technologies and Kris Systems. Prior to joining Arohan, Arvind was with Amrit Feeds as Head-IT. Arvind is a Bachelor in Commerce from Calcutta University. He has an Honours In Systems Management from NIIT. Arvind also holds an MBA in IT from ICFAI.



## SHIRISH CHANDRA PANDA | Senior Vice President - Business

Shirish Chandra Panda has joined us as Senior Vice President, Business handling the entire field operations. He has over 18 years of diversified experience. Shirish joins us from Satin Creditcare where he was Deputy COO for North handling a portfolio of over INR 1200 crores across many states. He is a seasoned Business Operations, Strategy Management professional with exposure to risk and internal audit mainly in the Financial Inclusion sector. He has worked with companies such as IFMR, Basix, Reliance Retail, Asian Paints & Credible Securities & Finance. He played a pioneering role in setting up the Retail Business for Reliance and designed the roadmap for agri and rural financial products. In Basix he worked on the livelihood model in microfinance. In his last assignment with Satin Credit Care as Deputy Chief Operating Officer - North, Shirish was also instrumental in setting up of a business correspondent entity known as Taraashna. Apart from MFI and cross selling, he has also driven businesses for Personal Loans, Retailer Loans, Financing of utility vehicles, jewel loans and Micro Housing. Shirish is a post graduate in Management (PGPRM) from Institute of Rural Management, Anand (IRMA) and Post Graduate Diploma in Advanced Strategy for Leaders from IIM Lucknow.



## ANANT NATU | Assistant Vice President - Central Operations

Anant Jayant Natu is leading the Central Operations team at Arohan and has a rich experience of over 10 years. Anant looks after the central operations vertical which forms the backbone of the business delivery process. He and his team is responsible for product management, process and policy reviews, quality control, business analytics, and customer engagement (including maintaining a customer grievance redress system). Anant comes with rich and diverse experiences spanning across sectors like Banking and Consulting. He started his career at ICICI Bank as a Manager in 2006. He later joined MicroSave. His key achievements include providing consulting services to over 60 institutions across Asia & Africa that included banks, financial institutions, corporates, farmer/producer organisations, multilateral funding agencies, international aid agencies, social investment funds and development agencies. Anant also developed and led the nascent domain on Private Sector Development at MicroSave by driving its consulting business in the sectors of agriculture, WASH and energy. Prior to joining Arohan, his last assignment was with MicroSave. Anant completed his BE in 2003 and PGDRM from IRMA, Anand in 2006.



## HARSH PATNAIK | Senior Vice President - Central Operations

Harsh Patnaik has joined us as Senior Vice President handling the critical cross sell, partnerships and alliances function in the operations department at Arohan. Harsh has over 24 years of work experience. Harsh is armed with a rich experience spanning in Financial Services, FMCG and Rural/Social Consulting. He started his career with Britannia Industries Ltd in 1992. He has lead distribution of products and services verticals at Reliance's (MDAG) Finance and Dairy Business; General Insurance Business at ITC's eChoupal and the rural forays of IFFCO Tokio General Insurance. Harsh joins us from Sahaj e-Village Limited where he worked as SVP and Head - Strategy & Business Development. Harsh is a PGDRM from IRMA, has a thorough understanding of rural dynamics and has hands on approach to tackling challenges of BoP Marketing.



## ABIN MUKHOPADHYAY | Assistant Vice President - Internal Audit

Abin Mukhopadhyay heads the Internal Audit function at Arohan and has a work experience spanning over 15 years. Abin is responsible for monitoring process adherence, ensuring compliance to statutory requirements and reviewing the adequacy of existing systems and controls from time to time. Abin began his career with Eveready Industries Ltd. in 2001 and his subsequent assignments were Assistant Manger (Internal Audit) - ITC Limited, Manager Finance (Dentifrice) - Colgate Palmolive Ind. Ltd, Chief Internal Auditor - Hindustan Motors Limited and GM (Finance and Accounts) - Gumasol Rubber Tech GmbH. His key achievements include the replacement of high cost debt during his stint as Manager (Accounts and Treasury) at Eveready Industries Ind. Ltd., and Process improvement and favourable tax assessment at Gumasol Rubber Tech GmbH. Abin completed his B.Com (Honours) in 1997, CA in 2001, CMA(UK) in 2011 and CISA(USA) in 2013. He is a member of ICAI, CIMA(UK), ISACA(USA), IIA(USA) and ACFE(USA).



## SHRADDHA SRIMAL | Assistant Vice President - Risk and Strategy

Shraddha heads the Risk and Strategy Department at Arohan and has rich management and consulting experience of over 10 years. She started her career with Deloitte in 2007, where she worked with Deloitte's Innovation team to drive strategic initiatives, as well as, to build and pilot new services globally for the firm. She then worked as a Manager in Deloitte's Strategy & Operations Consulting practice in Mumbai assisting key Indian and MNC clients develop and deploy their strategy. Her clients have included PSU banks, as well as, large MNCs and conglomerates expanding their services to support the Financial Inclusion agenda in India. Some of her key projects include strategy formulation and application for conversion from MFI to bank for the largest player in the industry. She has also worked with the MFI sector as a consultant. She was recognised for her outstanding performance at Deloitte. Shraddha graduated from St. Xavier's College, Kolkata with a first class in Mathematics (Honours) in 2005. She completed her PGDM from IIM Indore in 2007.



## JOYANTA BAKALI | Zonal Business Head - Zone 1

Joyanta is a Zonal Business Head and currently handles the largest portfolio in Arohan, West Bengal. Joyanta joined Arohan in June 2007. He was instrumental in conceptualizing, designing and successfully launching the "Bazaar" Loan product in the year 2008. With its launch, Bazaar created a revolution in the microfinance space as being the first product that catered to the needs of our male clients tool. Joyanta is a microfinance veteran and has over 19 years of working experience in the sector. He started his career in "Shakti Foundation disadvantaged Women" Bangladesh and was instrumental in setting up the internal audit department for them. Joyanta is in charge of West Bengal, our biggest state (portfolio, customer base wise). He is loved immensely by his team who see him as mentor and guide. His strong leadership, loyalty to Arohan and the confidence to be the "Best" has taken Arohan to new heights. Joyanta holds a PGDBM from IMT Ghaziabad.



## PRASHANT RAI | Assistant Vice President - HR, Admin, Training & CSR

Prashant is the Head of HR, Admin, Training and Corporate Social Responsibility (CSR) at Arohan. He has a professional experience of more than 15 years. Prashant currently heads the Human Resource Function and is responsible for manpower planning, training, strategic HR interventions, employee engagement etc. He is additionally handling the CSR function. Prashant is a seasoned people management professional with rich experience in Human Resource, Learning and Development, Recruitment, Employee Engagement, Performance Appraisal, Compensation, Policy Formulation and dissemination, Factory HR and IR. In his last assignment he headed the Learning and Development vertical at TATA Voltas Pvt Ltd. Additionally he also headed the CSR vertical there. Previously he was associated with SREI Infrastructure Finance Ltd., Wacker Metroark Chemicals Pvt Ltd. and Videocon Industries Ltd. Prashant is a Graduate in Mathematics with a Post Graduate in science from SM University and holds a PGDBM in HR. He is a certified PPA & GIA assessor from Thomas International. He also holds a certification in Growth Leadership from Korn-Ferry International and a Certification in Competency mapping and Business English Communication from Cambridge University.



## VINOD PANDEY | Zonal Business Head - Zone 2

Vinod currently heads the operations for Bihar & Jharkhand and has a work experience of over 13 years. Vinod joined us from the corporate sector in mid 2010 and set up our north Bengal operations with 5 Branches. After the AP crisis struck, he successfully closed down the operations there having recovered all the money lent to 550 customers! Subsequently Vinod handled half of our Bengal branches through the period of the crisis and our later revival. In October, 2013 Vinod moved to Assam, giving further momentum to the growth even while improving compliance levels. He moved on to L&T Finance in March 2014. His love for the company brought him back to us in August '15 and he took up the challenge of reviewing Bihar. Under him the state has shown drastic improvement in both audit & risk grades, along with increase of business. Vinod is a Bachelor of Arts from Ranchi University, Jamshedpur. He also holds a Post Graduate Diploma in Rural Development from Xavier Institute of Social Services, Ranchi and has successfully completed an Advance Diploma in Business Management from ICFAI University in 2009.







## Promoter Group

### INTELLECASH MICROFINANCE

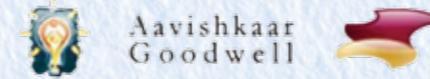


Intellecash is one of the 3 lending NBFC's in the Aavishkaar Intellecash Group. It is a Non-Banking Finance Company (NBFC) acquired in 2008 to provide incubation & debt services to start-up MFIs. Till Sep'12, Intellecash provided wholesale lending and capacity building services to MFIs in India, Africa, and Asia and operated its own retail lending program in Bihar. The Intellecash group invested in and consolidated its own microfinance portfolio with Arohan in Sep'12 – the first formal consolidation in the Indian microfinance sector. In Jun'15, Intellecash restarted its lending business with a unique Merchant Cash Advance (MCA) product aimed at the micro and small enterprises with loan sizes of INR 5 to 75 lakh.

### AAVISHKAAR VENTURE MANAGEMENT SERVICES



Founded in 2001, Aavishkaar Venture Management Services works towards development in India's underserved regions by identifying capable entrepreneurs, enabling them with capital, supplementing it with a nurturing environment and helping build sustainable enterprises. Aavishkaar's big innovation is the adoption of venture capital methodology to serve the low income market segment by creating scalable enterprises. Aavishkaar's founding team faced the challenge of modifying the investing methodology followed in the Silicon Valley. Funding in the Valley typically focused on new technologies and breakthroughs in intellectual property. Back home, Aavishkaar had to adapt it to brick and mortar, investing in hinterland and rural geographies with a target clientele that had a tiny wallet. At the same time, reasonable returns had to be delivered to investors. This meant that Aavishkaar with its limited capital and resources had to find a large number of start up companies scattered across underdeveloped regions and then invest small amounts of capital in them.



### AAVISHKAAR GOODWELL

Aavishkaar Goodwell is a for-profit business development company that provides equity finance and hands-on support to enterprises active in the microfinance sector in India on a socially and commercially sustainable basis. Aavishkaar Goodwell is a joint initiative of the teams behind Dutch social investment firm Goodwell Investments and Aavishkaar India, the world's first for-profit micro venture capital fund. Intellecash provides equity linkages to its network partners through Aavishkaar Goodwell.



### MAJ INVEST

Maj Invest is one of Denmark's leading asset management companies, managing assets for primarily institutional clients. The Maj Invest group was established in 2005 and is today owned by management and employees. The group comprises the companies Maj Invest Holding A/S, Fondsm glerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S as well as a number of companies related to Danish and international private equity. Fondsm glerselskabet Maj Invest A/S is investment adviser to the Maj Invest mutual funds in Denmark and Luxembourg, which are owned by their members.

### MICHAEL & SUSAN DELL FOUNDATION (MSDF)



Michael and Susan Dell Foundation India focuses on urban programs that foster high-quality education and childhood health, and improve family economic stability among India's urban poor, including an estimated 7.6 million children living in slums nationwide. Their goals in India are to seek immediate positive impact on the lives of individual children they work with, and to catalyze systemic change. To those ends, they partner with a range of stakeholders, including governments, businesses, NGOs, implementation experts, community organizations and other philanthropies.

## Institutional Investors

### TANO CAPITAL



Tano Capital is an alternative asset management firm founded in 2004 by Chuck Johnson, formerly Co-President of Franklin Templeton Investments and CEO of Templeton Worldwide Inc. Tano's mission is to develop innovative investment opportunities in global hard assets as well as rapidly growing companies in India and China that will directly benefit from the domestic consumption growth in both markets. Tano Capital LLC is based in San Mateo, California. It has additional offices in Shanghai, China; Harcourt Road, Hong Kong; Taipei, Taiwan; Ebene Mauritius; and Mumbai, India.



### INDIA FINANCIAL INCLUSION FUND

India Financial Inclusion Fund (IFIF) is a USD\$90 million fund that was set up in August 2008 as an off-shore India-focused equity fund, investing in high-growth, small to medium MFIs and enablers. IFIF's triple bottom line objectives are financial inclusion, capital appreciation, and social performance initiatives. Through its investments, IFIF will aim to provide new MFIs with start-up, growth capital, strategic inputs, and technical advice, support and enable product diversification by providing appropriate risk capital, encourage the scaling up or creation of microfinance enablers, who will contribute to building an efficient microfinance ecosystem, and play the role of an active, responsible investor seeking to deliver a competitive financial return and support the expansion of social performance initiatives.





Operational Performance



TOTAL BRANCHES  
**272**



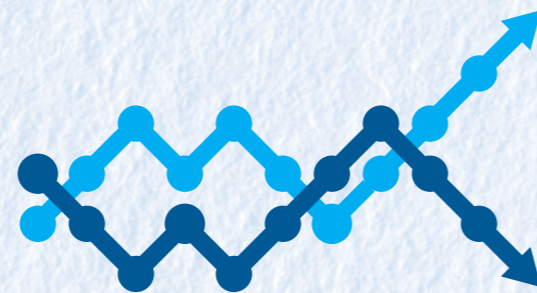
CUSTOMER STRENGTH  
**7,25,000**



DISTRICTS  
**93**



DISBURSEMENT FOR FY 17  
**INR 1297.01 CR**



GROSS LOAN PORTFOLIO  
**INR 1015 CR**

Solvency & Liquidity



NETWORTH  
**341 CR**



CAPITAL ADEQUACY RATIO - **39.3%**



SANCTIONS RAISED  
**INR 900 CR**



CASH AND CASH EQUIVALENT  
**INR 190.5 CR**

Efficiency Ratios



MARGINAL COST OF BORROWING  
**13.24%**



OPEX  
**7.8%**



FEE INCOME AS A PERCENTAGE OF  
**TOTAL INCOME: 11%**





# WIND BENEATH MY WINGS

The microfinance Industry has seen a tremendous growth rate of ~45% CAGR over the last five years. Continuing the trend, in FY16-17, the NBFC MFI industry increased its branch network by 31%, client base by 30% and employee base by 49% yoy, despite a challenging second half of the year due to demonetization. As on March 31, 2017, the total gross outstanding loan portfolio and loan amount disbursed were INR 46,847 Cr and INR 50,266 Cr respectively, as compared to INR 37,469 Cr and INR 44,324 Cr on March 31, 2016.

The organized NBFC MFI industry today serves over 2.75 crore clients at the bottom of the economic pyramid, almost all of whom are women. It is an industry regulated by the Reserve Bank of India, as well as, Self-Regulatory Organizations by way of Microfinance Institutions Network (MFIN) and Sa-Dhan. Its feet on street and doorstep delivery model have made financial services, especially small ticket size credit accessible to women and households in the most unbanked and underbanked districts of the country. The microfinance model tightly integrates financial literacy into its product delivery thus ensuring transparency to its clientele. The ability of the model to take into account local socio-economic and cultural factors, employ local staff and create a conducive model which fosters a high degree of customer connect has enabled its success and scale.

This year also saw the transformation of several NBFC MFIs into Small Finance Banks (SFBs), as well as, the listing of a few of them, which were fairly well received by the market. This gives fillip to the idea that regulated microfinance institutions with their grass root connect are a good

*If it weren't for wind, most birds would never fly. Wind condition is a determining factor for the bird to set the speed and direction of its flight. The microfinance industry has been a strong enabler in including the financially under-served and unserved in the formal financial ecosystem. The government of India's initiatives towards financial inclusion has also helped Arohan shape its course for the future.*

channel to provide the entire gamut of financial services to the under-served segment of the Indian population in a sustainable manner. The industry has thus proven both its sustainability and credibility.

On November 8, 2016, the Government of India announced that existing INR 500 and INR 1000 notes would be no longer be legal tender from the next day onwards. As over 90% of the financial transactions (disbursements and collections) in the microfinance industry were earlier done in cash, this decision hit the industry very hard initially. Due to shortage of new currency overall in the country, there was disruption in the existing system of weekly/fortnightly/monthly collection and hence, the credit discipline among customers (which is the backbone of the microfinance industry) also suffered. The situation deteriorated in the coming three months of December, January and February due to shortage of cash in the market and disruption in customer livelihoods, misinterpretation of the dispensation announcement by RBI, and local issues such as elections and local leaders promising loan waiver schemes to customers etc.

Post demonetisation, RBI provided a breather of 90 days to financial institutions for customers with sanctioned loan amounts less than INR 1 Cr. Any non-repayment on erstwhile regular accounts would not result in those accounts getting classified under the Non-Performing Asset (NPA) category for 90 days. This directive was misinterpreted by some as a loan waiver and passed on to some MFI customers as well in certain geographies. The worst hit Indian states were those having assembly elections in the last quarter of FY 2016-17.





However, the situation started changing in favour of the microfinance industry due to increased flow of cash in the market and persistent efforts by MFI players to bring back discipline among customer. Total loan amount disbursed was INR 7,082 Cr in March'17 as compared to INR 6,076 Cr in September'16 and INR 4,226 Cr in February'17. Similarly, quality of loan portfolio also improved and PAR % (>1 day as well as >90 days) in March 2017 decreased by 11.8% and 33.3% from the previous month value. Today, microfinance plays a crucial role in livelihood generation of millions of customers across almost all states and union territories of the country. The need of the hour is to bring back credit discipline and collection efficiency in the industry to the level of the pre- demonetisation period.

In the last decade, financial inclusion has become a priority for almost all international developmental organisations and is understood to be a critical foundation for improving the livelihood of millions. The United Nations 2030 sustainable Development Goals (SDGs) consider financial inclusion as one of the key foundations for progress, with five out of 17 SDGs specifically mentioning the need for improved or universal access to financial services. Similarly, the World Bank has also set ambitious goals to spread these services in Low Income Countries. Financial Inclusion policies continue to evolve and now also includes financial services such as insurance, pension, saving products, payment systems in addition to credit service for the poor.

India has also taken significant steps in the last decade to modernise its financial system with a historic commitment to financially include the lower income segment. With its clear and focused goal to open 100 Mn bank accounts in 2014, the momentum continued in the next few years by opening 221 Mn accounts by April 2016 and India boasts of a presence of bank accounts in most households. This has also resulted in improved ranking in the Global Microscope 2016 Report placing India in the 3rd spot among 55 countries. RBI and the Government of India now emphasize the need for providing more inclusive services like pension, insurance, credit, direct government benefits to customers' accounts etc. They are more focused on catering to the rural and unbanked population by opening bank branches, business correspondents, ATMs and satellite branches in villages of 2,000 or less residents.

However, despite government initiatives and focus on policies, financial inclusion in complete terms is still a dream for millions of rural and lower/lower middle income people. Still 39% of women do not have a bank account. Insurance penetration, measured as percentage of insurance premium to GDP, is just 3.3% of the GDP, 88% of workforce is excluded from the any pension services and 70% of remittance still flow through informal channels.

Microfinance industry with its strength in reaching millions of the poor, rural, financially excluded and serving them with easily available credit facility is already progressing

on the road of financial inclusion. This industry has strong potential to achieve the dream of financial inclusion for all. With the opening of bank business correspondent networks for commercial banks and opening of small finance banks, payment banks, Aadhaar based payment application, UPI and other platforms, it is indeed possible to create a complete ecosystem where all financial transactions can be conducted via the formal financial system and also be digitally enabled. Focus on financial literacy drives, widely available cash-in/cash out points in the remotest areas, strong digital infrastructure with new age banking platforms will be key drivers of change in the next few years. To leverage increasing penetration of mobile phones, microfinance companies need to experiment with a few models of cashless disbursements/collections to create a suitable proposition to customers in terms of cost and ease of transaction. Technology will be key in driving these changes and continuous exploration of innovative methods and analysis will lead to best product and process experience for the microfinance customer.

#### The Year 2016-17 for Arohan

Arohan has achieved a new milestone crossing a total loan portfolio of INR 1000 Cr in March'17, with a yoy growth of over 50%. In line with its mission of serving 10 lakh customers in 10 low income states of the country, the Company has added over 33.3% customers as compared to FY 2015-16 base, now catering to the credit needs of more than 7 lakh customers across seven states. In terms of employees, Arohan saw a 50% growth rate from FY 2015-16, and is proud of its 2400 employees serving customers across seven states. In 2016-17, Arohan started operations in two new states, Meghalaya and Chhattisgarh with 10 branches, serving 7455 customers in the first year of operation itself. Across Arohan, we have opened 92 new branches in few of the lowest income states of India increasing our branch outreach by 53% from FY 2015-16 and growing our customer base by more than 40% in these states. With a vision to cater to all the financial services needs of our customers, we have also provided INR 282.59 Cr of insurance to our customers. Today almost 25% of our customers have additional health or life cover protection which ensures that they have a safety net in case of adverse events. This helps them continue to progress out of poverty.

Despite working in some of the least developed states of the country and inspite of the impact of demonetization, Arohan performed far better in the industry, both in terms of business, as well as, portfolio quality. Arohan's total loan portfolio grew at 51% y-o-y as compared to the industry growth rate of 26%. Also, growth in total amount of loans disbursed was 56% as compared to the industry average of 13%. In terms of quality of portfolio, Arohan performed better than its peers in the industry. While PAR 30 and PAR 90 stands at 6.37% and 2.73% for Arohan, the same are 14.15% and 8.18% for the industry.

Since Arohan believes in providing high quality products,

as well as, services to its customers, there were several new initiatives and products implemented during the year. This last financial year Arohan completed implementation of a mobility solution for customer on-boarding and loan origination for all of its field staff, thus becoming the first MFI to have a system in place to completely on-board its microfinance customers on a mobile solution. This pioneering effort helps us communicate to our customers instantaneously, their eligibility for a loan basis real time credit bureau checks. It also helps link to the Aadhar database for KYC information. This has made our loan origination process completely paperless. We are now focusing on online training and assessment for our field staff in a continuing effort to leverage technology.

Even before demonetization, Arohan had already tied up with banks and prospective new age Payments Bank to bring banking services to its customers. Considering demonetization as an opportunity, Arohan started seeding bank accounts of customers and started disbursing into the same. Financial literacy campaigns with the aid of third party agencies were also conducted across four states of operation. It also started offering low cost sanitation loans in line with the national mission of 'Swachh Bharat' to its customers along with sanitation awareness programmes. To suit other livelihood needs of our customer, Arohan introduced new products such as Hero bicycles, Samsung phones. In fact, Arohan has pioneered the launch of an e-commerce like platform called Arohan E-Bazaar which offers customers a variety of utility products of leading brands at competitive prices and provides home delivery of products as well.

This was the first year since its inception that Arohan raised Tier II capital of INR 35 Cr through listed instruments and bank term loans from leading financial institutions in the country. Its capital base was further bolstered with the infusion of INR 155 Cr of Tier I capital by existing and new institutional investors in Q4 of the financial year, reaffirming investor faith in the company, even in the wake of demonetization.

#### Roadmap for FY 2017-18

With one of the best capitalized balance sheets for a microfinance company of its size, and firm operational processes, Arohan is set for significant growth this year. In line with our vision, we aim to increase our outreach to three more low income states in the country and serve more than 10 lakh customers, thus accomplishing two of our vision statement milestones for 2020. We are looking to cross INR 2000 Cr in terms of our assets under management. This year will also see Arohan become the most technologically enabled MFI in the industry as we move to the core banking solution Profile from FIS, which will be completely integrated to our front end mobility solution. Several other technology interventions will follow this overall system overhaul, which should stand us in good stead for future growth. We will also continue our focus on improving our product offering to our

customers, reducing pricing and enabling digital financial inclusion for them. Arohan's focus in FY 2017-18 is towards implementing more efficient operational processes and a wider suite of products and services through technological interventions and increasing our outreach and penetration in our existing states, as well as, to North east and Central India, thus steadily moving towards our strategic vision.





## STRENGTHENING THROUGH ADVERSITY

*A bird's nest has the capability of withstanding the most extreme adversities. The design of the nest is such that it minimizes the risk of predation. Arohan's operational processes have been structured to minimize risk, maximize efficiency and business growth. Even in the face of demonetization, the company, through transparency in its practices, has evolved as one of the most trusted microfinance organisations in the industry.*

FY 2016-17 began with the completion of a decade of service of Arohan to the under-served, with greater focus on the next trajectory of growth - sustainable for customers, shareholders and employees - with consistent improvement in products, processes and services, all the while operating with high quality standards.

FY 2016-17 saw business growth driven through organic as well as inorganic channels. Also, partnerships with reputed third-parties like Samsung and Hero diversified Arohan's product offerings. Two states, Meghalaya & Chhattisgarh, have been added to our areas of operation, as Arohan continues to geographically diversify its portfolio with more than 60% of our portfolio outside our flagship state of West Bengal. This is in line with our vision to expand to Low Income States (LIS) in the East, North East and Central India.

The microfinance sector was caught by surprise by the 'demonetization' announcement of November 8, 2016 which had an almost immediate impact on the portfolio quality numbers. It has affected all sectors operationally as well as financially. Such a phenomenon necessitated us to re-asses our strengths as a company and take proactive initiatives to mitigate the impact. With well-timed initiatives and support from all Arohan employees, we have been recovering steadily indeed. In spite of a slowdown, the company also crossed the milestone of INR 1000 Cr AUM. The following rating and grading upgrades and awards in FY 2016-17 bear testimony to the consistent and sustainable operational set-up of Arohan:

the only NBFC-MFI in the East & North-east to be rated as MF11.

» A CARE MFI 1 Grading: Arohan has been awarded the highest rated MFI 1 grade from CARE Ratings in the month

of February, 2017. The grading which is assigned on an 8-point scale with 'MFI 1' being the highest, makes Arohan the only NBFC-MFI in the East & North-east to be rated as MF11.

» An SP2+ Social Performance Rating: Arohan was assigned a Social Performance Assessment (SPA) Grade of SP2+ by ICRA in the month of February, 2017, which is 2nd on a 5-notch scale. The '+' reflects a comparatively higher standing within the SP2 category. The grade indicates that Arohan's infrastructure and processes are consistent with a high likelihood of operating in the best interests of its customers and that it is amongst its highest priorities.

» Skoch Financial Inclusion Award: Arohan was honoured with the SKOCH Order-of-Merit for qualifying among the Top 100 projects in India for Financial Inclusion in September, 2016. It was awarded for its Additional Life Insurance (ALI) with Bajaj Allianz.

Arohan, also acquired the Corporate Agency License on August 1, 2016.

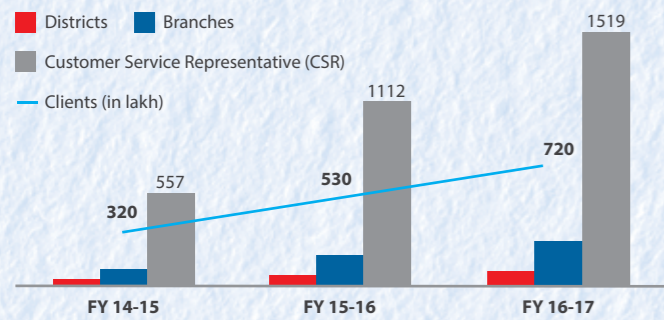
### OUTREACH

As of March 31, 2017, Arohan has a branch network of 272 with an employee base of 2367, providing micro-credit to 7.25 lakh clients, an increase of 36% clients over FY 2015-16. Arohan has its presence in 93 districts across the 7 states of West Bengal, Bihar, Jharkhand, Odisha, Assam, Meghalaya and Chhattisgarh, the latter two being newest areas of operations with plans to bring Tripura and UP under its fold in FY 2017-18. In terms of portfolio outstanding, we aim to reach closer to INR 2000 Cr by end of March, 2018 serving over a million clients.





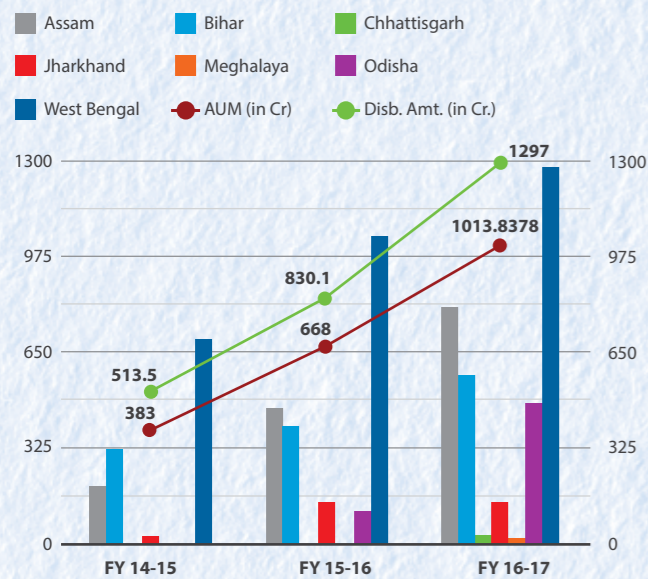
**Outreach**



**GROWTH**

Over the past three years, Arohan's Assets Under management (AUM) has grown at a CAGR of 84%. In FY 16-17, the aggregate gross loan portfolio (GLP) of NBFC-MFIs witnessed a growth of over 25%. However, due to demonitisation, the growth in Q4 was just ~5% over the previous quarter. Like other players in the financial sector, drop in the loan portfolio is accorded to much lower disbursements post demonitization. In such a scenario of post-demonitisation de-growth and slow down, the AUM of Arohan grew by 11% from INR 917 Cr to INR 1015 Cr. This was also a 54% growth in FY 17, over the previous year. This indicates the robustness of Arohan's operational set-up of Arohan which managed to avert the adverse impact of demonetization in a far more effective manner than its peers in the microfinance industry.

**AUM Growth across Arohan**



Annual loan amount disbursements reached INR 1297 Cr, an increase of 56% over FY 2015-16.

One key aspect of Arohan's growth has been the deepening of relationship with its existing customer base. The average ticket size of customers in their repeat cycle (2nd cycle or higher) has grown by 15% from Rs.20,789 to Rs.23,920, over

the last FY. Similarly, the number of accounts per customer has grown from 1.18 to 1.33, over the last FY clearly showing that share of customers have more than one account with us is growing.

**DIVERSIFICATION**

As the experience of the last few years have shown, basing the entire business on a single model makes an MFI vulnerable to both internal shocks and the shocks from the external environment. Arohan has adopted a well-diversified model on the other hand, that is hinged on four basic parameters - geography, products, non credit product and the sourcing model.

**Geographic Diversification:**

In line with its Vision statement to be operational in 10 low income states in East and the North East India by FY 20, Arohan has spread across 93 districts in seven low income states of Assam, Bihar, Chattisgarh, Jharkhand Odisha, Meghalay and West Bengal with 272 branches as on March 31, 2017. Chhattisgarh and Meghalaya are the two states where Arohan extended its reach in FY 16-17. Share of West Bengal in the overall portfolio has been steadily coming down. Over the last one year it came down from 47% to 39%.

**Product Diversification:** Arohan has several product and service offerings many of which are basis strong and effective partnerships with leading financial and nonfinancial institutions.

**Core Products:** "Saral" loan that caters to the economically active women in low income households, has been Arohan's flagship product. "Centres" located in customer neighbourhoods act as touch points for all financial transactions. Currently, the Saral loan product contributes ~97% of our organic portfolio. Arohan's second mainstay product is the Bazaar loan, which caters to the shopkeepers who do business in markets/bazaars and contributed ~2% to our organic portfolio. Under both Saral and Bazaar loans, the ticket sizes of loan ranges from INR 10,000 (in the first cycle) to up to INR 50,000 in the subsequent cycles.

To cater to the needs of the "missing middle" or a segment that while staying beyond the reach of the banking sector had hitherto been ignored by MFIs, Arohan had launched a 'Pragati' loan with ticket sizes ranging from INR 50,000 to INR 5,00,000, with special focus on individual entrepreneurs in non-farm enterprises. The product has over the years undergone some modification and in its present avatar is called a 'Premium' loan. This loan also offers an opportunity to some of our vintage customers whose financial needs can no longer be met by traditional microfinance products. Currently, 'Premium' forms ~1% of Arohan's portfolio.

**Other Products:** Besides the above mentioned flagship products that bear the imprimatur of the segment they cater too, Arohan's product shelf has a range of secondary

product as well, that cater to short-term specific financial needs like emergency (Tatkaal loan), building toilets (Sanitation loan) and purchase of goods (a range of product loans to buy solar lamps, bicycle, mobile phones etc.)

Arohan added Sanitation loan, its first consumption loan of size of INR 15,100 offered @22% interest rate with a flexible tenure of 1 or 2 years, in line with our vision to make an impact on the overall social and economic development of the society. To be exclusively used for building of toilets, this loan was launched in 2 branches of Bihar during Q1 of FY 2016-17 and the full roll-out across the state took place within the financial year. The awareness drives being conducted by our partner PSI (a global health organisation) helped create awareness and generate demand for sanitation loans. PSI has been instrumental in the creation of local infrastructure to help support the actual building of toilets in these areas. As on March 2017, the sanitation loan has a portfolio outstanding of INR 48.11 lakh and is currently being offered across 19 branches in Bihar.

**Non-credit product Diversification:**

Arohan, aligning with its mission to become a full-scale financial inclusion player, has introduced and scaled several third party partnership products that enables it to generate a diverse source of income, income from commissions.

This diversification presents a 'win-win-win; proposition - while to Arohan it offers an opportunity to broad base its income streams, to product companies it provides a last mile channel to reach a segment that was hitherto uncovered, and most importantly, to our customers it provides access to products at a far better value - in terms of choice and price.

To broad basing its product suite beyond credit, Arohan has been fostering third-party partnerships with insurance agencies like Bajaj Allianz Life Insurance Co. Ltd. and Future Generali India (FGI) offering enhanced group term and general insurance products to customers. The Hospicash product of FGI gained great momentum in FY 16-17. This fiscal saw Arohan's partnership with D.Light for Solar lamps gain in strength. Arohan also initiated partnerships with Samsung and Hero for mobile and bicycle and gained good traction. Partnering with Hindustan Unilever Limited, Arohan piloted Pureit in 3 branches in West Bengal in the fourth quarter.

Notably, the most innovative of such partnerships has been the collaboration with Inthree Access to implement their Boonbox, an e-Commerce platform for rural clients by virtue of which an app named 'Arohan E-Bazaar' has been created for Arohan. This 'Arohan E-bazaar' app makes an online catalogue of branded consumer products available to the customers with just a single click on the app loaded on the loan officer's tab. Such a cross-sell aggregator model was launched as a pilot in a few branches in West Bengal in February, 2017, and since then it has been experimenting for the right mix of products to be offered basis customer's

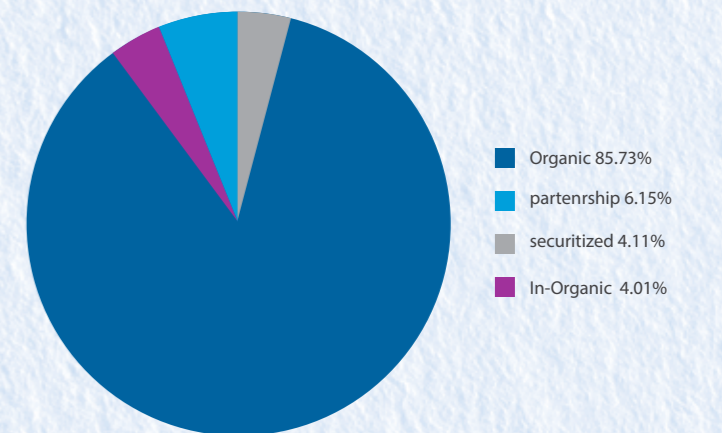
needs. The best feature of such a platform is not just the availability of branded products at affordable rates but the last mile delivery assurance that comes with it. As on March 31, 2017, we have sold almost 1500 units this model within a span of only two months.

**Channel Diversification:**

Arohan has traversed a long path in its growth from being an MFI offering low ticket size loans to the under-served to also becoming a direct means of helping smaller, local institutions cater to their clients through inorganic business channels. A strategic initiative to leverage operational strength and deeper customer connect, the business has been an anchor to many smaller lending institutions.

Arohan has a balanced mix of both off and on balance sheet sourcing models. The off-balance sheet portfolio, consists of a 60-40 mix of loans sourced under Business Correspondent (BC) partnership with Banks and that securitised to banks. The on-balance sheet portfolio constitutes 90% of the AUM. 4% of the on-balance sheet AUM has been sourced inorganically, i.e. in partnership with MFIs where our partner's field outreach was leveraged in geographies where Arohan did not have a presence to reach the customers.

**Model-Wise Split of AUM**



Arohan's inorganic business model has been one of its key innovations over last couple of years. In the third quarter of FY 2015-16, Arohan drafted a strategic plan to start exploring growth opportunities using inorganic route. Buttressed by its phenomenal growth record to emerge as one of the largest microfinance institutions in eastern India, the management of Arohan decided to embark upon partnership led growth in conjunction with its organic growth initiatives.

The two key objectives, which the Inorganic growth strategy envisaged to achieve are;

1. To leverage the operational strength and deeper customer connect of smaller local microfinance institutions to build robust and sustainable portfolio, and





2. To address Arohan's internal requirement of short term asset-liability mismatch.

The other larger goal of the strategy is to help smaller local institutions cater to their customers which they were unable to serve due to paucity of funds.

In terms of approach, inorganic growth was achieved by either appointing local microfinance institutions as sourcing and collection partners and/ or by purchasing microfinance asset pools from them. Either way, it was envisaged to be a win-win proposition for both Arohan and the client institution. In case of sourcing & collection, the client institution could still maintain its connect with their customers by channelizing Arohan's funds to them. In case of portfolio purchase, the client institution could benefit by transferring the risk associated with a portion of their asset and thereby improve their capital adequacy ratio and/ or have access to funds quicker than from a lender. The Inorganic growth strategy was implemented later in FY 2015-16 by purchasing two asset pools from Sarala Development and Microfinance Private Limited amounting to INR 16.33 Cr.

In FY 2016-17, an entire business vertical was created to realise the objectives laid down under the strategic plan. In FY 2016-17, Arohan on-boarded two sourcing and collection partners, G U Financial Services Private Limited in Odisha and Centre for Development Orientation and Training (CDOT) in Bihar. Both these institutions have significant vintage and very deep customer connect in their respective geographies. Arohan also bought two sets of asset pool from Vedika Credit Capital Limited and provided a bridge loan facility worth INR 10 Cr to a new NBFC-MFI, Janakalyan Consultancy & Services Private Limited. In the next financial year, that is FY '17-18, Arohan has plans to work with more institutions within its target LIS.

**Testimonials**

Mr. Nilanchal Pradhan, MD,  
GU Financial Services



“Hearty Greetings from G U Financial Services Private Limited. We the entire team of GUFSPPL thank you for your wonderful support and cooperation extended throughout the financial year 2016-17”



Mr. R R Kalyan, Secretary, CDOT

“The processes have helped us get back into microfinance business after a hiatus of almost a year.”

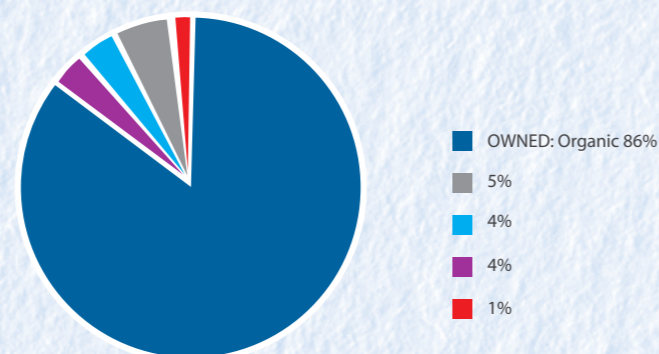
**Business Correspondent Portfolio:**

In FY 2016-17, Arohan also focused on stabilizing BC partnerships with IndusInd Bank Limited & IDBI. Going forward, a joint partnership was started between MUDRA, Arohan and IDBI Bank, in order to offer Mudra's Cash Credit facility along with Savings Account to Arohan's customers. This facility which began with two branches was scaled up to more customers through five branches. With the overall increase from 16 to 19 branches, the BC portfolio grew by 25% from INR 49.77 Cr in FY 15-16 to INR 62.35 Cr in FY 16-17. With more number of branches to be roped under the BC portfolio, Arohan hopes to reach INR 200 Cr by March'18 through the Business Correspondent model.

**Securitized Portfolio:**

Arohan has entered into securitization arrangements with Yes Bank, RBL Bank & IFMR Capital amounting to INR 41.65 Cr portfolio. The revenue generated through this portfolio has been INR 3.94 Cr.

**Portfolio Outstanding (Model-Wise)**



Securitized: 4% | Managed: 6%

**OPERATIONAL ENHANCEMENTS**

ZO-RO Structure: The last quarter of FY 2015-16 had seen a re-gearing of the operations structure down from the branches up to the Zonal levels to be able to manage the next scale of operations. From a cluster-based or region-wise structure to the zonal-based classification, these changes bore themselves out in the first half of FY 2016-17 through a strengthened Credit, Training and Quality & Compliance structure. Besides making the organisation robust, the revised ZO-RO structure also gives our staff more opportunities to grow both vertically and horizontally and match their skills as per the organisation's need.

**Strengthening of Training Vertical:**

With growing number of branches and field staff, it became imperative to strengthen the training vertical to facilitate specialized training at regular intervals. Capacity Building Programme, On-Job Training, Sahayata Training for weak loan officers and PIP for low-performing loan officers were taken up in FY 16-17 with the help of Regional Trainers and Training Officers deployed across the states of operation.

**Cashless Disbursements:**

Cashless disbursement for JLG and Plus loan customers was one of the special projects undertaken in December, 2016 to mitigate the impact of demonetization. Since the launch of cashless disbursements in December 2016, 7% of the total disbursements were through cashless mode as of March 31, 2017.

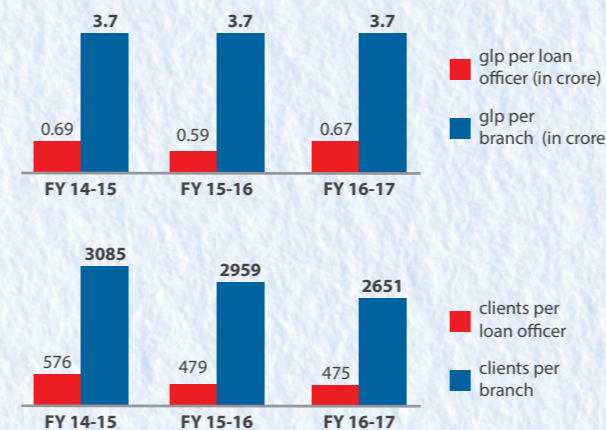
FY 2016-17 also saw a first of its kind novel tie-up between Arohan and PayTM to make disbursement and collection transactions go cashless. With PayTM becoming a payments bank on May 23, 2017, bank accounts can be opened within 5 minutes with Aadhaar enabled interface and many more services can be potentially offered in a banking platform. Such initiatives attempt to make the disbursement cycle cash-light with digitisation of records at branches through e-KYC, geo-tagging and repayment on Tab. Almost 50% of the disbursements in FY'18 is expected to be done via cashless mode (NEFT, Aadhaar enabled payments, pre-paid cards, etc.).

**Central HUB:**

Arohan inaugurated a centralized operations unit for Hub, with a structured file tracking system. The Central Hub has a daily file processing capacity of 2,300 which is scalable on demand.

**PRODUCTIVITY**

During the last fiscal, key productivity ratios across NBFC-MFIs took a blow due to the impact of demonetization. At Arohan, each branch, on an average, now caters to 2651 clients with a portfolio of INR 3.7 Cr.

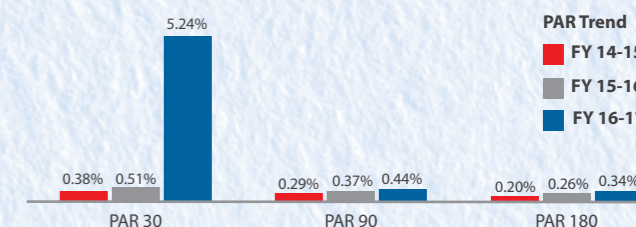


Our customer service representatives on an average catered to 475 clients with a portfolio of INR 0.67 Cr, a 14% increase in glp per loan officer from FY 2015-16. Going by our vision to provide access to one-stop solutions to all our clients, we would be focusing on increasing the number of accounts per customer by the end of the next financial year.

**QUALITY**

The portfolio quality in FY16-17 deteriorated due to the impact of demonetization. Portfolio at risk PAR>30 (PAR30)

has increased to 5.24% from under 1% in previous quarters. This disproportionate increase in PAR is attributed to lower recoveries post demonetization which was a result of shortage of cash and the adverse impact that it had on the income and livelihoods of low-income. In case of Arohan the increase has been from 0.51% in FY 2015-16 to 5.24% as on March 31, 2017. Portfolio at Risk (PAR)>0 figures remained well under 1% till the third quarter of FY 2016-17 but shot up to 7.77% by end of March'17.



With some proactive initiatives and intensive PAR recovery drives, the company endeavours to lower the PAR to a sustainable level and improve portfolio quality in the next fiscal.

**INITIATIVES POST DEMONETIZATION**

One of the major initiatives taken to combat the impact of demonetization, was the launch of the 'DeMo product' for those customers who have been genuinely impacted by it. These are customers who were regular in the pre-demonetization phase and began to pay their EMIs regularly even post-demonetization (after the shock in November to January). The DeMo product is an upgradation of the loan amount based on the eligibility criteria whereby the new loan amount is disbursed after a deduction of the overdues. With the help of the DeMo product, customers would be able to tide over the demo default phase as the choice of DeMo offers them extra liquidity, a chance to clean their credit record and get a loan at an interest rate of 22.99% (2% lower than the earlier prevailing rate). Also, the provision for rescheduling of loans has been undertaken for the customers who are willing to but unable to pay the outstanding amount. With increased interaction with customers and training of the customers by our field staff on the importance of good credit history, such products are receiving good and steady response from the customers.

Overall, the focus has been and continues to be on process re-engineering with emphasis on reducing TAT, improving retention, lowering cost, improving staff productivity, incorporating more technology to reduce risk, improving training effectiveness, and improved decision support systems. In this sense the FY 2017-18 would be a year of continued focus on letting all the new initiatives stabilise, improve quality and improve customer connect to provide enhanced services.





# WINGS SPREAD WIDE

The shape of a bird's wing is important for producing lift. The increased speed over a curved, larger wing area creates a longer path of flight. The capital raise of INR 155.5 Cr from existing and new investors in FY'17 has provided Arohan with a thrust to rise to the next level.

The business landscape of the microfinance industry was rendered extremely challenging during FY '17 in the wake of demonetization. Despite the challenges, the company witnessed a growth of 52% YoY in Gross Loan Portfolio to cross the INR 1000 Cr mark. Arohan closed the year with healthy financial results:

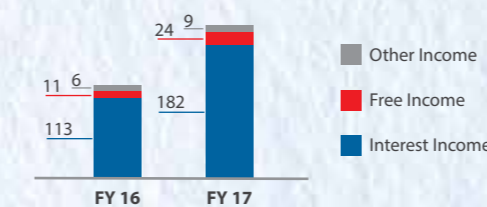
- » Total Revenue grew by 64% to 215 Cr
- » Profit before Taxes grew by 24% to 41 Cr
- » Return on Equity of 14.7% compared to 14.6% in the previous year
- » Leverage of 2.4 compared to 3.4 in the previous year
- » Marginal cost of borrowing improved significantly to 13.24% from 14.42% in the previous year

This was the result of achieving increasing economies of scale, higher level of operational efficiency and strength. Arohan's branch network grew by 51% while the employee strength grew by 40%. The company ensured a comfortable fund position throughout the year to support its business expansion. The borrowings outstanding at the year end were close to INR 814 Cr.

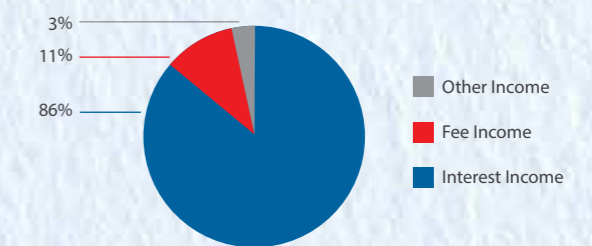
An analysis of the Company's financial performance for the financial year 2016-17 as compared to the previous year is given below:

### Income Statement Analysis

#### Revenue Analysis

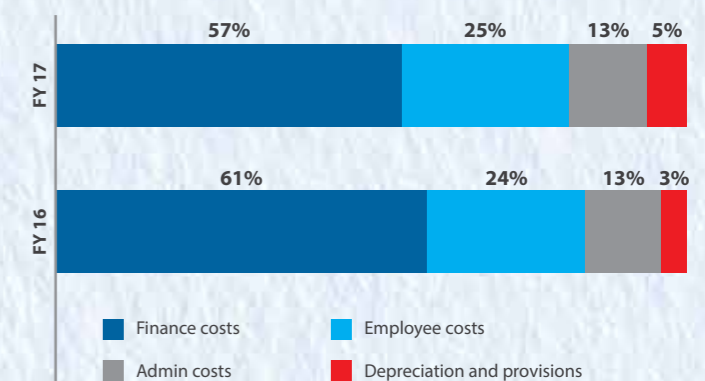


#### Revenue split in FY17



Revenue has grown by 64% from FY16 to FY17. Whereas the interest income grew by 60%, the fee income grew significantly by 116%, thereby contributing to increasing profitability. Fee Income mainly includes loan processing fees, portfolio management fees, fees from cross-sell and profit from portfolio buy-out and securitization.

#### Expenditure analysis



Interest expenses have increased by 67% y-o-y in line with increase in borrowings to fund loan growth.

Considering the employee count has increased from 1691 in FY'16 to 2370 in FY'17, employee costs increased from INR 23 Cr in FY'16 to INR 44 Cr in FY'17 showing 90% increase over previous year while the administrative costs increased by 88% from last year due to opening of ~100 new branches during the year.





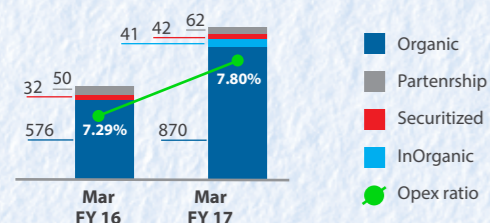
### RATIO ANALYSIS

Ratios	FY'16 Actual	FY'17 Actual	Growth
Yield	24.8%	23.4%	- 5.5%
Qualifying assets	94.0%	91.4%	-2.8%
Opex	7.3%	7.8%	6.9%
ROE	14.6%	14.7%	0.9%
Leverage	3.4	2.4	-0.3%

The operating expenditure ratio increased primarily due to branch expansion which increased from 180 branches in the beginning of the year to 272 branches at the end of the year. With decreased average portfolio pricing in line with RBI norms there was a marginal dip in overall yields in FY'17. However, margins were healthy as cost of funds also reduced.

### BALANCE SHEET ANALYSIS

#### Asset Under Management (AUM)

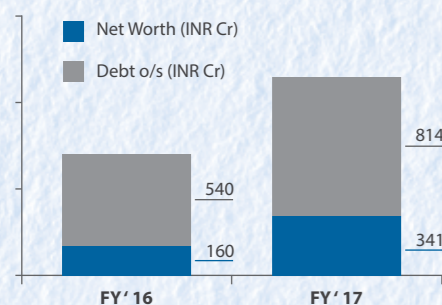


Arohan achieved 52% growth in AUM from last year despite demonetization and crossed the INR 1000 Cr mark. This was due to increasing economies of scale and growing operational strength achieved in existing and new areas of operations such as Meghalaya and Chhattisgarh.

Inorganic portfolio grew significantly by four times with the on boarding of new partners such as CDOT, GU Financial Services, Vedika and Jankalyan for portfolio buy-outs and sourcing and collection partnerships.

Off-balance sheet portfolio which includes securitized and BC partnership portfolio noted growth of 26% as compared to the previous year. We successfully completed two securitization deals aggregating to INR 67 Cr with Yes Bank and IFMR.

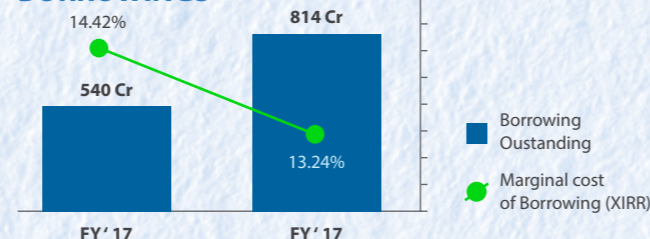
#### Liability Growth



Arohan is one of the best capitalized NBFC MFIs amongst the peer group at the moment. Net-worth of the company increased by 113% primarily due to rights issuance of INR 58.09 Cr from existing investors such as Tano Capital, Swaminathan Aiyar and other individuals, including promoter group, Aavishkaar Venture Management Services, primary equity infusion of INR 97 Cr from Maj Invest, one of Denmark's leading asset management companies and profit accretions of INR 27.5 Cr.

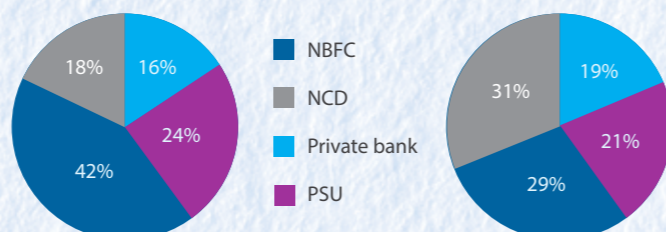
These equity infusions have strengthened the balance sheet and helped the company to deleverage itself and improve the debt equity ratio to 2.38 times as against 3.37 times and strengthen the CRAR ratio to 39.35% from 25.02% in the previous year.

### BORROWINGS



Borrowings increased by 51% from the previous year to sustain business growth. The Company raised INR 900 Cr of sanctions with multiple large sanctions including INR 75 Cr from IDBI & INR 100 Cr from NABARD. It had sufficient undrawn sanctioned limits, a total of INR 432.5 Cr as on March 31, 2017, to meet the fund requirement for Q1'18. During the year, Arohan established new relationships with prominent lenders such as CITI Bank, NABARD, FWWB, SBM, Tata Capital, Indian Bank and Bank of India. Further the PSU Banks substantially increased their exposure with Arohan. As a result debt from PSUs increased from 18% to 33% in this financial year. Increased relationship with PSUs and better negotiating power with other lenders due to enhanced credit rating of A- during the financial year led to lowering of marginal cost of borrowing by 118 bps. The Company is also increasing the proportion of line of credit and cash credit for an effective Asset Liability Management. Arohan, for the first time, raised Tier-II Capital of INR 10 Cr in the form of listed NCDs issued to IFMR and INR 25 Cr in the form of sub-ordinated unsecured Term Loan from Bank of Maharashtra. This helped us to further boost our capital adequacy.

#### Borrowing Mix



### RATINGS

Facilities	FY'17	Remarks
Long term bank facilities	CARE A-	Revised from CARE BBB+
Non-convertible debentures	CARE A-	Revised from CARE BBB+
Unsecured Subordinated Tier-II debt	BBB+	Not availed

In July'16, Arohan's rating was upgraded to A- by CARE which was mainly on account of improvement in financial performance marked by significant increase in scale of operations coupled with healthy asset quality and satisfactory capital adequacy ratio. The rating continues to draw comfort from experienced promoters, Board of Directors, strong risk management systems with robust IT infrastructure. CARE Ratings had re-affirmed the credit rating at A- in January 2017, post demonetization.

Particulars	Actual (In lakhs)		Growth In %
	Mar-16	Mar-17	
<b>SOURCE OF FUND</b>			
Capital	6,939	8,227	19%
Reserves and surplus	9,084	25,890	185%
<b>Net Worth</b>	<b>16,023</b>	<b>34,117</b>	<b>113%</b>
Loan Fund	53,951	81,355	51%
Provision	662	1346	103%
<b>Total</b>	<b>70,636</b>	<b>116,818</b>	<b>65%</b>
<b>APPLICATION OF FUND</b>			
Fixed Assets	233	742	218%
Investment	5	5	0%
Gross Loan Portfolio	66,752	101,479	52%
Less : Managed & Securitized Portfolio	8,150	10,455	28%
<b>Own Portfolio</b>	<b>58,602</b>	<b>91,024</b>	<b>55%</b>
Cash in Hand	3,413	13,854	306%
Cash Collateral (FD)	4,850	5,198	7%
Cash & Bank	8,263	19,052	131%
Net Current Assets	3,533	5,995	70%
<b>Total</b>	<b>70,636</b>	<b>116,818</b>	<b>65%</b>

### Write-offs & Provisions

Provisions include mainly provisions against assets and those against employee benefits. Asset provisioning has increased mainly due to over-all increase in asset base plus the Company has made additional general provision for clients ageing in excess of 90 days for an amount of INR 326 lakh on account of demonetization. This is over and above the amount required to be created in accordance with RBI guidelines.

### Fixed Assets

Fixed Assets have grown substantially mainly on account of implementation of Core Banking Solution from FIS, costs incurred on mobility solution to ensure paperless and efficient operations and other fixed asset expenses incurred for branch expansion.

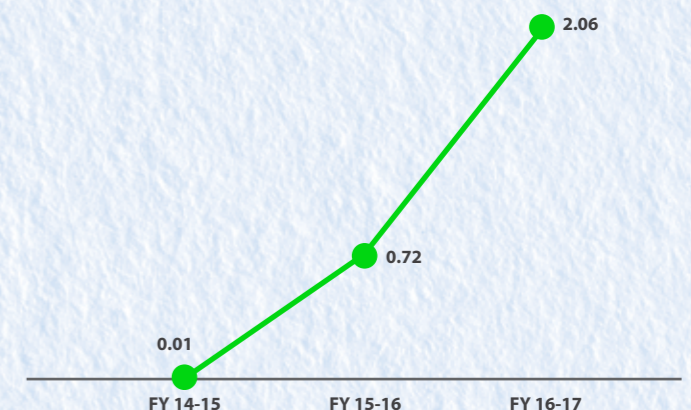
### Cash & Cash Equivalents

Increase in cash and cash equivalents is primarily due to increase in current account balance as a result of equity infusion of INR 97 Cr from Maj Invest and securitization of assets amounting to INR 32 Cr.

### FEE INCOME

The total fee income for FY 2016-17 is INR 8.38 Cr of which 75% has been earned through BC model at INR 6.3 Cr and the remaining 25% constituted by cross-sell at INR 2.06 Cr. In FY 2015-16, fee from cross-sell accorded for 18% of the total. This reveals a consistent growth in the cross-sell portfolio and its positive reception by our customers over the years, and a sustainable scope for a non-interest source of revenue.

#### Cross-Sell Fee Income Annual Growth (In Cr)





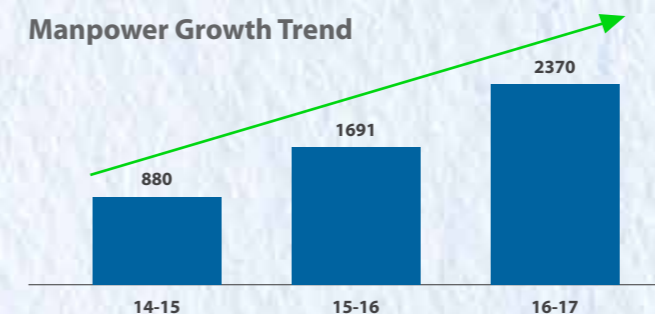


## SYNCHRONISING FOR SUCCESS

It is a known fact that two resources are vital for the success of any microfinance institution: Capital and People. Hence, managing these two resources effectively are the key focus areas for any MFI. With the changing economic landscape in India and the rapid digitization, the microfinance sector is undergoing a huge transformation. The success of this transformation will predominantly rely on the talent that this sector is able to attract, retain and nurture. Most of Arohan's staff are first time hires whom Arohan trains and deploys at its front lines. As they gain in experience and skill, the company provides them opportunities for growth.

Crucial HR concerns in MFI such as skills shortage, high attrition levels amongst field staff and an ever increasing competition for manpower supply across our areas of operation are the challenges Arohan has been able to overcome with proper planning and execution. Guided by the board, and supported by a remarkably strong management team, Arohan has grown its employee base by more than 40% from 1691 employees in FY 15-16 to

**Manpower Growth Trend**



*Not every bird can build a flock, not every bird can fly. Only the perfect flock of birds when flying together in a synchronised manner can form the perfect arrow in the sky. Success is realised when the right mix of people come together to achieve a common goal. Arohan has embraced a people centric strategy and invested further in the Human Resource and Developmental functions while onboarding key positions across geographies to achieve the organisation's vision for the coming years.*

2370 employees as on March 31, 2017. Spread across 272 branches in 7 low income states where our employees serve over 7.25 lakh customers.

Our goal has always been to recruit employees with the best fitment to the organisation's vision and culture. Arohan also focuses on employee retention and for FY'17 the organisation's retention percentage was over 70% .

### **CAREER PROGRESSION:**

Ensuring career progression appropriate for employees is an integral part of the HR strategy of Arohan. The underlining mechanism is a focused movement of employees, either vertical or horizontal, in the structure depending on their aspiration, competencies and organisational requirements. Arohan has a well defined grading and banding process. Job descriptions of each position are well defined and expectations are documented and well articulated.

Internal Job Posting (IJPs) were conducted at regular intervals and employees were encouraged to participate and undergo the selection process. For senior level IJPs, Assessment Centers were conducted using external agencies. This is a process which validates Arohan's efforts to groom and nurture employees for a mutually beneficial long-term association. In FY'17 more than 12% of the total field force qualified for a higher position through the IJP process.





### Management Trainee and Internship programmes

Arohan Management Trainee programme aims to acquire young talent, foster and develop them into managers of tomorrow. The objective of the programme is to create an in-house talent pool across functions to strengthen the middle management, encourage innovation and provide workforce diversity. The first batch of five MTs completed their year long induction programme and have now been absorbed in the organisation. For FY 18, seven MTs have been selected from six leading management institutes (i.e. IRMA, XIMB, XISS, KIIT, IISWBM and Utkal Agri Business).

#### MT testimonials:

**Aranya Sen**, Management Trainee (IRMA)

“I joined Arohan in 02, 2016. Being a fast growing organisation, Arohan has given me the perfect pace because I am a recent MBA graduate. There are opportunities to learn and grow and see my work getting implemented and that creates a sense of ownership. The best part is the work culture of Arohan, where you have warm approachable people, a top management which is open to discussions and most importantly some of your colleagues, can actually become more than your work buddies. Its great to be a part of Arohan!”

**Rachit Tiwari**, Management Trainee (IRMA)

“I joined Arohan as a Management Trainee in June, 2016. I also did my summer internship with Arohan and the experience that I gained during the tenure was one of the key reasons why I wanted to work with this organisation as a management trainee now. It is always exciting, as well as, enriching to work in an organisation which is growing in a space as challenging and competitive as microfinance. The best part about Arohan is the work culture among its employees. The core management is extremely approachable and open to discussions. With various employee engagement activities, Arohan sure gives me a valuable experience and a stress free environment to work in.”

### EMPLOYEE ENGAGEMENT:

Arohan as part of its Vision statement strives to be amongst the top 10 great places to work for. In March 2016, Arohan participated in The Great Place to Work (GPW) survey. In parameters like Management Competence, Sense of Togetherness, Appreciation & Recognition & Taking Pride in organisation, Arohan clearly crosses the benchmark score of the financial service sector.

As a focused approach towards reaching this goal, Arohan created a cross functional task force at the zonal level to work on some of the employee engagement initiatives for the zones. The Zonal Business Head champions this initiative for his/her zone.

Arohan also strives to engage with its employees through

celebrations of special and festive occasions at the corporate, regional and branch level. Health camps and eye check ups for the employees are organized at various levels. Employees who have completed a certain tenure within the organisation and those who excel in their work are recognized in the monthly internal newsletter ‘Srishti’, as well as, at the quarterly R&R programme.

#### Employee Connect Initiatives:

It is imperative for Arohan to focus on its employee connect and ensure that the last mile connectivity with the field staff is always maintained. The organisation’s communication channels are varied and each serves a different purpose.

**Sparsh** - Arohan recruits a lot of fresher as field staff for whom this is their first job. The Sparsh programme was developed to provide a structured approach to connect with these new joiners and mentor them while they are settling in the organisation.

**Sahayta** - The Sahayta initiative, operational since April 2016 is a HR help desk service for all employees. Each regional HR department has a dedicated number for their respective region. This number is operational during working hours and employees can connect with their Regional HRs for any queries related to policy, employee benefits, working conditions, leave, transfer etc.

**Sarathi** - Sarathi is an Employee grievance redressal programme. Arohan follows a Employee Grievance redressal Policy with a dedicated Grievance Officer and the Grievance Redressal Committee that take care of any employee grievance. In FY’17 110 employees called in and their grievances were redressed successfully.

**Weekly Communication Hour** - A structured weekly communication plan was developed to ensure that employees in field operations are updated on organizational developments, key priorities and initiatives of all departments. The Area Managers use the Weekly Communication Hour to interact with the branch staff with an objective to create an alignment with organisational goals.

**Hum Saath Saath Hain** - Is an initiative where a cross functional team at the HO is attached to each Region and offers focused solutions to the problems that are faced by the field operations team during their daily course of business. The employee in the field can connect to the respective team member with an expectation that the problems would be addressed in a time bound manner. This also helps in creating connect between a cross section of employees.

#### KEY HR INITIATIVES:

##### Arohan Competency Framework

Arohan strives to adopt and implement some of the most contemporary people practices. The competency based HR approach has been widely used in many industries since

long. Adaptation in microfinance sector is still nascent. Arohan with the help of CEB (Central Executive Board) has created the Arohan Competency Framework, comprising of five critical competencies which will be vital for Arohan’s growth. These competencies will form an integral part of all HR practices like recruitment, training, PMS and talent management; its implementation will start in the year 2017.

##### Performance Management System

Arohan completed its Performance Management Process for 698 employees who became eligible to be a part of the exercise. Arohan, by practice, followed a Balance Scorecard methodology to measure employees’ performance. The company also developed a new five-point numeric rating scale methodology in PMS where the performance of every employee will be measured based on their functional KPI and key competencies. The competencies are derived from the Arohan Competency framework, which any employee at a particular grade / band is expected to possess.

##### HR Software

Arohan strives to be one of the most tech-enabled organisations in the microfinance industry in India. All necessary efforts are being made to ensure that customer connect, both external and internal, are enhanced with the use of technology. The company is also building last mile connectivity with the use of technology. With the increasing scale and volume of operations there is an urgent need to adapt to a more robust and automated HR system. Arohan is all set to roll out an end to end human resource management system with a global software firm that specializes in HR automation. With this technology all field staff will have direct access to all relevant company information and employee benefits.

##### Prevention of Sexual Harassment at Workplace

Arohan is an equal opportunity employer which strives to provide a professional work environment free of sexual harassment, exploitation and intimidation. Where sexual harassment against a female employee is found to have occurred, Arohan will promptly act to stop the harassment, prevent its recurrence, and discipline and/or take any other steps that it deems appropriate, against those responsible. The Arohan POSH policy follows the guidelines set under the The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013, and has been communicated to all the employees across locations. The Internal Complaints Committee was created for the corporate office and across zones and members were trained to handle complaints accordingly. POSH awareness sessions were also carried out for all employees at the corporate office and going forward each new employee will be introduced to the company’s POSH policy during the induction session. The POSH policy has also been uploaded on the website in the following link

<http://arohan.in/resources/2017-06-05-18-41-33-POSH%20Policy.pdf>

### TRAINING AND DEVELOPMENT:

In this age of change and opportunity, the Training and Development function in a MFI sector has grown in importance. Training and capacity building emerges as a predominant factor in preventing any policy deviation while mitigating operational risk in the organisation. The tides are changing and there is a significant shift in the approach to training from an instructor led training to a more self driven training process.

Arohan places emphasis on training for its employees to meet both the organisational objectives and the development of the employee as an individual. Keeping in mind the organisational expansion the training department has been restructured and a new training policy is in place. Training at Arohan is divided into two distinct verticals which aim at driving training from two different perspectives. The operational training function focuses on the product and policy based functional training whereas the corporate training function is responsible for training on induction, promotion, ongoing professional development, including development of senior managers.

Programmes like the First Time Manager programme (FTM) and Capability Building Training (CBT) have been introduced for the field through standardized training processes and study materials for easy replication. Arohan is also working towards automation and use of technology for creating e-learning modules for its process training which could be accessed by all the staff in their tablets. As a pilot an online soft skill training was initiated for select employees. For middle and senior managers, Arohan has partnered with a few of the best institutes to impart training. A senior level training was conducted by both ACCION and NIBF in FY’17. The Arohan Certified Trainers programme (ACT) is a comprehensive programme for developing potential trainers for the organisation, and ensuring their quality and delivery skills are developed and assessed at regular intervals.

Arohan’s approach towards training mainly focuses on driving self initiated training and development. To help employees pursue higher education while continuing with their employment, an education loan and grant policy has also been framed. Arohan, in collaboration with different universities is working towards providing a platform for employees to continue their education and acquire higher qualifications.





# ADAPTING FOR TOMORROW

*Birds evolved over time to adapt to changes whether through migration or by adapting unique abilities. Arohan adopted futuristic technology processes to give impetus to its growth plans. With state-of-the-art infrastructure which captures data from the field and provides feedback on a real time basis, serving customers has been made increasingly hassle-free in the last financial year.*

Arohan, aligned to its vision, identifies the need to go digital to expedite its processes and enhance efficiency with the use of technology. Like most of the other NBFC-MFI, Arohan was using a loan management system and other smaller satellite system to cater to smaller business needs.

To match up to its growth plans, business controls and process efficiency with the help of expeditious technology became of prime importance. During FY '17, the following initiatives were successfully implemented:

- » Mobility Solution for Loan Origination including real time credit bureau checks
- » Consolidation of regional data processing hub into a central hub
- » Customer Relationship Management (CRM) solution for customer service
- » Internal Audit Application using the Mobility Platform
- » HRMS systems on the Cloud and Mobility solutions
- » Initiated a world class core-banking system implementation instead of a loan management system
- » Application integration between various applications to manage controls

Implementation of all of the above helped in

transforming the IT architecture of the organisation. From using a simple client-server architecture, the company has started deriving benefits from Mobility and Cloud-based solutions.

The entire gamut of solutions are all so integrated, that it lays the platform for stability, security, scalability and diversification. A state-of-the-art IT architecture put to effective use, makes Arohan one of the most IT enabled NBFC-MFI amongst its peers.

## **A. MOBILITY PLATFORM FOR LOAN ORIGINATION / LOAN REPAYMENT**

Arohan wanted to leverage technology to the extent, where Customer Service Representatives (CSRs) can source and process potential borrower's application [using mobile handset], access the real time data on sanctioning or rejection of cases, so that they can inform the potential borrower in the least possible time.

This has been made possible using real time Credit Bureau inquiry. Paper based form filling has also been completely phased out across branches thus removing the need for any physical movement of files for on-boarding customer. This improved the staff productivity by over 20% and reduced the TAT from 10 to 7 days.

With this, the field officers were able to save time and could form a tailor-made under-writable group and give best in the industry service at remote locations





too. It also enabled greater control on the entire business process with the help of technology.

The scope of mobility covers the entire length of the process from loan origination to collection of repayments including Credit Bureau check and e-KYC, thereby allowing real time approval/rejection of application.

Since some locations are remote and network connectivity may be an issue, the application facilitates capturing of data offline and uploading when it gets steady connectivity. The data captured through the mobility solution moves to the loan management system after being checked by the Central Hub.

### **B. MOBILITY PLATFORM FOR INTERNAL AUDIT**

Arohan focuses on automating its processes and building controls to drive its growth plans to the next level. One of the critical components in that endeavor was automating the Internal Audit process across all levels.

The platform enables the audit team to plan periodical audits for various entities within the organisational hierarchy. The frequency of audit for a particular entity within the organisation will be allocated automatically based on a preset audit cycle.

This provides access to real-time audit schedules, input screens and the entire audit database via a web based platform including auditable data such as cash management process, fixed assets, loan documents and so on.

The platform also initiates auto-sampling and auto-scoring, through a process known as the Audit Management System (AMS) which allows samples to be directly picked up from the data base based on the preset sampling criteria.

AMS also offers the functionality to automatically distribute and calculate scores based on the preset weightage and severity. The functionality to track open issues and auto-trigger reminders to respective individuals to follow up and close the issues while providing various access levels and automatically escalating non-compliant open issues to senior management periodically is also facilitated by AMS.

### **C. CRM SOLUTION**

This year the customer care unit was empowered with online data so as to enable them to make their outbound calls to customers more effective, and at the same time ensure that customer grievances were addressed. The solution records information and

facilitates escalation, where required, to ensure timely and effective redressal of grievances.

This system helps customer details get populated on screen through outbound and inbound calls. A customized screen interface was also implemented in the system to further enable the customer service facility within the organisation.

Workflow based routing of cases has also been integrated where all call dispositions are efficiently linked to a workflow defining the next action to be taken thereby streamlining the flow to the next stage accordingly. The system also facilitates workflow and escalation based management of the accounts not attempted by the assigned user within a pre-defined TAT. This makes customer servicing even more effective.

Sending of scheduled messages and emails in a predefined template is also inbuilt in the system. An end-to-end management solution of customer database, this system is real time and track-able.

### **THE CHANGING IT ARCHITECTURE**

Arohan's changing IT architecture can be measured in terms of:

#### **a. Scalability**

Use of scalable infrastructure through a cloud model, mobility solution, a central data processing unit, automation of customer care – all of it ensures seamless scalability in terms of business growth and also in terms of technology usage

#### **b. Efficiency**

Electronic forms and online CB checks improved TAT by around 20%, thereby enabling the Customer Service Representatives (CSRs) to handle more customers per day which ensured improved productivity and reduced cost per customer.

#### **c. Risk Management**

Mobility solution for loan origination coupled with Internal Audit application ensured that data was available anywhere anytime and observations recorded on the field could be immediately accessed and responded to. The application allows a seamless flow of information between systems and allows the stakeholders to access relevant information anywhere, anytime.

#### **d. Flexibility**

Time to market has reduced considerably for new products / processes, cross-sell and partnerships. The mobility and back-end platform have laid the

foundation of growth horizontally or vertically. Open integration thus allows to partner with fintech players as we work to go digital.

Arohan's overall IT transformation strategy worked in tandem to lay a solid platform to leverage technology and enable growth. Whether it is going "cash-less" or using the digital platform to reach its customers or whether it is creating a data-warehouse for data-mining or running an analytics models, Arohan's interventions are amongst the best in the peer group, to utilize technology to such an extent in the NBFC-MFI segment.



# ASSESSING RISKS FROM A BIRD'S EYE VIEW

*Assessing risks plays a substantial role in how a bird sustains its living. They are recognized as one of the most important indicators of the state of the environment, guiding and nurturing its flock towards safety. Arohan's risk and audit functions are best suited to foresee, as well as, control even the slightest deviations in processes.*

## OVERVIEW

Evolving macroeconomic factors and volatility in the financial markets have made risk management an increasingly critical part of every company and its decision-making process. Aligning the corporate strategy with the firm's risk profile with through efficient risk identification and risk management processes, as well as, employing risk based decision making in day to day operations are vital for sustainability and long-term success.

Together with the risk management function, the internal audit function helps mitigate risks by monitoring process adherence and quality controls. Of increasing importance, the internal audit process serves as a safety mechanism that helps prevent occurrence of process lapses, system failures or default.

## RISK MANAGEMENT

Recognizing the importance and requirement of a robust risk management framework for its operation, Arohan has developed a Risk Management framework to provide support to assess various types of risks including Credit, Market and Operational Risk. Independence is ensured with direct reporting of the Head of Risk to the Chair of the Risk Committee at the Board level, who is an Independent Director. The Committee members meet on a quarterly basis to discuss and review the key risk areas for the company and the way forward.

Managing risk in Arohan's business mandates an approach that is both decentralized – to address the specifications of a distributed field operations and centralized – to furnish a holistic view of the emerging risks faced by the company. This integrated risk management approach has been introduced at both field and corporate level aided by measurable risk thresholds that are monitored quarterly with the Risk Committee. The risk mitigation process involves monitoring of the various risk thresholds, analysis of key risk factors and trends, and subsequent mitigation strategy planning and implementation with the help of all the stakeholders – at the field and corporate level.

## Risk Management Framework

The company has introduced an integrated risk management approach and is working towards identification and mitigation of the enterprise wide risks to achieve its strategic objectives in a prudent manner.

As a part of the risk identification exercise, Arohan developed a **Risk Map**, a tool designed to give a bird's eye view of a wide range of risks that a company may face – a precursor to the ongoing Enterprise Risk Management (ERM) initiative. This tool helped the management team visualize the evolving interconnection and interaction between various risks.

The **Enterprise Risk Management (ERM)** process was initiated and is being implemented phase wise. The framework classifies Arohan's risk into seven risk classes, i.e. Strategic risk, Credit risk, Liquidity risk, Operational risk, Market risk and Governance & Regulatory risks.

ERM aims to look at the existing and emerging risks faced by the company as a whole considering interactions between various risk elements and provides a mechanism to devise mitigation strategies at the management level.

## Building a Risk Culture

In addition to the risk owners from various support functions, various trainings and workshops have been organized for the credit team personnel. Arohan's credit and risk setup, in the field, has a decentralized structure. Field level risk personnel have been identified and tasked with monitoring and reporting field level risks for branches with large to substantial business. Further, they are instrumental in implementing the mitigation steps once deliberated across various levels and finalized. The organisation now is able to actively capture the external and internal risks on a regular basis through this revamped structure. Active risk management in an organisation can only happen when the operating staff own and manage the risks faced by an organisation as part of doing business. To this end, staff at both corporate and field level are trained and sensitized on key risk areas for monitoring, as well as, on risk management practices and principles.





### Risk Thresholds, Analysis & Reporting

Risk thresholds for the financial year are revised and modified in consultation with the various functions to better reflect the emerging risks and respective control limits in evolving business scenario. These thresholds are monitored on a monthly basis and reported to management, as well as, respective functions to ensure timely identification of risk areas, and implementation of mitigation measures.

Arohan's risk management was further strengthened with deeper analysis leading to key insights to help in the identification and mitigation of various risks related to operations, credit, liquidity, interest rate, reputation, etc.

### Risk Grading of Operational Branches

Arohan considers its branches as a unit of operation. The quarterly branch risk grading exercise was initiated to assess both internal and external factors and highlight the potential risk elements related to the operations of its branches. The initiative has evolved over time in synchronization with the changing business landscape and is supported by a strong analytical and statistical methodology. Five broad areas of risk are monitored at branch level – Business risk, Credit risk, HR risk, Legal risks and Reputational risk. The grading has been developed on a five-point scale and is predictive in nature. This helps the company take corrective measures in advance if there is a perceived risk in any area of operation. The branch risk grading is shared with the operations team, and the management and board every quarter providing an indication of the emerging risks for the next quarter.

Efficient handling of cash and fraud containment have been a focus area for Arohan – we have adopted a number of strategic and tactical measures along with our bankers to remediate heavy reliance on cash. Ongoing initiatives towards giving a cashless business a fillip will take us long way in this regard.

### INTERNAL AUDIT

To avoid realization of risks across levels, assurance of quality and process adherence becomes of key importance. Arohan's Internal Audit function is an independent body under the supervision of the Audit Committee of Board. The Audit Committee reviews the adequacy and effectiveness of the company's internal audit function including the structure of internal audit department, annual audit plan, staffing etc. and ensures an effective and independent review process.

Arohan, through its audit function, aims to mitigate operational risk through regular checkups at branches, regional and zonal offices. The function ensures adherence to organisational policies and procedures, as well as, external compliance requirements such as RBI guidelines, SRO directives and other regulatory requirements etc. It further checks functioning of all support services thereby ensuring adherence with policies and compliance requirements.

### Audit Management System

With continuous increase in portfolio over a period combined with geographical expansion, the need to maintain balance between quality and quantity has been of importance in any industry and more so with respect to the financial services industry. Internal Audit helps in addressing the tension arising out of questions pertaining to quality vs quantity. However, Internal Audit is a cumbersome and time consuming activity for most organisations since it is largely dependent on manual interventions. In order to address this challenge, Arohan in technical collaboration with IFMR Rural Finance has implemented "Predix", a Centralised Audit System (CAS). A fully automated technology tool for audit, it is specifically aimed at improving the efficiencies of the audit function. Predix is a web based system that enables seamless audit and captures the audit findings in a structured and periodic manner. It captures issues in a format where the data warehousing is simple and something that can be used for analysis at a later stage. This will enable significant improvement in audit team productivity, with lower TAT, auto sampling, GPS based tracking and real time reporting/monitoring.

Arohan is the first NBFC-MFI, based out of Eastern India to adopt a paperless, end-to-end, technology driven audit management system.

### Methodology & Reporting

Arohan follows a risk based approach to audit operations in the field. All operative branches are covered under audit in each quarter. The areas of audit can be classified under the following broad heads:

- a. Field Processes (verification, collection, disbursement etc.)
- b. Back End Activity (documentation, administration etc.)
- c. Customer Contact

An appropriate weightage is assigned to each of the above mentioned heads (and sub heads thereof), within a dynamic range, to reflect relevance for arriving at a final score of each branch. Each branch is audited 4-10 days in a quarter. Based on audit observations and scores each branch is assigned an audit grading at the end of the quarter. Branch audit grading acts as a significant parameter in the organisation's quality monitor, and even constitutes a part of the performance appraisal system of all concerned. All support functions, including HR, Information Technology, Finance, Accounts etc. are audited at least twice in a year, by rotation. High emphasis is further enforced upon checking adherence of compliance and regulatory requirements as prescribed for NBFC-MFI under different statutes.

Scope of audit for both field and support functions are continuously reviewed and updated to keep pace with changing business, technological and regulatory environment. Monthly audit trends along with action

taken by respective line functions are reported to the senior management team. All significant internal audit observations along with follow up actions are reported and discussed by the Audit Committee of Board, at its quarterly meets.

### IFCR

Arohan has aligned its current systems of internal financial control with the requirement of Companies Act 2013, in the lines of globally accepted risk based frameworks as issued by the COSO and other rules/guidelines issued by RBI and MFIL. The Internal Control is intended to increase transparency and accountability in an organisation's process of designing and implementing a system of internal control. IFCR requires a company to identify and analyses risks and manage appropriate responses. Arohan has successfully laid down the IFCR framework and ensured its effectiveness. The company's internal controls are commensurate with its size and the nature of its operations. These have been designed to provide reasonable assurance with regard to recording and providing reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance of corporate policies. With the availability of an ERP system the company can record data for accounting, consolidation and management information purposes and connects to different locations for efficient exchange of information.

The audit committee reviews reports submitted by the management and audit reports submitted by internal auditors and statutory auditors. Suggestions for improvement are considered and the audit committee follows up on corrective action. The audit committee also meets with statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems and keeps the board of directors informed of its major observations periodically. Based on its evaluation (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), our audit committee has concluded that, as of March 31, 2017, our internal financial controls were adequate and operating effectively.





# REACHING OUT TO EMPOWER

*Birds live in harmony with nature, giving back to the ecosystem they inhabit. Arohan, through its various business plus initiatives reaches out to people and communities at large to serve them beyond business, enriching lives and enabling growth.*

**“Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance.”** - Ban Ki-moon, Former Secretary General, United Nations.

Arohan serves people from economically and socially marginalized communities where illiteracy, unemployment and under-employment are rampant. Arohan’s Customer Social Responsibility initiatives focus on sustainable development through skill building and employment generation, empowerment of women, women’s health and awareness, rehabilitation assistance during natural disasters and eco-sustainability.

## OUR CSR INITIATIVES IN FY 16-17

### 1. Skill Building and Education:

Education has immense power to transform and is the key to sustainable human development. As a CSR initiative Arohan



focuses on inclusion through education and capacity building and engaged NSHM Udaan Skills Foundation to train and provide placement assistance to 500 youths in IT/ITES and retail skills in our areas of operation, to help increase their employability. Courses were conducted in NSHM centres in Jorhat & Guwahati in Assam, Patna and Muzaffarpur in Bihar and Kolkata, Mednipur and Durgapur in West Bengal. 75% of these students have been placed and the programme will be extended to the states of Jharkhand and Odisha in the following year.

Arohan Shiksha programme was initiated in FY '17 through

which more than 1200 primary school children were distributed school bags for free in government schools in



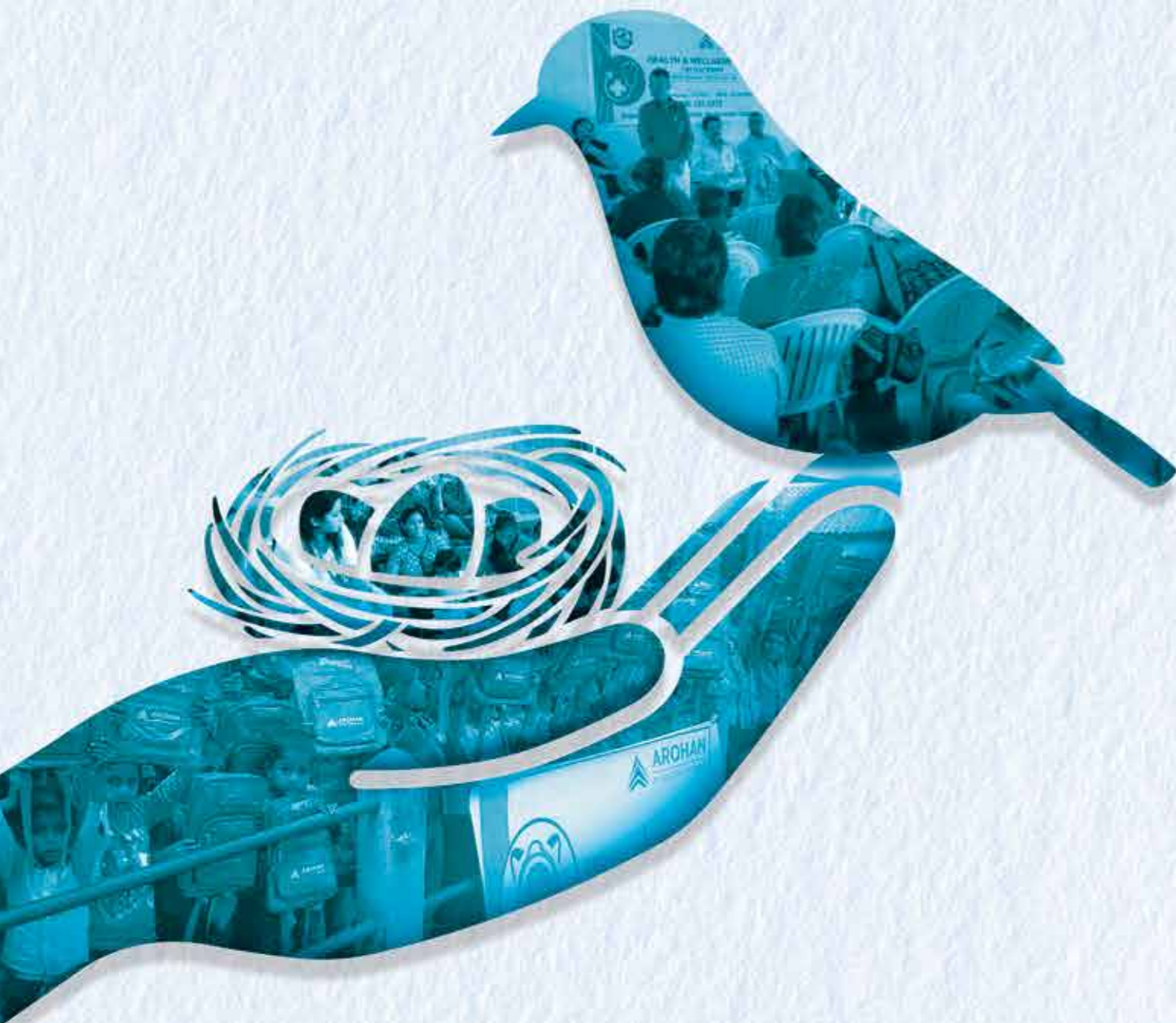
marginalized communities in Assam, Bihar and West Bengal. Most of the children in these schools did not have the basic educational aids and tools.

### 2. Women’s Welfare and Awareness:

Empowering women is a precondition for meeting the challenges of reducing poverty. Arohan provides holistic financial inclusion services to customers who are primarily women (96%) in rural areas. They belong to communities which are both financially and medically under-served and it is thus imperative that Arohan’s CSR initiatives focus on supporting them through better access to health care, education and awareness generation, capacity building and supporting and safeguarding their interest.

» **Prevention of Human Trafficking:** The Ministry of Women and Child Development, GOI reported that 19,223 women and children were victims of human trafficking in 2016, with the highest number of victims recorded in the eastern state of West Bengal. To combat human trafficking through prevention, rescue and rehabilitation of victims Arohan collaborated with, a voluntary organisation, Prajwala with the objective of building a transit shelter for victims of trafficking. The shelter located near Hyderabad, is a first of its kind initiative in India which accommodates 25-30 rescued women at any given time.

» **Awareness programme on trafficking:** An awareness programme on human trafficking was held for 100 women in Joynagar, South 24 Paraganas, West Bengal which is a high







risk area for interstate and cross border human trafficking. Arohan collaborated with Sanved, who conducted the programme through Dance Movement Therapy.

» **Health camps:**

Health is socially determined and access to healthcare is more so. It is estimated that 50% of villagers in India have absolutely no access to modern healthcare services and there's a dearth of healthcare professionals in rural



India. Poverty coupled with lack of education adversely affects access to healthcare. This is more so for women, who frequently under-report illnesses. Arohan's CSR initiative is aimed at providing access to medical and diagnostic services for the women in these communities in the states of Bengal, Odisha and Jharkhand. Doctors with specialisation in women's health or public health conduct camps equipped with diagnostic services. Health camps were conducted in 2 locations in Jharkhand, 3 locations in West Bengal and 5 locations in Kendrapara district of Odisha. The health camps benefited 828 women in the last FY.

» **Health awareness through indigenous art form:**

Lack of awareness on health increases the disease burden in marginalised areas. Disseminating health awareness is a challenge in areas plagued with illiteracy. Arohan thus ideated with a nonprofit organisation and commissioned a patachitra, a traditional painting of Bengal. The patachitra



through a protagonist depicts the health and sanitation issue faced by women in the rural areas and how to overcome them. The artist, who is also a story teller, sings the message to the audience as she/he unravels the scroll. This is thus an edutainment medium for the audience and is being used for health awareness in all our health camps. Arohan's novel effort in using indigenous art form

for awareness has been appreciated and awarded the Jury award for CSR Best Practice at the 2017 CSR conclave and awards in New Delhi.

**3. Disaster Relief:**

Operating in the low income states of eastern India Arohan's areas of operation is prone to debilitating natural calamities. Incessant rains in July and August, 2016 resulted in severe floods across Assam. The flood adversely affected the lives of those people who were already from economically



disadvantaged communities. In partnership with IndusInd Bank a relief initiative was implemented around the worst affected areas in our regions of operation benefiting 1166 families.

**4. Employee Volunteering:**

When people are financially invested they want a return, when they are emotionally invested they want to contribute. Employees now want a sense of purpose and ways of giving back to the community in addition to their work. Arohan encourages employees to volunteer in the communities by engaging with local Non Profits and providing aid and



assistance to the disadvantaged communities. A volunteer guideline was developed and this year employees clocked 200 volunteer hours by associating themselves with skill development programmes for the youth, health camps, distribution of educational aid and disaster relief.

**FINANCIAL LITERACY INITIATIVE**

Arohan launched Pragma, a Financial Literacy initiative in December, 2016. Pragma, as the name denotes, means wisdom. In partnership with Accion, Arohan has designed a financial awareness programme for its customers and piloted it across select branches in West Bengal, Odisha, Assam and Bihar. Pragma aims to empower customers by sensitizing them about the importance of savings, insurance, banking, government schemes etc. The initiative helps uplift the socio economic condition of the under-served women.

The programme is a ToT and implementation model. The outcome is to train 35,000 clients through Classroom trainings and 15,000 through Mass Awareness programmes.

**Classroom Trainings:**

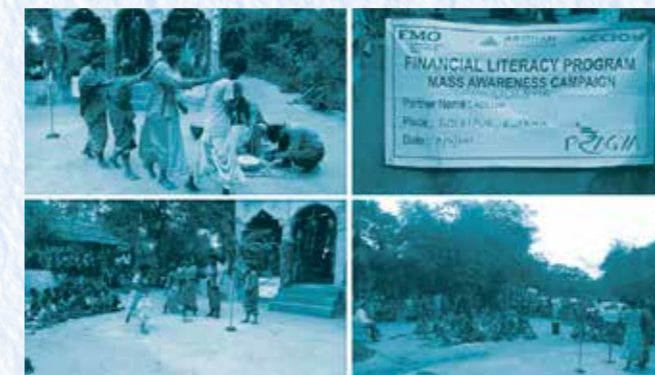
Approximately 12,000 customers have been trained across 15 branches in West Bengal, Odisha, Assam and Bihar.



Varied techniques such as videos, stories, activities such as interactive games, etc. are used along with traditional methods of classroom training.

**Mass Awareness Campaigns:**

Another technique of Mass Awareness was incorporated to spread awareness to a larger group of beneficiaries. 'Nukkad Natak', formed the medium of the Mass Awareness Campaign and conveyed the importance of being financially literate in local dialects. Arohan in partnership with ACCION conducted ten Mass Awareness Campaigns in Barabati, Das Sahi, Goleipur, Jenipur, Khandol, Kolanpur, Nischintkoili, Rahamba, Sanabiruan and Similihand villages in the state of Odisha.



Over 3000 people benefited from the campaign. Arohan aims at reaching out to 15000 beneficiaries across four states by conducting 50 Mass Awareness Campaigns in the next six months through an engaging mix of media such as magic shows, street plays, puppet shows etc.

**CUSTOMER PROTECTION:**

As part of its client servicing mechanism, Arohan's customer care practices resolves any problem that the customer might face during its tenure. Arohan strives to create values in its services by analyzing and generating reports for improvement in overall operations. This is achieved by a two pronged process - Inbound & Outbound - which includes reporting of unethical treatment, timely redressal and gaining valuable feedback on products, service delivery and operations directly from customers. The process is well-equipped with a robust Customer Relationship Management (CRM) system for Outbound and Inbound calls.

**Cautionary Statement**

This document contains statements about expected future events, financial and operating results of Arohan, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of Arohan's Annual Report, FY 2016-17.



## To The Members,

Your directors have pleasure in presenting to you the Annual Report together with the audited accounts of the company for the year ended March 31, 2017.

## Overview

The Company was originally incorporated as ANG Resources Private Limited on September 27, 1991 as a Private Limited Company under the Companies Act, 1956. Subsequently, upon receipt of necessary approvals the name was changed to ANG Resources Limited on October 20, 1995. Further, after obtaining the requisite approvals, the name of the Company was changed to Arohan Financial Services Limited on March 25, 2008. The name of the Company was further changed to Arohan Financial Services Private Limited on September 28, 2010. Pursuant to a certificate issued by the Reserve Bank of India ("RBI") on July 8, 2009 by Kolkata Regional Office, Department of Non Banking Supervision, the Company was permitted to commence operations as a Non Banking Financial Company ("NBFC") under section 45 IA of the Reserve Bank of India Act, 1934. Since Financial Year 2012-13, the Company has been classified as a Systematically Important non-deposit taking NBFC. The Company was granted NBFC –Microfinance Institution ("NBFC-MFI") status by the RBI on January 10, 2014.

## Financial Results

The financial performance of the Company for the year ended March 31, 2017 is summarized below:

Particulars	2016-17 (INR in Cr)	2015-16 (INR in Cr)	Growth (%)
Total Revenue	214.98	130.77	64.40
Total Expenses	173.95	97.59	78.25
Profit Before Tax	41.03	33.18	23.66
Tax Expenses	13.57	11.52	17.80
Profit After Tax	27.46	21.66	26.78

- The Company has posted a profit after tax (PAT) of INR 27.46 Cr for FY 17 as compared to a PAT of INR 21.65 Cr for FY 16. A sum of INR 5.49 Cr is transferred to statutory reserves in FY 17 as against INR 4.33 Cr in FY 16. Consequently, the surplus in the P&L Account to be carried forward has increased to INR 39.36 Cr in FY 17 as against INR 17.39 Cr for FY 16.
- ROA and ROE for FY 17 were 4.23% and 14.73% respectively.

## Dividend

In order to retain capital for further business expansion and given extant provision of Companies Act, 2013, the

Directors have not recommended any dividend for the year under review. However, preference dividend of INR 3153/- for FY 15-16 & FY 16-17 was declared on the preference share capital which was converted to equity shares during the current financial year.

## 3. Transfer to reserves

In accordance with the provision of Section 45-IC of the Reserve Bank of India Act 1934, the Company has transferred 20%, i.e. INR 54,925,409/- of the profit after tax to statutory reserve.

## Operational Highlights

The operational highlights of the Company are summarized below:

Year ended	2017	2016
Branches	272	180
States	7	5
Districts	93	63
Customers	7,01,452	5,31,619
Loan disbursed (Rs in Lakhs)	1265 Cr	830.09 Cr

The Government of India announced demonetization of INR 500 and INR 1000 bank notes with effect from the midnight of November 8, 2016. This step was taken with a view to curb financing of terrorism through the proceeds of Fake Indian Currency Notes (FICN) and to eliminate the menace of black money. However, this severely affected the growth and collection of all MFIs including the Company.

As per the Company's provisioning policy INR 9.10 Cr is provided towards the outstanding portfolio, additional amount of INR 3.26 Cr is considered as general provision to manage any adverse impact of demonetization. Despite of additional provisions the Company posted a Profit After Tax (PAT) of INR 27.46 Cr in FY 17 as against a PAT of INR 21.66 Cr in FY 16.

## Capital Infusion

During the year under review, the Company successfully raised INR 58 Cr of equity capital vide a rights issue from the existing shareholders and subsequently placed private equity shares with Maj Invest Financial Inclusion fund II K/S for INR 97 Cr.

## Resource Mobilization

During the year under review, the Company had diversified the sources of funds and raised a sum of INR 877.20 Cr by way of short term, long term loans and also non convertible debentures (NCDs). The NCDs of the Company are listed on

the wholesale debt segment of Bombay Stock Exchange (BSE).

The networth of the Company as on March 31, 2017 was INR 341 Cr and the capital adequacy ratio as on March 31, 2017 was 39.35%, which was well in excess of the mandated 15%. Tier II capital raise of INR 35 Cr during FY 17 also played a role in bolstering the capital adequacy of the company.

The Company has replaced the high cost debt with low cost funds borrowed from various lenders across different credit facilities. This has resulted in reducing the cost of borrowing from 14.42% in FY 16 to 13.24% in FY 17.

## Credit Rating

CARE Ratings has assigned Company a grading of MFI 1 (the highest grading for MFI) on March 15, 2017. CARE has upgraded Arohan's Credit rating to A- from BBB+ for its Long Term Bank Facilities and NCDs.

## Corporate Governance

The Company strives to adopt and adhere to the highest standards of Corporate Governance principles and best practices. With this objective Arohan has put in place various policies, systems and processes to achieve transparency, high levels of business ethics and compliance with applicable laws. The Company is dedicated and committed to ensuring high standards of transparency and accountability in all its activities. The best management practices and a high level of integrity in decision making is followed to ensure long term creation of value for all the stakeholders.

A complete Corporate Governance Report is attached with the Directors' Report.

## Extract of the Annual Return

In accordance with Section 134 (3)(a) of the Companies Act, 2013, an extract of the annual return in the prescribed format (MGT-9) is appended as Annexure I to the Board's Report.

## Directors and Key Managerial Personnel

### Changes in the composition of the Board of Directors

During the year under review, Ms. Sushma Kaushik, Nominee Director from Aavishkaar Goodwill India Microfinance Development Company ceased to be Director of the Company with effect from November 4, 2016.

The Board wishes to place on record its appreciation for Ms. Sushma Kaushik's valuable contribution in the sustained growth of the Company during her tenure as the Director of the Company.

The Board based on the recommendations of the Nomination and Remuneration Committee appointed Ms.

Matangi Gowrishankar as a Woman Independent Director of the Company with effect from August 22, 2016, Mr. Wilhelmus Marthinus Maria Van Der Beek as Nominee Director from Aavishkaar Goodwill India Microfinance Development Company with effect from December 5, 2016 and Mr. Kasper Svarreras Nominee Director from Maj Invest Financial Inclusion Fund II K/S with effect from March 31, 2017.

## Declaration of Independence

The Company has three Independent Directors as on March 31, 2017, Ms. Matangi Gowrishankar, Mr. Rajat Mohan Nag and Mr. Sumantra Banerjee. The Company has taken declarations from all the Independent Directors under 149 (7) of the Companies Act, 2013 stating that they satisfy all requirements of independence envisaged in Section 149 (6) of the Companies Act (2013) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## Key Managerial Persons

As on date, Mr. Milind Nare, Chief Financial Officer and Ms. Vanita Mundhra, Company Secretary are the Key Managerial Persons ("KMP") of the Company. During the year under review, Mr. Amit Kumar Dutta, Chief Financial Officer resigned from the services of the Company on May 9, 2016.

## Details of Subsidiary, Associate and Joint Venture of the Company

The Company doesn't have any subsidiary, associate and joint venture.

## Policy for Selection and Appointment of Directors and Remuneration Policy

In compliance with the provisions of the Companies Act, 2013 and SEBI LODR Regulations, the Board, on the recommendation of the Nomination and Remuneration Committee ("NRC"), approved the policy for selection and appointment of Directors. The aforesaid policy provides a framework to ensure that a suitable and efficient succession plan are in place for appointment of Directors on the Board so as to maintain an appropriate balance of skills and experience within the Board. The policy also provides for selection criteria for appointment of Directors, viz, educational and professional background, general understanding of the Company's business dynamics, global business and social perspective, personal achievements, Board diversity and payment of remuneration to the Directors of the Company.

## Number of Board Meetings during the year 2016-17

During the FY 2016-2017, eleven meetings of the Board of Directors of the company was held on May 9, 2016, August 22, 2016, November 4, 2016, December 5, 2016, December 19, 2016, January 19, 2017, January 27, 2017, February 13, 2017, March 6, 2017, March 25, 2017 and March 31, 2017.





The details of the sub-committee meetings held during the year have been disclosed in the Corporate Governance section, which is annexed to this report.

### Directors' Responsibility Statement

In accordance with the provisions of Section 134(5) of the Companies Act, 2013, your Directors confirm that:

- In the preparation of the annual accounts for the financial year ended March 31, 2017, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- 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 as on March 31, 2017 and of the profit /loss of the Company for that period.
- The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The Directors had prepared the annual accounts on a going concern basis.
- 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.

### Auditors

- Statutory Auditors** – M/s Walker Chandiok & Co LLP, (Firm Registration Number –001076N/N500013), Chartered Accountants were appointed as statutory auditors till the conclusion of the ensuing AGM. They have confirmed their eligibility under section 141 of the Companies Act, 2013 and the rules framed there under for re-appointment as Statutory Auditors of the Company. The Directors recommend the ratification of appointment of M/s Walker Chandiok & Co LLP, Chartered Accountants, as Statutory Auditors of the Company from the conclusion of the ensuing AGM till the conclusion of the AGM to be held in the year 2018.
- Secretarial Auditor** – Mr. Kamal Kumar Sharma, Practising Company Secretary (Certificate of Practice No. 4057) was appointed as Secretarial Auditor of the Company to conduct Secretarial Audit for the Company for the Financial Year 2016-17 as required under Section 204 of the Companies Act, 2013 and the rule made thereunder. The Secretarial Audit Report for FY 16-17 is appended as *Annexure II* to the Directors' Report.

### Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made

- Statutory Auditor's Report** – There are no disqualification, reservations, adverse remarks or disclaimers in the auditor's report.
- Secretarial Auditor's Report** - There are no disqualification, reservations, adverse remarks or disclaimers in the secretarial auditor's report.

### Details of Frauds reported by the Statutory Auditors

During the year under review, the Statutory Auditors of the Company have not reported any frauds as required under Section 143(12) of the Companies Act, 2013.

### Particulars of Loans or Guarantees or Investments

Pursuant to the clarification dated February 13, 2015 issued by the Ministry of Corporate Affairs, Section 186(11) and the provisions of Section 134 (3)(g) of the Companies Act, 2013 requiring disclosure of particulars of loans given, investments made or guarantees given or securities provided is not applicable to the Company.

### Related Party Transactions

All transactions entered into with Related Parties as defined under the Companies Act, 2013 and SEBI LODR Regulations during the year under review were in the ordinary course of business and at arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act, 2013. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time.

Details of the related party transactions, which are exempted according to Section 188 of the Companies Act, 2013, during the year under review are disclosed in Note 28 of the financial statements.

The policy on Related Party Transactions, as approved by the Board, is displayed on the website of the Company.

### Material Changes and commitments, affecting the financial position of the company

There are no material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the Company i.e. March 31, 2017 and the date of the Directors' Report.

Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo under Section 134(3)(m) of the Companies Act, 2013

The provisions of Section 134(3)(m) of the Companies Act, 2013 relating to conservation of Energy and technology

absorption do not apply to the Company. The Company has however used information technology extensively in its operations.

During the year under review, the Company's earning and outgo in foreign exchange was INR 1,38,803 and NIL respectively. The details of foreign earnings and outgo have also been captured in Note 34 of the Financial Statements.

### Board Evaluation

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors pursuant to the provisions of Companies Act, 2013 and Corporate Governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015.

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination Committee of the Board. The main criteria on which the evaluations was carried out were Director's knowledge and expertise, specific competency and professional experience, board engagement and time commitment.

The performance of the Board was evaluated by the Board after seeking inputs from all the Directors on the basis of the criteria such as board composition and structure, effectiveness of Board processes, information and functioning, etc.

The performance of the Committees was evaluated by the Board after seeking input from the Committee members on the basis of criteria such as the composition of committees, effectiveness of committee meetings etc.

The Board and the Nomination and Remuneration Committee reviewed the performance of the individual Directors on the basis of the criteria such as contribution of the individual Director to the Board and Committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the Chairman was also evaluated on the key aspects of his role.

### Risk Management Policy

The Company is exposed to uncertainties owing to the sector in which it operates. These uncertainties create new business opportunities with inherent risks. A key factor in determining a company's capacity to create sustainable value is the level of risk that the company is willing to take (at strategic and operational level) and its ability to manage them effectively. Many risks exist in a company's operating environment and they emerge on a regular basis. The Company's risk management processes focus on ensuring that these risks are identified timely and are reasonably addressed. The Board of Arohan provides oversight to the organization on all risk management aspects of the

organization. To ensure a proper vigilance and monitoring on the risks, a separate department called Risk Management Department is set up for overall review of the risk profile. The focus of the department is to coordinate development of required policies and thresholds and to ensure that the risks which are not within defined threshold be flagged off and followed-up for their redressal.

### Corporate Social Responsibility

In compliance with Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) and the composition and the function thereof is mentioned in the Corporate Governance Report.

The Board adopted the CSR Policy, formulated and recommended by the CSR Committee, and the same is available on the Company's website.

During the year under review, the Company has perused 5 (Five) CSR projects viz. skill building, educational aid to underprivileged student and volunteering activities, transit shelter for victims of trafficking, disaster management and women health and wellness camps. The details of the CSR activities undertaken during the year are given in the report on Corporate Social Responsibility activities which is annexed as Annexure III to the Directors' Report.

### Deposits

The company is a non-deposit taking NBFC-MFI and has not accepted any deposit as defined by the Companies Act, 2013.

### Significant and Material Orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company operations in future

There are no significant material orders passed by the Regulators, Courts or Tribunals which would impact the going concern status of the Company and its future operations.

### Information required under Sexual Harassment of Women at workplace (Prevention, Prohibition & Redressal) Act, 2013

The company has in place a POSH Policy (Prevention of Sexual Harassment) in line with the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The policy is also uploaded on the website of the Company. During the year under review, the Company





has not received any complaints on harassment of women at workplace. The Company has conducted 6 workshops/awareness programs on prevention of sexual harassment.

#### Internal Financial Control

The Company maintains appropriate systems of internal financial controls, including monitoring procedures. Company policies, guidelines and procedures are well documented and provide for adequate checks and balances and are meant to ensure that all transactions are authorized, recorded and reported correctly.

#### Vigil Mechanism

The Company is in compliance with Section 177 of the Companies Act, 2013 and has established a whistle blower policy /Vigil Mechanism for the Directors and employees to report genuine concerns or grievances about unethical behavior actual or suspected fraud or violation of the Company's Code of Conduct Policy. The whistle blower policy of the Company is also available on its website.

#### Particulars of Employees

The ratio of the remuneration of each Director to the median employee's remuneration and other details in terms of Section 197(12) of the Companies Act, 2013 read with 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as Annexure IV to the Directors' Report.

The statement containing particulars of employees as required under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in Annexure IV to the Directors' Report.

#### Management Discussion and Analysis

The Management Discussion and Analysis Report for the year under review is presented separately in this Annual Report.

#### Other Disclosures

- Details of equity shares with differential rights – The Company has not issued any equity shares with differential rights during the year under review.
- Details of sweat equity shares issued - The Company has not issued any sweat equity shares during the year under review
- Details of employee stock option scheme – The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees being the following:

- Arohan ESOP Plan 2011

- Arohan ESOP Plan 2013

- Arohan ESOP Plan 2013 – Fresh Issue July 2014

The Company instituted the Employee Stock Option Scheme in 2010 to enable employees to participate in the future growth and financial success of the Company. The Employee Stock Option Scheme aims to achieve the objective of retaining talent.

The information on options granted by the Company during the FY 2016-17 and other particulars with regard to Employee Stock Options are set out as below:

Sr. No	Particulars	2016-2017	2015-2016
1	Options granted, during the year	17,500	92,500
2	Options vested, during the year	92,500	2,37,500
3	Options exercised, during the year	4,42,400	55,000
4	Money realized during the year by exercise of Options	71,04,777	7,80,600
5	Forfeited/Expired during the year	5,000	2,50,000
6	Total number options in force, at the year end	35,000	3,89,900

#### ESOP Schemes as on March 31, 2017

Particulars	ESOP 2011	ESOP 2013	ESOP 2013 Fresh Issue July 2014	Total
Options Granted	2,25,000	4,00,000	3,47,500	9,72,500
Total Options Exercised	0	2,94,000	2,90,000	5,84,000
Options Lapsed	2,25,000	1,06,000	57,500	3,88,500
Options Unexercised	0	0	0	0
Options vested and Unexercised	0	0	0	0
Options Unvested	0	0	0	0

#### Options Granted to Key Managerial Personnel/ Employees during the Year

Employee Name	Designation	Options Granted	Exercise price (in INR)
Mr. Milind Ramchandra Nare	Chief Financial Officer	10,000	24.77
Mr. Prashant Rai	AVP- HR, Admin, CSR & Training	7500	24.77

The Human Resource and Compensation Committee of the Board of Directors of the Company administer and monitor the Employee Stock Option Scheme of the Company in accordance with applicable SEBI guidelines.

#### Acknowledgments

Your Directors take this opportunity to acknowledge the guidance and assistance received from the Reserve Bank of India, Registrar of Companies, Investors, Bankers, Lawyers, Auditors, Partner NGOs, Institutions and Foundations, Police and Government Authorities, Advisors and all our well wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff across all levels.

#### For and on behalf of Board of Directors

Sd/-  
**Manoj Kumar Nambiar**  
Managing Director  
DIN: 03172919

Sd/-  
**Anurag Agarwal**  
Director  
DIN: 02385780





## Annexure I

**Form No. MGT-8**  
[Pursuant to Section 92(2) of the Companies Act, 2013 and Rule 11(2) of Companies (Management and Administration) Rules, 2014]

### CERTIFICATE BY A COMPANY SECRETARY IN PRACTICE

I have examined the registers, records and books and papers of **Arohan Financial Services Private Limited** [the Company] having its registered office at **PTI Building, 4th Floor, West Wing DP-9, Sector-5, Salt Lake, Kolkata -700 091**, as required to be maintained under the Companies Act, 2013(the Act) and the rules made thereunder for the financial year ended on 31st March, 2017. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that:

- A. The Annual Return states the facts as at the close of the aforesaid financial year correctly and adequately,
- B. During the aforesaid financial year the Company has complied with provisions of the Act & Rules made thereunder in respect of:
  1. Its status under the Act;
  2. Maintenance of register/records & making entries therein within the time prescribed therefor;
  3. Filing of forms and returns as stated in the annual return,with the Registrar of Companies, West Bengal, Regional Director, Central Government or other authorities within the prescribed time;
  4. Calling /convening/holding meetings of Board of Directors or its committees and the meetings of the members of the company on due dates as stated in the annual return in respect of which meetings, proper notices were given and the proceedings including the resolutions passed by postal ballot have been properly recorded in the Minute Book/ registers maintained for the purpose and the same have been signed;
  5. Closure of Register of Members and share transfer books were effected during the year in compliance with the provisions of the Act and rules made thereunder; **(Not Applicable)**
  6. There were no advances/loans made by the Company to its directors and / or persons or firms or companies referred in section 185 of the Act;
  7. All contracts/arrangements with related parties as specified in section 188 of the Act have been entered into in full compliance with the provisions of the Act, relevant disclosures thereof have been made as required and entries thereof duly entered in registers maintained for the purpose as required;
  8. Transfers and transmissions of equity shares and issue of new share certificates in all instances have been made in full compliance with the provisions of the Act;
  9. Keeping in abeyance the rights to dividend, wherever applicable, pending registration of transfer of shares, has been done in compliance with the provisions of the Act; **(Not Applicable)**
  10. Declaration/payment of dividend and transfer of unpaid/ unclaimed dividend to the Investor Education and Protection Fund have been effected in accordance with Section 125 of the Act; **(Not Applicable)**
  11. Signing of audited financial statements is as per the provisions of section 134 of the Act and report of directors is as per sub-sections(3),(4) and(5) thereof;
  12. Constitution/appointments/re-appointments/retirement/fillingup of casual vacancies/disclosures of the Directors&KeyManagerial Personnel and the remuneration paid to them is as per the provisions of the Act;
  13. Re-appointment of auditors is as per the provisions of Section 139 of the Act;
  14. Approvals, wherever required to be taken - from the Central Government, Regional Director, Registrar or such other authorities - under the various provisions of the Act, have been duly taken;
  15. The Company has not accepted any deposits;

**Form No. MGT-8**  
[Pursuant to Section 92(2) of the Companies Act, 2013 and Rule 11(2) of Companies (Management and Administration) Rules, 2014]

16. Borrowings from its banks and creation/modification/satisfaction of charges in that respect, wherever applicable, is as per the provisions of the Act;
17. Investments made in other bodies corporate falling under the provisions of section 186 of the Act is in accordance therewith ; (Not Applicable)
18. Alteration of the provisions of the Memorandum of Association of the Company has been effected in accordance with the provisions of the Act.

Place: Kolkata

Membership No.: FCS 3337

Date: July 25, 2017

C. P No.: 4057

Signature :

**Kamal Kumar Sharma**





## Annexure II

FORM NO. MGT 9  
EXTRACT OF ANNUAL RETURN  
as on financial year ended on 31.03.2017  
Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

### I Registration & Other Details:

i	CIN	U74140WB1991PTC053189
ii	Registration Date	27-09-1991
iii	Name of the Company	Arohan Financial Services Pvt Ltd
iv	Category/Sub-category of the Company	NBFC- MFI
v	"Address of the Registered office & contact details"	PTI Building, 4th Floor, DP-9, Sector-5, Salt Lake, Kolkata
vi	Whether listed company	Unlisted
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link In Time India Private limited, Mr. Prasanto Sen, 59C Chowringhee Road, 3rd Floor, Kol- 700020, Ph no-033 22890540

### 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

SL No	Name & Description of main products/ services	NIC Code of the Product /service	% to total turnover of the company
1	NBFC- MFI	64990	100%

### III Particulars of Holding, Subsidiary & Associate Companies

SI No	Name & Address of the Company	CIN/GLN	"HOLDING/ SUBSIDIARY/ ASSOCIATE"	"% OF SHARES HELD"	"APPLICABLE SECTION"
1					Not Applicable

### IV Shareholding Pattern (Equity Share Capital Break up as % to Total Equity)

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
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
<b>A. Promoters</b>									
<b>(1) Indian</b>									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt. or State Govt."	0	0	0	0	0	0	0	0	0
c) Bodies Corporates	18067494	0	18067494	34.90	26784659	0	26784659	32.44	-2.46

### IV Shareholding Pattern (Equity Share Capital Break up as % to Total Equity)

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
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL: (A) (1)</b>	<b>18067494</b>	<b>0</b>	<b>18067494</b>	<b>34.90</b>	<b>26784659</b>	<b>0</b>	<b>26784659</b>	<b>32.44</b>	<b>-2.46</b>
<b>(2) Foreign</b>									
a) NRI- Individuals	0	0	0	0	0	0	0	0	0
b) Other Individuals	0	0	0	0	0	0	0	0	0
c) Bodies Corp.	0	0	0	0	0	0	0	0	0
d) Banks/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL: (A) (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Shareholding of Promoter (A)= (A)(1)+(A)(2)</b>	<b>18067494</b>	<b>0</b>	<b>18067494</b>	<b>34.90</b>	<b>26784659</b>	<b>0</b>	<b>26784659</b>	<b>32.44</b>	<b>-2.46</b>
<b>B. PUBLIC SHAREHOLDING</b>									
<b>(1) Institutions</b>									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FI	0	0	0	0	0	0	0	0	0
c) Central Govt	0	0	0	0	0	0	0	0	0
d) State Govt.	0	0	0	0	0	0	0	0	0
e) Venture Capital Fund	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIS	7549892	23328830	30878722	59.65	7549892	46067155	53617047	64.94	5.29
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
<b>SUB TOTAL: (B)(1)</b>	<b>7549892</b>	<b>23328830</b>	<b>30878722</b>	<b>59.65</b>	<b>7549892</b>	<b>46067155</b>	<b>53617047</b>	<b>64.94</b>	<b>5.29</b>
<b>(2) Non Institutions</b>									
a) Bodies corporates									
i) Indian	17712	0	17712	0.03	0	0	0	0	-0.03
ii) Overseas	0	0	0	0	0	0	0	0	0




**IV Shareholding Pattern (Equity Share Capital Break up as % to Total Equity)**

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
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	9300	6502	15802	0.03	62815	6419	69234	0.08	0.05
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	1345758	657066	2002824	3.87	987630	758282	1745912	2.12	-1.75
c) Others (specify)									
Arohan ESOP Trust	787916	0	787916	1.52	345516	0	345516	0.42	-1.10
<b>SUB TOTAL (B)(2):</b>	<b>2160686</b>	<b>663568</b>	<b>2824254</b>	<b>5.45</b>	<b>1395961</b>	<b>764701</b>	<b>2160662</b>	<b>2.62</b>	<b>-2.83</b>
<b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>	<b>9710578</b>	<b>23992398</b>	<b>33702976</b>	<b>65.10</b>	<b>8945853</b>	<b>46831856</b>	<b>55777709</b>	<b>67.56</b>	<b>2.46</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0	0	0	0	0	0.00
<b>Grand Total (A+B+C)</b>	<b>27778072</b>	<b>23992398</b>	<b>51770470</b>	<b>100</b>	<b>35730512</b>	<b>46831856</b>	<b>82562368</b>	<b>100</b>	

**(ii) Share Holding of Promoters**

Sl No.	Shareholders 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	IntelleCash Microfinance Network Co Pvt Ltd	18067494	34.90	-	18067494	21.88	-	-13.02
2	Aavishkaar Venture Management Services Private Limited	-	-	-	8717165	10.56	-	10.56
	<b>Total</b>	<b>18067494</b>	<b>34.90</b>		<b>26784659</b>	<b>32.44</b>		

**(iii) Change in Promoters' Shareholding ( Specify if There is no Change)**

Sl. No.		Share holding at the beginning of the Year		Cumulative Share holding during the year	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
1	IntelleCash Microfinance Network Co Pvt Ltd	18067494	34.90	18067494	21.88
2	Aavishkaar Venture Management Services Private Limited	-	-	8717165	10.56
	<b>Total</b>	<b>18067494</b>	<b>34.90</b>	<b>26784659</b>	<b>32.44</b>

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

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No.of shares	% of total shares of the company	No of shares	% of total shares of the company
<b>1</b>	<b>Aavishkaar Goodwill India Microfinance Development Company</b>				
	At the beginning of the year	14152170	27.34	14152170	27.34
	Increase/ Decrease	NIL		NIL	-10.20
	At the end of the year	14152170	17.14	14152170	17.14
<b>2</b>	<b>TANO India Private Equity Fund II</b>				
	At the beginning of the year	9176660	17.73	9176660	17.73
	Increase/ Decrease	11285920	7.05	11285920	7.05
	At the end of the year	20462580	24.78	20462580	24.78
<b>3</b>	<b>Micheal &amp; Susan Dell Foundation</b>				
	At the beginning of the year	4460980	8.62	4460980	8.62
	Increase/ Decrease	NIL			-3.22
	At the end of the year	4460980	5.40	4460980	5.40
<b>4</b>	<b>India Financial Inclusion Fund</b>				
	At the beginning of the year	3088912	5.97	3088912	5.97
	Increase/ Decrease	NIL			-2.23
	At the end of the year	3088912	3.74	3088912	3.74
<b>5</b>	<b>Arohan ESOP Trust</b>				
	At the beginning of the year	787916	1.52	787916	1.52
	Less: ESOP exercised during the year	442400	-1.10	442400	-1.10
	Less : Share Transfer	NIL		NIL	
	At the end of the year	345516	0.42	345516	0.42
<b>6</b>	<b>Maj Invest Financial Inclusion Fund II K/S</b>				
	At the beginning of the year	NIL	NIL	NIL	NIL
	Increase/ Decrease	11452405	13.87	11452405	13.87
	At the end of the year	11452405	13.87	11452405	13.87





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

Sl. No	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
<b>7</b>	<b>Shubhankar Sengupta</b>				
	At the beginning of the year	683823	1.32	683823	1.12
	Increase/ Decrease	NIL	-0.49	NIL	-0.29
	At the end of the year	683823	0.83	683823	0.83
<b>8</b>	<b>Madhu Rama Murthy Vishnubhatla</b>				
	At the beginning of the year	30807	0.06	30807	0.06
	Increase/ Decrease	45000	0.03	45000	0.03
	At the end of the year	75807	0.09	75807	0.09
<b>9</b>	<b>Swaminathan Aiyar</b>				
	At the beginning of the year	578666	1.12	578666	1.12
	Increase/ Decrease	98362	-0.30	98362	-0.30
	At the end of the year	677028	0.82	677028	0.82
<b>10</b>	<b>Amit Dutta</b>				
	At the beginning of the year	10800	0.02	10800	0.02
	Increase/ Decrease	57500	0.06	57500	0.06
	At the end of the year	68300	0.08	68300	0.08

**(v) Shareholding of Directors & KMP**

Sl. No	For Each of the Directors & KMP	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
<b>1</b>	<b>Manoj Kumar Nambiar</b>				
	At the beginning of the year	620328	1.20	620328	1.20
	Increase/ Decrease	620328	-1.20	620328	-1.20
	At the end of the year	NIL	NIL	NIL	NIL

**V Indebtedness**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	5,39,50,53,073	-	-	5,39,50,53,073
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	5,51,07,732	-	-	5,51,07,732
<b>Total (i+ii+iii)</b>	<b>5,45,01,60,805</b>	-	-	<b>5,45,01,60,805</b>

**V Indebtedness**

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total
<b>Change in Indebtedness during the financial year</b>				
Additions	6,42,95,31,000	35,00,00,000	-	6,77,95,31,000
Reduction	4,03,90,51,663			4,03,90,51,663
<b>Net Change</b>	<b>2,39,04,79,337</b>	<b>35,00,00,000</b>	-	<b>2,74,04,79,337</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	7,78,55,32,410	35,00,00,000	-	8,13,55,32,410
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	10,40,90,902	-	-	10,40,90,902
<b>Total (i+ii+iii)</b>	<b>7,88,96,23,311</b>	<b>35,00,00,000</b>		<b>8,23,96,23,311</b>

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

A. Remuneration to Managing Director, Whole time director and/or Manager:

Sl.No	Particulars of Remuneration	Name of the MD/WTD/Manager			Total Amount
		MD	WTD		
<b>1</b>	<b>Gross salary</b>	<b>Manoj Kumar Nambiar</b>	-	-	
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	78,16,382.00	-	-	78,16,382.00
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	27,25,700.00	-	-	27,25,700.00
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission as % of profit	-	-	-	-
	others (specify)	-	-	-	-
5	Others, please specify	-	-	-	-
	<b>Total (A)</b>	<b>1,05,42,082.00</b>	-	-	<b>1,05,42,082.00</b>
	<b>Ceiling as per the Act</b>				

B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of the Directors			Total Amount
		Matangi Gowrishankar	Sumantra Banerjee	Rajat Mohan Nag	
<b>1</b>	<b>Independent Directors</b>				
	(a) Fee for attending board committee meetings	1,70,000	1,90,000	1,60,000	5,20,000
	(b) Commission	-	-	-	-
	(c) Others, please specify	-	-	-	-
	<b>Total (1)</b>	<b>1,70,000</b>	<b>1,90,000</b>	<b>1,60,000</b>	<b>5,20,000</b>





B. Remuneration to other directors:

Sl. No	Particulars of Remuneration	Name of the Directors			Total Amount
2	<b>Other Non Executive Directors</b>				
	"(a) Fee for attending board committee meetings"	-	-	-	-
	(b) Commission	-	-	-	-
	(c) Others, please specify.	-	-	-	-
	<b>Total (2)</b>	-	-	-	-
	<b>Total (B)=(1+2)</b>	<b>1,70,000</b>	<b>1,90,000</b>	<b>1,60,000</b>	<b>5,20,000</b>
	<b>Total Managerial Remuneration</b>				
	<b>Overall Ceiling as per the Act.</b>				

C. Remuneration to key Managerial Personnel other than MD/Manager/Whole Time Director

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	Company Secretary	CFO	Total
1	<b>Gross Salary</b>				
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	-	8,09,706.00	34,92,037.00	40,78,557.00
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission as % of profit	-	-	-	-
	others, specify	-	-	-	-
5	Others, please specify	-	-	-	-
	<b>Total</b>		<b>8,09,706.00</b>	<b>34,92,037.00</b>	<b>40,78,557.00</b>

Penalties/Punishment/Compounding of Offences

There was no penalties/punishment/compounding of offences for the year ending March 31, 2017

Annexure III

Report on Corporate Social Responsibility (CSR) Activities in Financial Year 2017

In compliance with Section 135 of the Companies Act 2013 read with the Companies (Corporate Social Responsibility Rules) 2014, Arohan has formally adopted a Corporate Social Responsibility Policy in Financial Year 2014-15. In every financial year, Arohan will comply with section 135 of the Companies Act, 2013 in accordance with the act, and will set up a minimum of at least 2% of its average net profit in the immediately preceding three financial years. The expenditure will be decided and put forward to the board annually and a half yearly review will be conducted. The CSR committee is responsible for monitoring the approved CSR programme. The committee meets every quarter to review the progress and make recommendations.

The CSR policy is disclosed on our website in the link below: [http://arohan.in/social\\_responsibility/2017-06-06-11-41-16-CSR%20Policy.pdf](http://arohan.in/social_responsibility/2017-06-06-11-41-16-CSR%20Policy.pdf)

The disclosure of the contents of the CSR policy pursuant to Section 134(3)(o) of the Companies Act 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014, are as follows:

	Particulars	Remarks
1	The Composition of the CSR Committee	1. Sumantra Banerjee - Independent Director (Chairman) 2. Anurag Agarwal- Director 3. Manoj Kumar Nambiar- Managing Director 4. Prashant Rai - Management Coordinator
2	Average net profit of the Company for last three financial years.	<b>INR 17,77,82,264 2015-16, 2014-15 &amp; 2013-14</b>
3	Prescribed CSR Expenditure (two per cent of the amount as in item 3 above)	<b>INR 35.56 Lakh</b>
4	Details of CSR spent during the financial year	
	a) Total amount to be spent in the FY	A) INR 35.56 Lakh
	b) Amount spent	B) INR 36.24 Lakh
	c) Amount unspent if any	C) NIL
5	In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report	Not Applicable

Arohan has successfully deployed the statutory budget of INR 36 lakhs towards CSR activities for the financial year 2016-17. The areas of intervention, along with the direct number of beneficiaries and allocated outlay and amount spent were as follows:

1	2	3	4	5	6	8
S	Activity and beneficiaries	Sector	Area	Amount Outlay	Amount spent on the Projects or Programme Sub Heads:	Amount Spent Direct or through Implementing Agency
L						
N						
O						
1	Skill Building with an objective of employment generation through placement opportunities for 500 students	Skill Building	West Bengal Kolkata, Medinipur, Durgapur, Assam-Guwahati and Jorhat, Bihar – Patna, Muzaffarpur.	INR20 Lakh	INR 19 Lakh	Implementing agency – NSHM Udaan Skills Foundation





1	2	3	4	5	6	8
S L N O	Activity and beneficiaries	Sector	Area	Amount Outlay	Amount spent on the Projects or Programme Sub Heads:	Amount Spent Direct or through Implementing Agency
2	Educational aid to 1240 underprivileged students	Promoting Education	West Bengal, Assam, Bihar	-	INR2.62 Lakh	Spent directly
3	Building a transit shelter for victims of trafficking.	Women's empowerment	Hyderabad	INR11 Lakh	INR 11 Lakh	Implementing agency Prajwala
4	Flood Relief Provided to 1166 people	Disaster relief	Jorhat, Morigaon, Mirza, Barpeta, Jagiroad, Mangaldai in Assam	INR1 Lakh	INR 0.24 Lakh	Spent Directly in partnership with IndusInd Bank
5	Women's Health and Wellness Camps with an additional focus on awareness on health, sanitation & prevention of trafficking for 928 women.	Health & Sanitation	West Bengal- Plassey, Haringhata, Panskura, Joynagar Jharkhand- Mango Gumla Odisha – 5 locations in Kendrapara district	INR 4 Lakh	INR 3.38 Lakh	Implementing agency 1. Gram Utthan for health camps in Odisha. 2. Sanved for Awareness camps on trafficking. 3. Daricha Foundation for health awareness materials. And the rest Spent Directly.
	<b>Total</b>			<b>INR 36 Lakh</b>	<b>INR 36.24 Lakh</b>	

### Responsibility Statement

The responsibility statement of the CSR Committee of the Board of Directors of the Company has been reproduced below:

The implementation and monitoring of the CSR Policy is in compliance with the CSR objective and policy of the Company.

Sd/-  
**Manoj Kumar Nambiar**  
Managing Director  
DIN: 03172919

Sd/-  
**Sumantra Banerjee**  
Chairman, Corporate Social Responsibility Committee  
DIN: 00075243

## Annexure IV

### Remuneration details of Directors, KMPs, employees

Sl. No	Particulars	Disclosures
1	The ratio of the remuneration of each Whole-Time director to the median remuneration of the employees of the company for the financial year	62:1
2	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	KMP % increase in remuneration MD 18.10% CFO 19.00% CS 31.50%
3	The percentage increase in the median remuneration of employees in the financial year	17.50%
4	The number of permanent employees on the rolls of the Company	2,370 employees
5	The explanation on the relationship between average increase in remuneration and company performance	The Company made a growth of 26.82% in its Net Profit and increased the remuneration of its employees by an average of 18.09% based on the recommendation of the HR & Compensation Committee of the Board.
6	Comparison of the remuneration of the Key Managerial Personnel against the performance of the company	The Company's revenue and Net Profit has grown by 64.40% and 26.82% respectively in FY 2016-17 in comparison to FY 2015-16.  The average increase in remuneration of KMP in the FY 2016-17 was 22.87%.
7	Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year	As on March 31, 2017, the Company's equity shares was not listed.  The Company's net worth has increased from INR 160 Cr as on March 31, 2016 to INR 341 Cr as at March 31, 2017- an increase by INR 181 Cr.
8	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average increase in the salaries of employees was 18.09% and the average increase in the managerial remuneration was 18.10%.
9	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company	The Company's revenue and Net Profit has grown by 64.40% and 26.82% respectively in FY 2016-17 in comparison to FY 2015-16.  The average increase in remuneration of KMP in the FY 2016-17 was 22.87%.
10	The key parameters for any variable component of remuneration availed by the Directors	





Remuneration details of Directors, KMPs, employees

Sl. No	Particulars	Disclosures
11	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	No employee received remuneration in excess of the highest paid director.
12	Affirmation that the remuneration is as per the remuneration policy of the company	Yes.

A statement showing the name of every employee of the Company, who –

- a) If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than sixty lakh rupees;

Mr. Manoj Kumar Nambiar – Managing Director

Sl. No	Particulars	Details
1	Designation	Managing Director
2	Remuneration received	INR 78.16 lakhs
3	Nature of employment, whether contractual or otherwise	Permanent
4	Qualification and Experience	<p>Manoj completed his mechanical engineering from VJTI in 1986, and his MBA in Marketing from JBIMS in 1988, both from Mumbai University and has tertiary qualifications in insurance from Insurance Institute of India. He has also completed the "Strategic Leadership in Microfinance" course from the Harvard Business School, Boston, US in April '13.</p> <p>He started his working career with Modi Xerox in 1988 and then moved into consumer financial services with GE Countrywide in 1995, retail banking with ANZ Grindlays in 1997 and retail assets &amp; business development with ABN Amro Bank NV India in 2000. He moved as Head Retail Banking of National Bank of Oman in 2002 looking after Oman, UAE &amp; Egypt. Post that he worked as the Chief Operating Officer of the Alhamrani - Nissan Finance company, KSA in 2004 and returned to Oman as the Dy CEO of Ahli Bank SAOG in 2008. Growing the retail business for NBO, raising of US\$ 100Mn in the first Islamic Musharaka offshore deal for Alhamrani Finance Company &amp; transformation of the mortgage company into a full fledged commercial bank with retail, premium and private banking are some of the key achievements.</p>

Sl. No	Particulars	Details
4	Qualification and Experience	He returned to India in Jun'10 as MD & CEO of Intellectash Microfinance Network Company (P) Limited (an Intellect Group company) in the business of incubating & capacity building of MFIs. In this job, he set up the lending businesses in both the retail & wholesale (this is today a separate company called IntellectGrow) space and also grew the capacity building business both in India & overseas. In Sep'12, backed by Aavishkaar Goodwill, Intellectash acquired a 56% stake in Arohan with additional investments from India Financial inclusion Fund and Michael Susan Dell Foundation using the parent Intellect's structuring skills.
5	Date of commencement of employment	September 28, 2012
6	Age	52
7	The last employment held	Ahli Bank, SAOG
8	% of equity shares held	NIL

- b) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than five lakh rupees per month;

Nil

- c) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

Nil



Arohan believes and strives to adopt and adhere to the highest standards of Corporate Governance principles and best practices. With this objective the company has put in place various policies, systems and processes to achieve transparency, business ethics and compliance with applicable laws. The Company is dedicated and committed to ensuring high standards of transparency and accountability in all its activities. The best management practices and a high level of integrity in decision making is followed to ensure long-term creation of value for all the stakeholders.

## Corporate Governance Framework

The driving principles of our corporate governance framework are encapsulated in the following diagram



## Governance Structure

The corporate governance framework at Arohan is based on an effective and independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees to oversee critical areas, all of which are chaired by independent Directors.

Arohan's Corporate Governance structure, systems and processes are based on two core principles, viz., (a) management must have the executive freedom to drive the enterprise forward without undue restraints, and (b) this freedom of management should be exercised within a framework of effective accountability.

Apart from the shareholders of the Company, the following governance level is followed in Arohan:

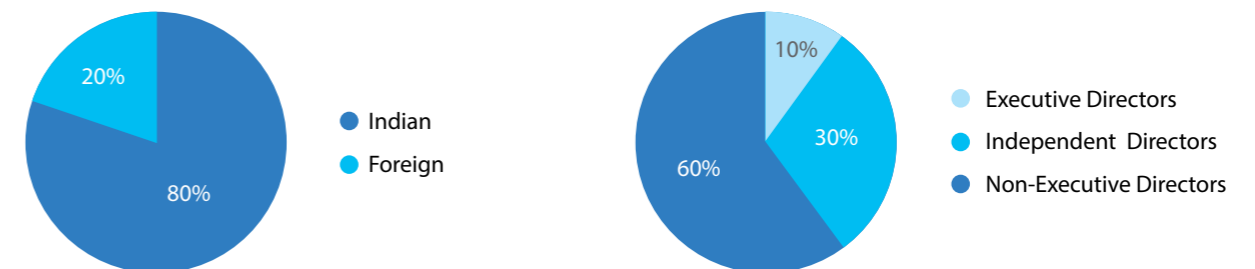
Governance Level	Broad Responsibility	Responsible
Level 1	Strategic Supervision	Board of Directors
Level 2	Strategic Management	Core Management Committee
Level 3	Executive Management	Heads of Departments

At the apex level, the general body of Shareholders of the Company elect the Board of Directors at the Annual General Meeting and the Board appoints the Managing Director and Chief Financial Officer of the Company, who in turn will appoint the various other management executives of the Company.

## Board Of Directors

### Size and composition of the Board

The Company has a broad-based Board of Directors, constituted in compliance with the Section 45-IA of the RBI Act, 1934 and Companies Act, 2013, and in accordance with good corporate governance practices. The Company recognizes and embraces the importance of a diverse Board and strongly believes that a diverse Board will leverage differences in thought, perspective, knowledge, skill, industry experience and age, which will help us retain and maximize our competitive advantage. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. As on March 31, 2017, the Board comprised ten Directors, three of whom are Independent Directors constituting 30% of the Board's strength, five Nominee Directors, one Promoter Director constituting 60% of the Board strength, and one Executive Director. Two of our directors are foreign nationals. The Company also has a Woman Director on board, thus fulfilling the criteria set by the Companies Act, 2013.



## Board Member Evaluation

One of the key functions of the Board is to monitor and review the Board evaluation framework. The Board works with the nomination and remuneration committee to lay down the evaluation criteria for the performance of the Board, including the executives, non-executives, independent directors through a peer evaluation, excluding the director being evaluated. Some of the performance indicators based on which the directors were evaluated include:

- » Participation in the meeting
- » Value addition
- » Time devoted to analyse and examine governance and compliance issues
- » Compliance with Law and relevant standards
- » Effectiveness of Governance
- » Risk Evaluation
- » Independence of management from Board





## Board Meetings

The Board met 11 times during the financial year 2016-17. The period between any consecutive Board Meetings never exceeded the maximum gap of one hundred and twenty days.

## Change in the Board

Ms. Matangi Gowrishankar, a woman Independent Director, was inducted into the Board on August 22, 2016. Ms. Sushma Kaushik was replaced by Mr. Wilhelmus Marthinus Maria Van Der Beek as the Nominee Director from Aavishkaar Goodwell Development Company II during the year. The Company also appointed Mr. Kasper Svarrer as a Nominee Director from Maj Invest Financial Inclusion Fund II K/S. Mr. Milind Ramchandra Nare was appointed as the Chief Financial Officer of the Company during the year.

## Attendance of the directors at Board Meeting and at the previous Annual General Meeting.(AGM)

Name of the Director	09.05.16	22.08.16	04.11.16	05.12.16	19.12.16	19.01.17	27.01.16	13.02.17	06.03.17	25.03.17	31.03.17	At the last AGM
Manoj Kumar Narayan Nambiar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Anurag Agrawal	✓	✓	✓	✓	-	✓	-	-	✓	✓	-	✓
Vineet Chandra Rai	-	✓	✓	✓	-	-	-	-	-	-	-	✓
Sushma Keshava murthy Kaushik*	✓	✓	✓	-	-	-	-	-	-	-	-	✓
Sumantra Banerjee	✓	✓	-	-	-	✓	✓	✓	✓	-	-	✓
Rajat Mohan Nag	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
Piyush Goenka	✓	✓	-	✓	✓	-	✓	✓	✓	✓	-	✓
Kailash Chand Vaid	✓	✓	-	✓	-	-	-	✓	✓	-	✓	✓
Matangi Gowrishankar*	-	-	✓	-	✓	✓	✓	✓	✓	✓	✓	✓
Wilhemus Marthinus Maria Van Der Beek**	-	-	-	✓	✓	-	-	-	-	-	✓	-
Kasper Svarrer***	-	-	-	-	-	-	-	-	-	-	-	-

#Ms. Matangi Gowrishankar was appointed as an Independent Director on August 22, 2016. Attended AGM as an invitee.

\*Ms. Sushma Keshavamurthy Kaushik was on Board till November 4, 2016.

\*\*Mr. Wilhelmus Marthinus Maria Van Der Beek has been inducted into the Board w.e.f December 5, 2016.

\*\*\*Mr. Kasper Svarrer has been appointed on the Board on March 31, 2017.

## Committee of the Board- Composition as on 31st March, 2017.

### 1. Audit Committee

The Audit Committee assists the Board in dissemination of financial information and in overseeing the financial and accounting processes in the company. The terms of reference of the Audit Committee covers all matters specified in section 177 of the Companies Act, 2013. The terms of reference broadly include review of internal audit reports and action taken reports, assessment of the efficacy of the internal control systems/financial reporting systems and reviewing of the adequacy of the financial policies and practices followed by the Company. The Audit Committee also looks after the compliance with the legal and statutory requirements, the quarterly and annual financial statements and related party transactions and report its finding to the Board. The Committee also recommends the appointment of statutory auditor to the Board. The Committee also looks into those matters specifically referred to it by the Board. The Audit Committee of the Board is headed by an Independent Director.

#### Composition:

- » Mr. Rajat Mohan Nag
- » Mr. Sumantra Banerjee
- » Ms. Matangi Gowrishankar
- » Mr. Piyush Goenka
- » Mr. Anurag Agrawal

As on March 31, 2017 the Committee comprised of three independent directors, one investor director and one promoter director, all of whom are financially literate and have relevant finance exposure. The Managing Director and the Chief Financial Officer are the permanent invitees to the meetings of the committee. The other directors are invited to attend the Audit Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Audit Committee met four times during the year on May 09, 2016, August 22, 2016, November 04, 2016 and February 13, 2017.

#### Attendance of Directors:

Name of the Director	09.05.2016	22.08.2016	04.11.2016	13.02.2017
Mr. Rajat Mohan Nag	-	✓	✓	✓
Mr. Sumantra Banerjee	✓	✓	-	✓
Ms. Matangi Gowrishankar*	-	-	✓	✓
Mr. Piyush Goenka	✓	✓	-	✓
Mr. Anurag Agrawal	-	-	✓	-

\*Ms. Matangi Gowrishankar was appointed as an Independent Director w.e.f August 22, 2016.

### 2. Risk Management Committee

Periodic assessment to identify the risk areas are carried out and management is briefed on the risks in advance to enable the company to control risk through a properly defined plan. The risks are taken into account while preparing the annual business plan for the company. The Board is periodically informed of the business risk and actions taken to manage them. The company has in place a risk management policy which provides an overview of the state of risk management of the company. The Risk Committee of the Board is headed by an Independent Director.

#### Composition:

- » Mr. Rajat Mohan Nag
- » Mr. Sumantra Banerjee
- » Ms. Matangi Gowrishankar
- » Mr. Piyush Goenka
- » Mr. Wilhelmus Marthinus Maria Van Der Beek

As on March 31, 2017 the Committee comprised of three independent directors and two investor directors. The Managing Director and the Chief Financial Officer are the permanent invitees to the meetings of the committee. The other directors are invited to attend the Risk Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Risk Committee met four times during the year on May 09, 2016, August 22, 2016, November 04, 2016 and February 13, 2017.

#### Attendance of Directors:

Name of the Director	09.05.2016	22.08.2016	04.11.2016	13.02.2017
Mr. Rajat Mohan Nag	-	✓	✓	✓
Mr. Sumantra Banerjee	✓	✓	-	✓
Ms. Matangi Gowrishankar*	-	-	✓	✓
Mr. Piyush Goenka	✓	✓	-	✓
Mr. Wilhelmus Marthinus Maria Van Der Beek#	-	-	-	-

\*Ms. Matangi Gowrishankar was inducted as an Independent woman director w.e.f of August 22, 2016.

#Mr. Wilhelmus Marthinus Maria Van Der Beek was appointed as a nominee director on December 5, 2016.

### 3. HR and Compensation Committee

The functions of this Committee include recommending to the Board the quantum of remuneration (including performance bonuses and incentives) payable to employees and recommending of grant of ESOPs to employees and Whole Time Directors. The Committee is headed by an Independent Director. Other responsibilities include helping manage and advise an appropriate organization structure, review and approve HR policies, oversee employee engagement, and training programs and any other HR related issues.





### Composition:

- » Mr. Rajat Mohan Nag
- » Mr. Sumantra Banerjee
- » Ms. Matangi Gowrishankar
- » Mr. Piyush Goenka
- » Mr. Vineet Chandra Rai

As on March 31, 2017 the Committee comprised of three independent directors and two investor directors. The Managing Director, Chief Financial Officer are the permanent invitees to the meetings of the Committee. The other directors are invited to attend the HR and Compensation Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Committee met four times during the year on May 09, 2016, August 22, 2016, November 04, 2016 and February 13, 2017.

### Attendance of Directors:

Name of the Director	09.05.2016	22.08.2016	04.11.2016	13.02.2017
Mr. Rajat Mohan Nag	-	✓	✓	✓
Mr. Sumantra Banerjee	✓	✓		✓
Ms. Matangi Gowrishankar*	-	-	✓	✓
Mr. Piyush Goenka	✓	✓	-	✓
Mr. Vineet Chandra Rai	-	-	-	-

\*Ms. Matangi Gowrishankar was inducted as an Independent woman director w.e.f August 22, 2016.

## 4. Corporate Social Responsibility Committee

The Corporate Social Responsibility Committee monitors the overall CSR Activities of the Company. It provides guidance on various areas where CSR activities can be carried out. The Committee is headed by an Independent Director.

### Composition:

- » Mr. Sumantra Banerjee
- » Mr. Anurag Agrawal
- » Mr. Wilhelmus Marthinus Maria Van Der Beek
- » Mr. Manoj Kumar Nambiar

As on March 31, 2017 the Committee comprised of one independent director, one promoter director, one investor director and the Managing Director. The Chief Financial Officer is a permanent invitee to the meetings of the Committee. The other directors are invited to attend the Corporate Social Responsibility Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Committee met four times during the year on May 09, 2016, August 22, 2016 and February 13, 2017.

### Attendance of Directors:

Name of the Director	09.05.2016	04.11.2016	13.02.2017
Mr. Sumantra Banerjee	✓	✓	✓
Mr. Anurag Agrawal	✓	✓	-
Mr. Manoj Kumar Nambiar	✓	✓	✓
Mr. Wilhelmus Marthinus Maria Van Der Beek#	-	-	-

# Mr. Wilhelmus Marthinus Maria Van Der Beek was appointed as a nominee director on December 5, 2016.

## 5. Corporate Governance Committee

The Corporate Governance Committee (the "Committee") shall assist the Board of the Company in fulfilling its oversight responsibilities in the following principal areas: (i) developing a set of corporate governance rules, including a code of conduct and ethics; (ii) reviewing and recommending the compensation of the Company's directors; and (iii) facilitating the evaluation of the Board and Committees of the Board. The Committee further reviews and makes recommendations regarding the Board's approach to director independence.

The Corporate Governance Committee develops and where appropriate, recommends to the Board a set of corporate governance principles including a code of conduct and ethics, aimed at fostering a healthy governance culture. It also oversees the evaluation of the Board and is headed by an Independent Director and comprises of three Directors. Periodically, in consultation with the Chair, the Committee reviews composition and Chairs of various Committees. As mandated by SEBI (LODR) Regulations and as per Corporate Governance the performance evaluation of the Directors, including the Chairperson was carried out. Such evaluation was carried out through separate structural questionnaires.

### Composition:

- » Mr. Rajat Mohan Nag
- » Mr. Sumantra Banerjee
- » Mr. Kailash Chanda Vaid
- » Mr. Matangi Gowrishankar

No meeting was held during the FY 16-17

## 6. Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board is responsible for ensuring that the directors appointed would have appropriate skills to support the functioning of the company. The Committee reviews the candidature of the Directors and ensures that they are fit and proper as per the guidelines of RBI and Companies Act, 2013. Nomination and Remuneration Committee of the company also determines the sitting fees to be paid to the non-executive directors of the company. In case the company determines the use of services of the Directors for specific assignments then the company would compensate the directors additionally for their professional services and such compensation would be determined by the Board after being recommended by the Committee.

### Composition:

- » Mr. Rajat Mohan Nag
- » Mr. Sumantra Banerjee
- » Ms. Matangi Gowrishankar
- » Mr. Piyush Goenka
- » Mr. Vineet Chandra Rai

As on March 31, 2017 the Committee comprised of three independent directors and two investor directors. The Managing Director and The Chief Financial Officer are the permanent invitee to the meetings of the committee. The other directors are invited to attend the Nomination and Remuneration committee meetings as when required. The Committee met four times during the year on August 09, 2016, November 11, 2016, and March 25, 2017.

Attendance of Director:

### Attendance of Directors:

Name of the Director	09.08.2016	28.11.2016	25.03.2017
Mr. Rajat Mohan Nag	✓	✓	✓
Mr. Sumantra Banerjee	✓	✓	✓
Ms. Matangi Gowrishankar*	-	-	-
Mr. Piyush Goenka	✓	✓	✓
Mr. Vineet Chandra Rai	✓	✓	✓

#Ms. Matangi Gowrishankar was inducted as an Independent woman director w.e.f August 22, 2016.

### Remuneration paid to the Directors

Out of the total ten directors, one is an executive director. The remuneration payable to this director is determined by the Board on the recommendation of the Nomination and Remuneration Committee. This is subject to the approval of the Board. The non-executive directors do not draw any remuneration from the Company. The three Independent directors of the company are paid the sitting fees for attending Board and various committee meetings. There was no pecuniary relationship or transactions of the non-executive directors vis-à-vis the company during the financial year ended March 31, 2017.



**Extraordinary General Meetings of the Company**

Venue	Venue
Registered office	December 15, 2016
Registered office	March 8, 2017
Registered office	March 27, 2017

**Meeting of Independent Directors**

As mandated by Schedule IV of the Companies Act, 2013 and the Rules made thereunder. Keeping in line with the said provision, the meeting of the Independent Directors of the Company was held on February 13, 2017. The directors:

- » Reviewed the performance of non-independent directors and the Board as a whole.
- » Discussed among other matters, the performance of the company and risks faced by it, the flow of information to the Board, performance of the executive members of the Board.

**Vigil Mechanism**

The Company has an established mechanism for directors, employees, clients, partners, investors or the public at large to report concerns about unethical behaviour, actual or suspected fraud, violation of the code of conduct or ethics policy. It also provides for adequate safeguards against victimization of directors, employees, clients, partners, investors who avail of the mechanism. The company affirms that no personnel has been denied access to the audit committee. The company has formulated a policy of the vigil mechanism that any personnel may raise reportable matters at an early date after becoming aware of the same. To ensure the highest level of good governance, Arohan's overall whistleblower policy has been determined against the organizations' core values.

**Disclosure under The Sexual Harassment Of Women At Workplace (Prevention, Prohibition and Redressal ) Act, 2013**

The company has in place an POSH Policy (Prevention of Sexual Harassment) in line with the requirement of The Sexual Harassment Of Women At Workplace (Prevention, Prohibition and Redressal) Act,2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The policy is also uploaded on the website of the Company.

**General Shareholders Information****Company Registration details**

The Company is based in Kolkata and operates in seven geographies at present, West Bengal, Assam, Bihar, Jharkhand, Odisha, Meghalaya and Chattisgarh. **CIN: U74140WB1991PTC053189. RBI registration no: B.05.02932**

**Materially significant related party transactions**

No materially significant related party transactions that may have potential conflict with the interests of the company at large were reported during FY 17.

**Branch Offices**

The Company had 272 branches as on March 31, 2017 across seven geographies.

**Address for correspondence**

Shareholders/investors may write to the Company Secretary at the following address:

**The Company Secretary**

**PTI Building, 4th Floor, DP Block, DP-9,**

**Sector-5, Salt Lake, Kolkata-700091**

Catalyst Trusteeship Limited and IDBI Trusteeship Services Limited has been appointed as the Debenture Trustees by the Company.

**Debenture holders may write to the Debenture Trustees at the following address:****Catalyst Trusteeship Limited**

Office No-83-87,8th Floor,  
Mittal Tower, 'B' Wing, Nariman Point  
Mumbai-400021

**IDBI Trusteeship Services Limited**

Asian Building, Ground Floor,  
17, R. Kamani Marg, Ballard Estate,  
Mumbai – 400 001.

**Means of Communication with other stakeholders**

All important information relating to the Company and its performance, including financial results, are posted on the website of the Company: [www.arohan.in](http://www.arohan.in).

The half yearly financial results of the company are published in the leading newspapers like The Financial Express (English) and Dainik Jugasankha (Bengali).





## Arohan Financial Services Private Limited

Balance Sheet as at 31 March 2017 | (All amounts in ₹ unless otherwise stated)

Particulars	Notes	As at 31 March 2017	As at 31 March 2016
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	4	822,688,680	693,878,900
Reserves and surplus	5	2,589,035,837	908,382,248
		<b>3,411,724,517</b>	<b>1,602,261,148</b>
<b>Non-current liabilities</b>			
Long-term borrowings	6	4,087,064,840	2,355,698,000
Other long-term liabilities	7	6,513,336	7,799,962
Long-term provisions	8	50,207,334	38,683,966
		<b>4,143,785,510</b>	<b>2,402,181,928</b>
<b>Current liabilities</b>			
Short-term borrowings	6	679,530,000	417,801,000
Trade payables			
Payable to micro, small and medium enterprises		-	-
Others	9	1,512,042	243,177
Other current liabilities	10	3,773,470,914	2,868,061,442
Short-term provisions	8	84,386,321	27,553,953
		<b>4,538,899,277</b>	<b>3,313,659,572</b>
<b>Total</b>		<b>12,094,409,304</b>	<b>7,318,102,648</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
Tangible assets	12	25,972,265	13,973,455
Intangible assets	13	23,401,367	5,350,117
Intangible asset under development		24,847,000	4,061,281
Non-current investments	14	500,000	500,000
Deferred tax assets (net)	15	34,424,871	22,320,020
Loan to customers	16	703,367,774	1,068,949,273
Long-term loans and advances	17	21,713,939	27,414,281
Other non-current assets	18	678,200,913	323,138,578
		<b>1,512,428,129</b>	<b>1,465,707,005</b>
<b>Current assets</b>			
Cash and bank balances	19	1,905,351,356	826,271,387
Loan to customers	16	8,299,066,989	4,791,246,467
Short-term loans and advances	17	158,003,935	61,189,561
Other current assets	20	219,558,895	173,688,228
		<b>10,581,981,175</b>	<b>5,852,395,643</b>
<b>Total</b>		<b>12,094,409,304</b>	<b>7,318,102,648</b>
Notes 1 to 40 form an integral part of these financial statements.			

This is the Balance Sheet referred to in our report of even date.

For Walker Chandio & Co LLP  
Chartered Accountantsper **Anamitra Das**  
PartnerPlace: Kolkata  
Date: 19 May 2017For and on behalf of Board of Directors of  
**Arohan Financial Services Private Limited****Manoj Kumar Nambiar**  
Managing Director**Vanita Mundhra**  
Company Secretary**Anurag Agrawal**  
Director**Milind Nare**  
Chief Financial Officer

## Arohan Financial Services Private Limited

Statement of Profit and Loss for the year ended 31 March 2017 | (All amounts in ₹ unless otherwise stated)

Particulars	Notes	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>REVENUE</b>			
Revenue from operations	21	2,104,477,722	1,280,847,481
Other income	22	45,355,223	26,805,086
Total revenue		<b>2,149,832,945</b>	<b>1,307,652,567</b>
<b>EXPENSES</b>			
Employee benefits expense	23	438,483,602	230,333,955
Finance costs	24	987,759,693	590,923,479
Depreciation and amortisation expense	25	13,118,623	8,631,555
Provision for loan portfolio	26	65,054,687	22,148,310
Other expenses	27	235,103,181	123,845,229
Total expenses		<b>1,739,519,786</b>	<b>975,882,528</b>
<b>Profit before tax</b>		<b>410,313,159</b>	<b>331,770,039</b>
Tax expense			
Current tax expense		147,335,809	124,346,659
Tax expense for earlier periods		455,157	91,106
Deferred tax benefit		(12,104,851)	(9,209,514)
<b>Profit for the year</b>		<b>274,627,044</b>	<b>216,541,788</b>
Earnings per equity share [EPES]	33		
Nominal value per share		10	10
Basic		4.86	4.19
Diluted		4.86	3.55
Notes 1 to 40 form an integral part of these financial statements.			

This is the Statement of Profit and Loss referred to in our report of even date.

For Walker Chandio & Co LLP  
Chartered Accountantsper **Anamitra Das**  
PartnerPlace: Kolkata  
Date: 19 May 2017For and on behalf of Board of Directors of  
**Arohan Financial Services Private Limited****Manoj Kumar Nambiar**  
Managing Director**Vanita Mundhra**  
Company Secretary**Anurag Agrawal**  
Director**Milind Nare**  
Chief Financial Officer





## Arohan Financial Services Private Limited

Cash Flow Statement for the year ended 31 March 2017 | (All amounts in ₹ unless otherwise stated)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	41,03,13,159	33,17,70,039
<b>Adjustments:</b>		
Depreciation and amortisation	1,31,18,623	86,31,555
Provision for non-performing assets	6,50,54,687	2,21,48,310
Finance costs	98,77,59,693	59,09,23,479
Loan assets written-off	1,52,60,694	66,43,832
Liabilities written back	(2,64,827)	(12,80,091)
Employee stock option compensation	1,45,101	7,76,281
Gain on sale of investments	(2,38,15,410)	(86,68,132)
Gain on sale of assets	(29,693)	(12,000)
Interest on Income tax refund	(69,212)	-
<b>Operating profit before working capital changes</b>	<b>1,46,74,72,815</b>	<b>95,09,33,273</b>
Increase in loans to customers	(3,15,74,99,717)	(2,22,14,86,990)
(Increase) / decrease in long-term loans and advances	83,31,700	(1,02,74,235)
Increase in short-term loans and advances	(9,69,70,249)	(1,41,55,061)
Increase in other non-current assets	(35,03,53,724)	(16,67,90,470)
Increase in other current assets	(4,36,70,262)	(8,05,64,480)
Increase/(decrease) in trade payables	12,68,865	(45,60,608)
Increase/(decrease) in long-term provisions	(87,50,402)	39,82,038
Increase/(decrease) in short-term provisions	1,20,51,450	(3,24,560)
Increase in other liabilities	10,80,21,006	14,32,47,478
<b>Cash used in operating activities</b>	<b>(2,06,00,98,518)</b>	<b>(1,39,99,93,615)</b>
Income taxes paid (net of refunds)	(15,03,53,112)	(12,55,37,166)
<b>Net cash used in operating activities (A)</b>	<b>(2,21,04,51,630)</b>	<b>(1,52,55,30,781)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets (net of subsidy received)	(2,09,38,346)	(1,10,27,847)
Purchase of intangible assets (net of subsidy received)	(1,82,24,646)	(38,17,586)
Proceeds from sale of tangible fixed assets	85,283	12,000
Additions to Intangible asset under development	(2,48,47,000)	-
Purchase of investments	(6,07,34,00,001)	(3,53,94,20,000)
Proceeds from sale of investments	6,09,72,15,411	3,55,86,88,133
Decrease/(increase) in other bank balances and restricted deposits	16,64,85,710	(3,72,30,304)
<b>Net cash generated from/(used in) investing activities (B)</b>	<b>12,63,76,411</b>	<b>(3,27,95,604)</b>

## Arohan Financial Services Private Limited

Cash Flow Statement for the year ended 31 March 2017 (Contd.) | (All amounts in ₹ unless otherwise stated)

Particulars	For the year ended 31 March 2017	For the year ended 31 March 2016
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of equity shares	1,55,80,17,442	43,46,589
Share issue expenses	(2,31,70,342)	-
Proceeds from long-term borrowings	6,08,54,99,990	4,87,40,00,000
Repayment of long-term borrowings	(3,60,67,49,654)	(3,32,15,65,441)
Proceeds from short-term borrowings	69,15,31,000	41,88,01,000
Repayment of short-term borrowings	(42,98,02,000)	(22,60,01,000)
Interest and finance charges paid	(94,56,85,539)	(60,36,13,595)
Proceeds from/ (repayments of) working capital facilities (net)	-	(35,88,971)
<b>Net cash generated from financing activities (C)</b>	<b>3,32,96,40,898</b>	<b>1,14,23,78,582</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>1,24,55,65,679</b>	<b>(41,59,47,803)</b>
Cash and cash equivalents as at the beginning of the year	58,12,56,808	99,72,04,611
<b>Cash and cash equivalents as at the end of the year (refer note 1)</b>	<b>1,82,68,22,487</b>	<b>58,12,56,808</b>
<b>Note 1:</b>		
Cash and bank balances as per Note 19	1,90,53,51,356	82,62,71,387
Less: Other bank balances	7,85,28,869	24,50,14,579
<b>Cash and cash equivalents considered for cash flow</b>	<b>1,82,68,22,487</b>	<b>58,12,56,808</b>
Note 2: Interest received on loans to customers	1,76,47,92,874	1,10,66,30,759
Note 3: Interest received on fixed deposits	3,83,21,435	3,28,69,962

This is the Cash Flow Statement referred to in our report of even date.

For Walker Chandiok & Co LLP  
Chartered Accountantsper **Anamitra Das**  
PartnerPlace: Kolkata  
Date: 19 May 2017For and on behalf of Board of Directors of  
**Arohan Financial Services Private Limited****Manoj Kumar Nambiar**  
Managing Director**Vanita Mundhra**  
Company Secretary**Anurag Agrawal**  
Director**Milind Nare**  
Chief Financial Officer




**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number	Amount	Number	Amount
<b>4 SHARE CAPITAL</b>				
<b>Authorised share capital</b>				
Equity shares of INR10 each	90,353,320	903,533,200	5,20,70,470	52,07,04,700
0.001% Compulsorily convertible preference shares of INR20 each	-	-	91,76,660	18,35,33,200
		<b>903,533,200</b>		<b>70,42,37,900</b>
<b>Issued, subscribed and fully paid up</b>				
Equity shares of INR10 each	8,25,62,368	82,56,23,680	5,17,70,470	51,77,04,700
Less: Amount recoverable from ESOP trust [Refer Note (i) below]	(2,93,500)	(29,35,000)	(7,35,900)	(73,59,000)
0.001% Compulsorily convertible preference shares of INR20 each	-	-	91,76,660	18,35,33,200
		<b>82,26,88,680</b>		<b>69,38,78,900</b>
<b>(a) Reconciliation of Equity Share Capital</b>				
<b>Equity shares of INR10 each</b>				
Balance at the beginning of the year	5,17,70,470	51,77,04,700	5,16,02,263	51,60,22,630
Add : Conversion of share warrants	-	-	1,68,207	16,82,070
Add : Conversion of 0.001% Compulsorily convertible preference shares	90,77,830	9,07,78,300	-	-
Add : Issued during the year [Refer Note (d) below]	2,17,14,068	21,71,40,680	-	-
<b>Balance at the end of the year</b>	<b>8,25,62,368</b>	<b>82,56,23,680</b>	<b>5,17,70,470</b>	<b>51,77,04,700</b>
<b>(b) Reconciliation of Preference Share Capital</b>				
<b>Preference shares of INR20 each</b>				
Balance at the beginning of the year	91,76,660	18,35,33,200	91,76,660	18,35,33,200
Less : Conversion into Equity shares	(91,76,660)	(18,35,33,200)	-	-
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>91,76,660</b>	<b>18,35,33,200</b>

(c) During the year, 9,176,660 0.001% Compulsorily convertible preference share held by Tano India Private Equity Fund II ('Tano') has been converted into equity shares of INR 10 each at a price of INR 20.22 aggregating to INR183,533,200.

(d) "During the year, the Company has issued 10,261,663 equity shares of INR 10 each to shareholders as rights issue at a price of INR56.61 (including premium of INR46.61) aggregating to INR 580,912,742. Further, the Company has issued 11,452,405 equity shares of INR10 each on private placement basis to Maj Invest Financial Inclusion Fund II at a price of INR 84.70 (including premium of INR 74.70) aggregating to INR 969,999,922."

**(e) Terms and rights attached:**

Equity Shares: The Company has only one class of equity shares having a par value of INR10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees, if any. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing general meeting. During the current financial year the company has not proposed/declared any dividend.

**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017		As at 31 March 2016	
	Number	%	Number	%
<b>(f) Details of shareholders holding more than 5% paid-up capital</b>				
<b>Equity shares of INR 10 each</b>				
IntelleCash Microfinance Network Company Private Limited	1,80,67,494	21.88%	1,80,67,494	34.90%
Aavishkaar Goodwell India Microfinance Development Company II Limited	1,41,52,170	17.14%	1,41,52,170	27.34%
Tano India Private Equity Fund II	2,04,62,580	24.78%	91,76,660	17.73%
India Financial Inclusion Fund	30,88,912	3.74%	30,88,912	5.97%
Michael & Susan Dell Foundation	44,60,980	5.40%	44,60,980	8.62%
Maj Invest Financial Inclusion Fund II	1,14,52,405	13.87%	-	0.00%
Aavishkaar Venture Management Services Private Limited	87,17,165	10.56%	17,712	0.03%
<b>Preference shares of INR20 each</b>				
Tano India Private Equity Fund II	-	-	<b>91,76,660</b>	<b>100.00%</b>

**(g) Shares issued for consideration other than cash during the period of five years immediately preceding the reporting date**

Pursuant to exercise of options under ESOP 2013 Scheme, 531,500 (31 March 2016: 89,100) equity shares of INR10 each, has been allotted during the period of five years immediately preceding the reporting date wherein part consideration was received in the form of employee services.

**(h) Shares reserved for issue under options and contracts/commitments**

For details of shares reserved for issue on exercise of options granted under the ESOP, refer note (i) below regarding terms of the options granted.

**(i) Employee stock option scheme ("ESOP")**
**Employee stock option plans**

"Arohan ESOP Trust ("ESOP Trust") was formed on 19 March 2010 to promote participation of the eligible employees of Arohan Financial Services Private Limited (then known as Arohan Financial Services Limited) in the ownership and growth of the Company and to confer on them certain welfare benefits through the implementation of the welfare schemes. Pursuant to the shareholder's approval in the meeting held on 15 March 2010 (empowering the Board to take any further decisions with regard to ESOP schemes), the Board is authorized to issue employee stock options, that are exercisable into not more than 825,000 equity shares of the Company to eligible employees and has extended interest free loan to ESOP Trust under the Scheme to provide financial assistance to its employees to purchase equity shares of the Company under such the Scheme. The loan is repayable by ESOP Trust under a back to back arrangement by ESOP Trust with the employees of the Company. ESOP Trust has repaid the existing loan during current financial year on 08 August 2016 and 10 March 2017. The year-end balance for the total loan granted is INR Nil (31 March 2016: INR 9,600,000)."

	ESOP 2013	ESOP 2013 (Revised)	ESOP 2015	ESOP 2016
Date of Grant	May 28, 2013	July 1 2014	August 4 2015	May 20 2016
Date of Board approval	April 25, 2013	April 29 2014	August 3 2016	May 20 2017
Number of options granted	4,00,000	2,37,500	92500	17500
Method of settlement	Equity	Equity	Equity	Equity
Vesting period	" On date of Grant - 87% End of 4 months- 6% End of 21 months- 7% "	12 months from date of Grant	12 months from date of Grant	12 months from date of Grant




**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>The exercise price and remaining contractual life of the ESOP Plans are as follows:</b>		
<b>ESOP 2013</b>		
Exercise price	13.74	13.74
Weighted average remaining contractual life (in years)	-	0.16
<b>ESOP 2013 (Revised)</b>		
Exercise price	16.23	16.23
Weighted average remaining contractual life (in years)	0.25	1.25
<b>ESOP 2015</b>		
Exercise price	21.20	21.20
Weighted average remaining contractual life (in years)	2.34	3.34
<b>ESOP 2016</b>	24.77	-
Exercise price	0.30	-
Weighted average remaining contractual life (in years)		
<b>Effect of the employee share-based payment plans on the statement of profit and loss and on the financial position:</b>		
Deferred employee stock compensation opening balance	37,63,592	32,26,145
Add: Accrued/(Lapsed) employee stock compensation	(10,775)	9,37,489
Less: Deferred employee stock compensation exercised	(32,67,110)	(4,00,042)
Deferred employee stock compensation closing balance	<b>4,85,707</b>	<b>37,63,592</b>

	ESOP 2013	ESOP 2013 (Revised)	ESOP 2015	ESOP 2016
<b>Reconciliation of stock options:</b>				
Outstanding as at 1 April 2012	-	-	-	-
Exercised and vested	-	-	-	-
Forfeited	-	-	-	-
Outstanding as at 31 March 2013	-	-	-	-
Stock option issued during the year	4,00,000	-	-	-
Exercised and vested	4,100	-	-	-
Forfeited	-	-	-	-
Outstanding as at 31 March 2014	3,95,900	-	-	-
Stock option issued during the year	-	2,37,500	-	-
Exercised and vested	30,000	-	-	-
Forfeited	91,000	5,000	-	-
Outstanding as at 31 March 2015	2,74,900	2,32,500	-	-
Stock option issued during the year	-	-	92,500	-
Exercised and vested	45,000	10,000	-	-
Forfeited/lapsed	15,000	47,500	-	-
Outstanding as at 31 March 2016	2,14,900	1,75,000	92,500	-
Stock option issued during the year	-	-	-	17,500
Exercised and vested	2,14,900	1,35,000	92,500	-
Forfeited/lapsed	-	5,000	-	-
Outstanding as at 31 March 2017	-	35,000	-	17,500

**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>5 RESERVES AND SURPLUS</b>		
<b>i) Securities premium reserve</b>		
Balance at the beginning of the year	64,53,67,059	64,28,52,290
Add : Premium on shares issued during the year	1,42,92,07,662	21,14,519
Add: Transferred from shares options outstanding account	32,67,110	4,00,250
Less: Share issue expense	(2,31,70,342)	-
Balance at the end of the year	<b>2,05,46,71,489</b>	<b>64,53,67,059</b>
<b>ii) Share options outstanding account</b>		
Balance at the beginning of the year	37,63,344	32,26,145
Add / (Less): Options granted/lapsed during the year	(10,775)	9,37,449
Less : Transferred to securities premium reserve account	(32,67,110)	(4,00,250)
Balance at the end of the year	<b>4,85,459</b>	<b>37,63,344</b>
<b>iii) Statutory reserve</b>		
Balance at the beginning of the year	7,73,03,005	3,39,94,647
Add : Transfer from Statement of Profit and Loss (*)	5,49,25,409	4,33,08,358
Balance at the end of the year	<b>13,22,28,414</b>	<b>7,73,03,005</b>
(*) In accordance with the provision of Section 45-IC of the Reserve Bank of India Act, 1934, the Company has transferred 20% of the profit after tax for the year to the Statutory Reserve.		
<b>iv) General reserve</b>		
Balance at the beginning of the year	80,27,029	80,27,029
Less : Adjustment made during the year	-	-
Balance at the end of the year	<b>80,27,029</b>	<b>80,27,029</b>
<b>v) Surplus in the statement of profit and loss</b>		
Balance at the beginning of the year	17,39,21,811	6,90,590
Add : Profit for the year	27,46,27,044	21,65,41,788
Less : Transfer to statutory reserve	(5,49,25,409)	(4,33,08,358)
Less : Provision for preference dividend (including distribution tax)	-	(2,209)
Balance at the end of the year	<b>39,36,23,446</b>	<b>17,39,21,811</b>
	<b>2,58,90,35,837</b>	<b>90,83,82,248</b>





## Arohan Financial Services Private Limited

## Summary of significant accounting policies and other explanatory information (Contd.)

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017		As at 31 March 2016	
	Long-term	Short-term	Long-term	Short-term
<b>6 BORROWINGS</b>				
<b>Secured</b>				
Debtentures	1,58,04,99,976	-	1,27,88,32,982	-
Term loans				
From Banks	3,67,68,45,401	51,75,00,000	2,43,11,49,355	40,00,00,000
From Others	1,84,86,57,033	16,20,30,000	1,26,72,69,736	-
	7,10,60,02,410	67,95,30,000	4,97,72,52,073	40,00,00,000
<b>Unsecured</b>				
Term loan from a bank	25,00,00,000	-	-	-
Debtentures	10,00,00,000	-	-	-
Loans and advances from related parties	-	-	-	1,08,00,000
Other loans and advances	-	-	-	70,01,000
	35,00,00,000	-	-	1,78,01,000
<b>Total borrowings</b>	7,45,60,02,410	67,95,30,000	4,97,72,52,073	41,78,01,000
Less: Current maturities of long-term borrowings (refer details below and Note 10)	3,36,89,37,570	-	2,62,15,54,073	-
<b>Total</b>	<b>4,08,70,64,840</b>	<b>67,95,30,000</b>	<b>2,35,56,98,000</b>	<b>41,78,01,000</b>
<b>Current maturities of long-term borrowings</b>				
Term loans				
From Banks	2,30,45,69,481	-	1,62,81,27,033	-
From Others	91,43,68,089	-	68,50,94,090	-
Debtentures	15,00,00,000	-	30,83,32,950	-
	3,36,89,37,570	-	2,62,15,54,073	-

## a) Terms and conditions of debtentures issued

Name of Debtenture Holder	Amount borrowed ₹	Rate of Interest	Repayment Schedule
Microfinance Initiative for Asia (MIFA) Debt Fund (Face Value ₹ 1,000,000)	15,00,00,000	15.00%	Bullet Repayment in July 2017
AAV Sarl (Symbiotics) (Face Value INR500,000)	29,05,00,000	14.75%	"Repayable in 2 tranches in May 2018 and November 2018"
Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF (Face Value ₹ 1,000,000)	20,00,00,000	14.30%	Bullet Repayment in January 2021
UTI International Wealth Creator 4 (Face Value ₹ 1,000,000)	33,00,00,000	14.30%	Bullet Repayment in December 2021
Blue Orchard Microfinance Fund for Asia (MIFA) Debt Fund SA, SICAV-SIF (Face Value ₹ 1,000,000)	26,00,00,000	14.30%	Bullet Repayment in April 2020
IFMR Capital Finance Private Limited (Face Value ₹ 2,000,000)	10,00,00,000	14.25%	Bullet Repayment in September 2022
Hinduja Leyland Finance Limited (Face Value ₹ 1,000,000)	35,00,00,000	11.49%	Bullet Repayment in December 2019

## Arohan Financial Services Private Limited

## Summary of significant accounting policies and other explanatory information (Contd.)

(All amounts in ₹ unless otherwise stated)

- b) **Terms and conditions of long-term borrowings and nature of security**  
Term loans from Banks and Others are secured by way of hypothecation of the outstanding loan portfolio, in addition to the fixed deposits being held as collateral security. The term loan carries interest in the range of 8% per annum to 16% per annum (31 March 2016 : 10.50% to 16.25% per annum). Non-convertible debtentures issued by the Company are secured by way of first ranking exclusive hypothecation / charge on the owned portfolio of the Company to the extent of security cover ratio of 1.1:1 in favour of the trustees for the benefit of the debtenture holders.
- c) **Terms and conditions of short-term borrowings and nature of security**  
Short-term secured loans from banks and financial institutions are secured by hypothecation of loan portfolio, in addition to the fixed deposits being held as collateral security and are repayable in 12 or less than 12 monthly installments. Unsecured loans are repayable on demand. The short term loans carry interest in the range of 4.00% per annum to 13.40% per annum (31 March 2016 : 11.60% to 15.00% per annum).

Particulars	As at 31 March 2017	As at 31 March 2016
<b>d) Repayment details of long-term borrowings</b>		
Up to 1 year	3,36,89,37,570	2,62,15,54,073
Over 1 to 3 years	2,86,70,64,840	1,82,56,98,000
Over 3 years	1,22,00,00,000	53,00,00,000
	7,45,60,02,410	4,97,72,52,073
<b>7 OTHER LONG-TERM LIABILITIES</b>		
Unamortised loan processing fees on loans given	65,13,336	77,99,962
	65,13,336	77,99,962

Particulars	As at 31 March 2017		As at 31 March 2016	
	Long-term	Short-term	Long-term	Short-term
<b>8 PROVISIONS</b>				
Contingent provision against standard assets	67,07,356	8,43,16,991	1,04,46,617	2,75,50,567
Provision for non-performing assets	3,26,32,176	-	2,06,04,651	-
Provision for employee benefits	1,08,67,802	69,329	76,32,698	1,177
Provision for preference dividend (including tax on dividend distribution)	-	-	-	2,209
	5,02,07,334	8,43,86,321	3,86,83,966	2,75,53,953

- 9 There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED Act') pertaining to micro or small enterprises. For the year ended 31 March 2017, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED Act.

Particulars	As at 31 March 2017	As at 31 March 2016
<b>10) OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term borrowings	3,36,89,37,570	2,62,15,54,073
Interest accrued but not due on borrowings	10,40,90,902	5,51,07,732
Statutory dues	1,31,02,047	85,81,375
Payable on account of securitisation	10,02,04,292	7,42,29,110
<b>Unrealised gain on loan transfer transactions</b>	3,50,24,002	2,91,79,530
Employee dues	2,92,78,962	1,05,02,921
Unamortised loan processing fees on loans given	7,22,45,858	4,38,25,160
Liabilities for expenses	1,34,45,164	57,69,051
Unamortised profit on buyout transactions	11,42,832	27,71,415
Other payables	3,59,99,285	1,65,41,075
	3,77,34,70,914	2,86,80,61,442




**Arohan Financial Services Private Limited**  
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>11 EMPLOYEE BENEFITS</b>		
Defined Benefit Plans - As per Actuarial Valuations as on 31 March 2017 and recognised in the financial statements in respect of Employee Benefit Schemes (gratuity):		
<b>i) Change in projected benefit obligation</b>		
Projected benefit obligation at the beginning of the year	81,85,618	58,52,178
Service cost	22,35,472	13,12,534
Interest cost	5,15,715	3,41,672
Actuarial loss (net)	55,98,292	38,41,793
Benefits paid	(34,78,371)	(31,62,559)
Projected benefit obligation at the end of the year	<b>1,30,56,726</b>	<b>81,85,618</b>
<b>ii) Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	10,83,981	26,10,949
Expected return on plan assets	1,67,395	1,42,113
Actuarial gain	1,31,674	-
Employer contributions	54,95,290	14,93,478
Benefits paid	(34,78,371)	(31,62,559)
Fair value of plan assets at the end of the year	<b>33,99,969</b>	<b>10,83,981</b>
<b>iii) Reconciliation of present value of obligation on the fair value of plan assets</b>		
Present value of projected benefit obligation at the end of the year	(1,30,56,726)	(81,85,618)
Funded status of the plans	33,99,969	10,83,981
Liability recognised in the balance sheet	<b>(96,56,757)</b>	<b>(71,01,637)</b>
<b>iv) Components of Employer Expenses</b>		
Service cost	22,35,472	13,12,534
Interest cost	5,15,715	3,41,672
Expected returns on plan assets	(1,67,395)	(1,42,113)
Recognized net actuarial loss	54,66,618	38,41,793
<b>Total expense recognised in the Statement of Profit and Loss</b>	<b>80,50,410</b>	<b>53,53,886</b>
Net Gratuity expenses have been recognised in "Contribution to Provident and other funds" under Note 23.		
<b>v) Key actuarial assumptions</b>		
Discount rate	7.21%	8.00%
Long-term rate of compensation increase	5.00%	5.00%
Rate of return on plan assets	8.00%	8.00%
Withdrawal rates	1st 5 years of service 52%	
	more than 5 years of service 1%	
The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards. The estimates of future salary increases considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant facts.		

**Arohan Financial Services Private Limited**  
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

**11 EMPLOYEE BENEFITS (Contd.)**
**vi) Table for 5 years actuarial valuation disclosures for Gratuity**

Particulars	2017	2016	2015	2014	2013
Defined benefit obligation	1,30,56,726	81,85,618	58,52,178	19,46,856	24,26,658
Plan assets	33,99,969	10,83,981	26,10,949	28,99,026	34,67,718
(Surplus)/Deficit	96,56,757	71,01,637	32,41,229	(9,52,170)	(10,41,060)
Net actuarial loss/(gain) recognized during the current year	54,66,618	38,41,793	33,57,191	(6,27,771)	(1,89,700)

vii) The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952. This is post-employment benefit and is in the nature of defined contribution plan. Contribution made by the Company during the year is INR27,897,837 (31 March 2016: INR10,081,941).

Particulars	Furniture and fixtures	Computer and accessories	Office equipment	Total
<b>12 TANGIBLE ASSETS</b>				
<b>Gross block</b>				
<b>Balance as at 1 April 2015</b>	96,44,699	1,05,07,641	19,18,157	2,20,70,497
Additions	21,49,953	81,36,191	7,41,703	1,10,27,847
Disposals	-	(4,14,284)	-	(4,14,284)
<b>Balance as at 31 March 2016</b>	<b>1,17,94,652</b>	<b>1,82,29,548</b>	<b>26,59,860</b>	<b>3,26,84,060</b>
Additions	51,46,361	2,18,08,457	14,79,906	2,84,34,724
Disposals	-	(85,152)	-	(85,152)
Subsidy Received	-	(74,96,378)	-	(74,96,378)
<b>Balance as at 31 March 2017</b>	<b>1,69,41,013</b>	<b>3,24,56,475</b>	<b>41,39,766</b>	<b>5,35,37,254</b>
<b>Accumulated depreciation</b>				
<b>Up to 31 March 2015</b>	51,51,664	59,56,710	6,69,756	1,17,78,130
Depreciation charge	27,61,854	38,56,975	7,27,930	73,46,759
Reversal on disposal of assets	-	(4,14,284)	-	(4,14,284)
<b>Up to 31 March 2016</b>	<b>79,13,518</b>	<b>93,99,401</b>	<b>13,97,686</b>	<b>1,87,10,605</b>
Depreciation charge	9,00,405	70,81,501	9,02,040	88,83,946
Reversal on disposal of assets	-	(29,562)	-	(29,562)
<b>Up to 31 March 2017</b>	<b>88,13,923</b>	<b>1,64,51,340</b>	<b>22,99,726</b>	<b>2,75,64,989</b>
<b>Net block</b>				
Balance as at 31 March 2016	<b>38,81,134</b>	<b>88,30,147</b>	<b>12,62,174</b>	<b>1,39,73,455</b>
<b>Balance as at 31 March 2017</b>	<b>81,27,090</b>	<b>1,60,05,135</b>	<b>18,40,040</b>	<b>2,59,72,265</b>




**Arohan Financial Services Private Limited**  
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	Computer Software	Total
<b>13 INTANGIBLE ASSETS</b>		
<b>Gross block</b>		
<b>Balance as at 1 April 2015</b>	1,34,72,045	1,34,72,045
Additions	16,71,305	16,71,305
<b>Balance as at 31 March 2016</b>	<b>1,51,43,350</b>	<b>1,51,43,350</b>
Additions	2,26,36,941	2,26,36,941
Subsidy Received	(3,51,014)	(3,51,014)
<b>Balance as at 31 March 2017</b>	<b>3,74,29,277</b>	<b>3,74,29,277</b>
<b>Accumulated amortisation</b>		
<b>Up to 31 March 2015</b>	85,08,437	85,08,437
Amortization charge	12,84,796	12,84,796
<b>Up to 31 March 2016</b>	<b>97,93,233</b>	<b>97,93,233</b>
Amortization charge	42,34,677	42,34,677
<b>Up to 31 March 2017</b>	<b>1,40,27,910</b>	<b>1,40,27,910</b>
<b>Net block</b>		
<b>Balance as at 31 March 2016</b>	<b>53,50,117</b>	<b>53,50,117</b>
<b>Balance as at 31 March 2017</b>	<b>2,34,01,367</b>	<b>2,34,01,367</b>

Particulars	As at 31 March 2017		As at 31 March 2016	
	Non-Current	Current	Non-Current	Current
<b>14 INVESTMENTS</b>				
<b>In equity instruments (non-trade, unquoted)</b>				
50,000 (31 March 2016: 50,000) equity shares of INR10 each fully paid in Alpha Micro Finance Consultant Private Limited	5,00,000	-	5,00,000	-
<b>Aggregate amount of unquoted investments</b>	<b>5,00,000</b>	<b>-</b>	<b>5,00,000</b>	<b>-</b>

Particulars	As at 31 March 2017	As at 31 March 2016
<b>15 DEFERRED TAX ASSETS (NET)</b>		
On account of provision for bad and doubtful loans	3,50,40,532	2,02,80,923
On disallowances of expenses allowed on payment basis	37,85,122	26,41,931
On written down value of fixed assets	(44,00,783)	(6,02,834)
<b>Deferred tax assets (net)</b>	<b>3,44,24,871</b>	<b>2,23,20,020</b>

**Arohan Financial Services Private Limited**  
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017		As at 31 March 2016	
	Non-Current	Current	Non-Current	Current
<b>16 LOAN TO CUSTOMERS</b>				
Unsecured, considered good*	67,07,35,598	8,29,90,66,989	1,04,46,61,739	4,79,12,46,467
Unsecured, considered doubtful**	3,26,32,176	-	2,42,87,534	-
	<b>70,33,67,774</b>	<b>8,29,90,66,989</b>	<b>1,06,89,49,273</b>	<b>4,79,12,46,467</b>

\* Represents standard assets classified in accordance with the RBI Prudential Norms [Refer note 16(a)]

\*\* Represents non-performing assets classified in accordance with the RBI Prudential Norms [Refer note 16(a)]

**(a) Loans to customers**

Loans to customers has been classified in accordance with the directives issued by the RBI Prudential Norms, read with accounting policy mentioned in note 3(g). The necessary provisions as per the RBI norms have been made. The details are as follows:

	Classification criteria (#)	" Amount Outstanding "	Provision
<b>As at 31 March 2017</b>			
<b>Asset classification</b>			
Standard assets	0-90 days	8,96,98,02,587	9,10,24,347
Non-performing assets	above 90 days	3,26,32,176	3,26,32,176
<b>Total</b>		<b>9,00,24,34,763</b>	<b>12,36,56,523</b>
<b>As at 31 March 2016</b>			
<b>Asset classification</b>			
Standard assets	0-90 days	5,83,59,08,206	3,79,97,184
Non-performing assets	above 90 days	2,42,87,534	2,06,04,651
<b>Total</b>		<b>5,86,01,95,740</b>	<b>5,86,01,835</b>

(#) Consequent upon withdrawal of the legal tender status of the existing INR500 and INR1,000 notes (SBN) with effect from 8 November 2016 and pursuant to RBI Circular no. DBR.No.BP.BC.37/21.04.048/2016-17 dated November 21, 2016 and Circular No. DBR.No.BP.BC.49/21.04.048/2016-17 dated 28 December 2016, a special dispensation has been given for deferment of classification of loans as sub standard. The asset classification of loans to customers has been made by the Company in accordance with the aforesaid Circulars.

Particulars	As at 31 March 2017		As at 31 March 2016	
	Long-term	Short-term	Long-term	Short-term
<b>17 LOANS AND ADVANCES</b>				
<i>(Unsecured, considered good)</i>				
Security deposits	41,73,673	70,65,447	30,95,866	32,09,950
Loans to a body corporate	1,05,65,772	8,94,34,228	-	-
Deposit with financial institutions [Refer (a) below]	-	-	1,00,00,000	1,50,41,818
Advance tax (net of provision)	69,74,494	-	43,43,136	-
Loan to Arohan ESOP Trust	-	-	96,00,000	-
Portfolio buyout receivables	-	-	-	1,46,34,750
Advances to employees	-	26,59,101	-	33,17,995
Balances with government authorities	-	-	3,75,279	-
Other receivables	-	3,51,81,200	-	91,17,663
Advances recoverable on behalf of business correspondent arrangements	-	2,36,63,959	-	1,58,67,385
	<b>2,17,13,939</b>	<b>15,80,03,935</b>	<b>2,74,14,281</b>	<b>6,11,89,561</b>

(a) Represents deposits placed as margin money to avail term loans from financial institutions.



**Arohan Financial Services Private Limited****Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>18 OTHER NON-CURRENT ASSETS</b>		
<i>(Unsecured, considered good)</i>		
Bank deposits with maturity of more than 12 months [Refer (a) below]	60,04,38,101	28,46,66,602
Interest accrued on fixed deposits	4,55,73,439	1,09,91,214
Unamortised loan processing charges on borrowed funds	3,21,89,373	2,74,80,762
	<b>67,82,00,913</b>	<b>32,31,38,578</b>

(a) Includes deposits aggregating to INR 524,127,484 (31 March 2016: INR 262,383,208) placed as margin money deposits to avail term loans from banks, financial institutions and as cash collateral in connection with asset assignments/securitisation transactions.

Particulars	As at 31 March 2017	As at 31 March 2016
<b>19 CASH AND BANK BALANCES</b>		
<b>Cash and cash equivalents</b>		
Balances with banks		
- in current accounts	1,37,05,62,187	33,07,71,935
- in deposit account (with original maturity upto 3 months)	44,12,78,371	24,00,00,000
Cash on hand	1,49,81,929	1,04,84,873
	<b>1,82,68,22,487</b>	<b>58,12,56,808</b>
<b>Other bank balances</b>		
Deposits with maturity of more than 3 months but less than 12 months [Refer (a) below]	7,85,28,869	24,50,14,579
<b>Total</b>	<b>1,90,53,51,356</b>	<b>82,62,71,387</b>

(a) Includes deposits aggregating to INR 66,618,193 (31 March 2016: INR 220,525,182) placed as margin money deposits to avail term loans from banks, financial institutions and as cash collateral in connection with asset assignments/ securitisation transactions.

Particulars	As at 31 March 2017	As at 31 March 2016
<b>20 OTHER CURRENT ASSETS</b>		
<i>(Unsecured, considered good)</i>		
Accrued Interest on loan to customers	13,36,47,999	7,73,91,292
Prepaid expenses	22,83,845	28,80,101
Interest receivable on loan transfer transactions	3,50,24,002	2,91,79,530
Grant receivable	1,36,540	77,13,315
Unamortised loan processing charges on borrowed funds	2,89,41,397	2,67,40,992
Interest accrued on fixed deposits	21,45,940	1,70,24,015
Interest strip on securitisation transactions	1,73,79,172	1,27,58,983
	<b>21,95,58,895</b>	<b>17,36,88,228</b>

**Arohan Financial Services Private Limited****Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
<b>21 REVENUE FROM OPERATIONS</b>		
Interest on loan to customers	1,82,10,49,581	1,13,40,72,328
Income from loan processing fee	9,81,64,910	5,70,81,980
Income from securitisation (excess interest spread)	3,94,84,101	1,43,25,405
Other operating revenues [Refer (a) below]	14,57,79,130	7,53,67,768
	<b>2,10,44,77,722</b>	<b>1,28,08,47,481</b>

(a) Includes Interest on margin money deposits placed to avail term loan from banks, financial institutions and on deposits placed as cash collateral in connection with securitization amounting to INR 43,552,565 (31 March 2016 INR 35,849,297).

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
<b>22 OTHER INCOME</b>		
Interest income on:		
Fixed deposits	1,44,73,020	74,92,315
Income tax refund	69,212	-
Gain on sale of current investments	2,38,15,410	86,68,132
Profit on sale of fixed assets	29,693	12,000
Sundry balances written back	2,64,827	12,80,091
Grant received	66,54,757	93,52,548
Gain on foreign exchange fluctuation	48,304	-
	<b>4,53,55,223</b>	<b>2,68,05,086</b>

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
<b>23 EMPLOYEE BENEFITS EXPENSE</b>		
Salaries and other allowances	38,83,44,204	20,35,39,212
Contribution to provident and other funds	3,80,30,237	1,86,17,446
Employee stock option compensation	1,45,101	7,76,281
Staff welfare expenses	1,19,64,060	74,01,016
	<b>43,84,83,602</b>	<b>23,03,33,955</b>

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
<b>24 FINANCE COSTS</b>		
Interest expenses	93,42,29,141	53,58,40,613
Other borrowing costs	5,35,30,552	5,50,82,866
	<b>98,77,59,693</b>	<b>59,09,23,479</b>




**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
<b>25 DEPRECIATION AND AMORTISATION EXPENSE</b>		
Depreciation of tangible assets (Refer note 12)	88,83,946	73,46,759
Amortisation of intangible assets (Refer note 13)	42,34,677	12,84,796
	<b>1,31,18,623</b>	<b>86,31,555</b>

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
<b>26 PROVISION FOR LOAN PORTFOLIO</b>		
Contingent provision against standard assets	3,24,22,511	15,43,659
Provision for non-performing assets (*)	3,26,32,176	2,06,04,651
	<b>6,50,54,687</b>	<b>2,21,48,310</b>

(\*) The Company has made an additional provision towards non performing assets for an amount of INR 32,632,176 (31 March 2016: Nil) during the year. This amount is over and above the amount required to be created in accordance with RBI guidelines.

Particulars	Year ended 31 March 2017	Year ended 31 March 2016
<b>27 OTHER EXPENSES</b>		
Rent	3,57,00,680	2,71,30,341
Repairs and maintenance-others	74,09,919	28,18,348
Insurance	54,43,124	34,34,863
Power and fuel	48,76,898	19,58,726
Rates and Taxes	72,84,071	27,80,249
Office expenses	60,17,719	36,84,809
Membership and subscription	20,51,317	14,79,251
Office maintenance	76,15,021	44,91,909
Printing and stationery	1,01,44,665	80,68,362
Legal and Professional expenses	3,24,36,895	57,08,256
Recruitment and induction expenses	1,05,90,277	76,54,511
Communication expenses	98,84,227	23,60,898
Travelling and conveyance	7,00,38,378	3,97,02,180
Payment to auditors (Refer note (a) below)	25,79,246	23,72,000
Loan assets written off	1,52,60,694	66,43,832
Loss on foreign exchange fluctuation	-	98,908
Expenditure on corporate social responsibility (Refer Note 36)	36,24,909	17,12,838
Miscellaneous expenses	41,45,141	17,44,948
	<b>23,51,03,181</b>	<b>12,38,45,229</b>
<b>(a) Payments to auditors</b>		
<b>As auditor</b>		
Statutory audit	22,00,000	22,00,000
Tax audit	1,00,000	1,00,000
<b>In other capacity</b>		
Other services	-	-
Reimbursement of expenses	2,79,246	72,000
	<b>25,79,246</b>	<b>23,72,000</b>

**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

**28 RELATED PARTY DISCLOSURES**
**a) Names of related parties and description of relationship**

Relationship	Name
Key Management Personnel (KMP)	Manoj Kumar Nambiar - Managing Director Milind Ramchandra Nare - Chief Financial Officer Nipun Bhatia - Chief Operating Officer (resigned wef 31 March 2017) Vanita Mundhra - Company Secretary
Relatives of KMP	Geeta Nambiar
Entities which are able to exercise control or have significant influence	Intellicash Microfinance Network Company Private Limited Intellectual Capital Advisory Services Private Limited Intellicap Software Technologies Private Limited Intellicap Advisory Services Private Limited Aavishkaar Venture Management Services Private Limited Tano India Private Equity Fund II
Enterprise over which KMP have significant influence or control	Arohan ESOP Trust

Particulars	As at 31 March 2017	As at 31 March 2016
<b>b) Transactions with related parties</b>		
<b>Issue of equity shares (including share premium)</b>		
IntelleCash Microfinance Network Company Private Limited	-	35,65,988
Tano India Private Equity Fund II (including conversion of preference shares)	30,85,33,175	-
Aavishkaar Venture Management Services Private Limited	44,99,99,967	-
<b>Loan repayment received</b>		
Arohan ESOP Trust	96,00,000	-
<b>Loan taken</b>		
Manoj Kumar Nambiar	-	34,00,000
Geeta Nambiar	-	34,00,000
<b>Loan repaid</b>		
Manoj Kumar Nambiar	24,00,000	40,00,000
Geeta Nambiar	34,00,000	40,00,000
<b>Remuneration*</b>		
Manoj Kumar Nambiar	78,16,382	59,92,680
Nipun Bhatia	31,65,009	-
Milind Ramchandra Nare	34,92,037	-
Vanita Mundhra	8,09,706	5,86,520
<b>Interest paid</b>		
Manoj Kumar Nambiar	1,90,911	3,98,299
Geeta Nambiar	2,52,904	5,56,410
<b>Professional fees</b>		
Intellicap Advisory Services Private Limited	1,34,68,750	-




**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>Loan processing charges</b>		
Manoj Kumar Nambiar	-	12,000
Geeta Nambiar	-	17,000
<b>Reimbursement of expenses</b>		
Tano India Private Equity Fund II	49,995	12,999
Aavishkaar Venture Management Services Private Limited	49,492	-
Intellectap Advisory Services Private Limited	22,820	-
<b>Rent &amp; service charges</b>		
Intellectual Capital Advisory Services Private Limited	1,34,232	5,38,382
Intellectap Software Technologies Private Limited	-	3,969

Particulars	As at 31 March 2017	As at 31 March 2016
<b>c) Balances receivable/(payable)</b>		
Manoj Kumar Nambiar	-	(24,35,982)
Geeta Nambiar	-	(34,00,000)
Arohan ESOP Trust	-	96,00,000
Intellectap Advisory Services Private Limited (after TDS)	(1,31,35,858)	(40,777)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>29 ADDITIONAL DISCLOSURES PURSUANT TO THE RBI GUIDELINES AND NOTIFICATIONS:</b>		
<b>i) Capital</b>		
Capital to Risk/Weighted Assets Ratio (CRAR) (%)	39.35%	25.02%
CRAR-Tier I Capital (%)	35.62%	25.02%
CRAR-Tier II Capital (%)	3.73%	-
Amount of subordinated debt raised as Tier-II Capital	<b>35,00,00,000</b>	-
Amount raised by issue of Perpetual Debt Instruments	-	-
<b>ii) Investments</b>		
<b>A. Value of Investments</b>		
Gross Value of Investments:		
a) In India	5,00,000	5,00,000
b) Outside India	-	-
Provisions for Depreciation:		
a) In India	-	-
b) Outside India	-	-
Net Value of Investments		
a) In India	5,00,000	5,00,000
b) Outside India	-	-

**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>29 ADDITIONAL DISCLOSURES PURSUANT TO THE RBI GUIDELINES AND NOTIFICATIONS: (Contd.)</b>		
<b>B. Movement of provisions held towards depreciation on investments</b>		
Opening Balance	-	-
Add: Provisions made during the year	-	-
Less: Write-off/Write-back of excess provisions during the year	-	-
Closing Balance	-	-
<b>iii) Derivatives</b>		
The Company does not have any derivatives exposure in the current and previous year.		
<b>iv) Disclosures relating to Securitisation</b>		
<b>A. Securitisation</b>		
1) No. of SPVs sponsored by the NBFC for securitisation transactions	3	3
2) Total amount of securitised assets as per books of the SPVs sponsored	80,91,95,056	42,02,56,408
3) Total amount of exposures retained by the NBFC to comply with Minimum Retention Requirement (MRR) as on the date of balance sheet		
a) Off-balance sheet exposures		
(i) First loss	-	-
(ii) Others	-	-
b) On-balance sheet exposures		
(i) First loss	7,35,11,168	2,21,18,454
(ii) Others	-	-
4) Amount of exposures to securitisation transactions other than MRR		
a) Off-balance sheet exposures		
(i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
(ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
(i) Exposure to own securitisations		
- First loss	10,99,57,386	6,37,57,929
- Others	-	-
(ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
Number of loans assigned/ securitised	71,151	44,409
Book value of loans assigned/ securitised	80,91,95,056	42,02,56,408
Sale consideration received for loans assigned/ securitised	80,91,95,056	42,02,56,408
Gain / (Loss) on account of direct assigned / securitization	-	-
Income recognised in the statement of profit and loss	3,94,84,101	1,43,25,405
<b>Credit enhancements provided and outstanding (Gross):</b>		
Principal collateralisation	3,64,29,251	2,21,18,454
Interest collateralisation	3,64,46,218	3,03,81,845
Cash collateral	7,35,11,168	3,33,76,084





## Arohan Financial Services Private Limited Summary of significant accounting policies and other explanatory information (Contd.)

(All amounts in ₹ unless otherwise stated)

### 29 ADDITIONAL DISCLOSURES PURSUANT TO THE RBI GUIDELINES AND NOTIFICATIONS: (Contd.)

#### B. Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset reconstruction

The Company has not sold any financial assets to Securitisation/Reconstruction Company for Asset Reconstruction during the current and previous year.

#### C. Details of Assignment transactions undertaken by NBFCs

The Company has not entered into any assignment transactions during the current and previous year.

#### D. Details of non-performing financial assets purchased/sold

The Company has not purchased/sold any non-performing financial assets (related to securitisation) during the current and previous year.

#### v) Asset Liability Management

Disclosures relating to maturity pattern of certain items of assets and liabilities are given in Note 30.

#### vi) Exposures

##### A. Exposure to Real Estate Sector

The Company did not have any exposure to real estate sector during the current and previous year.

##### B. Exposure to Capital Market

The Company did not have any exposure to capital market during the current and previous year.

##### C. Details of financing of parent company products

The Company does not have a parent company and accordingly no disclosures required.

##### D. Details of Single Borrower Limit (SBL)/Group Borrower Limit (GBL) exceeded by the NBFC

There are no instances of exceeding the single and group borrowing limit by the Company during the current and previous year.

##### E. Unsecured Advances

All advances (loan to customers) given by the Company are unsecured advances to its customers (refer Note 16).

#### vii) Miscellaneous

##### A. Registration obtained from other financial sector regulators

The Company has obtained a certificate of registration under registration number CA0402 dated 1 August 2016 to act as Corporate Agent (Composite) under Insurance Regulatory and Development Authority of India (IRDA).

##### B. Disclosure of Penalties imposed by RBI and other regulators

There have been no penalties imposed on the Company by RBI or other financial sector regulators during the current and previous year.

##### C. Related Party Transactions

Details of all material related party transactions are disclosed in Note 28.

##### D. Ratings assigned by credit rating agencies and migration of ratings during the year

The details of ratings assigned by Credit Analysis & Research Ltd. (CARE) vide their report dated 1 July 2016 and migration of ratings during the year are as follows:

Facilities	Ratings	Remarks
Long-term Bank facilities	CARE A-	Revised from CARE BBB+
Non-Convertible Debentures	CARE A-	Revised from CARE BBB+
Unsecured Subordinated Tier II Debt	CARE BBB+	Availed in current year

##### E. Remuneration of Directors

Details relating to remuneration of directors are disclosed in Note 28.

## Arohan Financial Services Private Limited Summary of significant accounting policies and other explanatory information (Contd.)

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>29 ADDITIONAL DISCLOSURES PURSUANT TO THE RBI GUIDELINES AND NOTIFICATIONS: (Contd.)</b>		
<b>viii) Additional Disclosures</b>		
<b>A. Provisions and Contingencies</b>		
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss		
Provision towards standard and non performing assets (refer note 26)	6,50,54,687	2,21,48,310
Provision made towards Income tax (including for earlier year)	14,77,90,966	12,44,37,765
Other Provision and Contingencies (employee benefits)	94,71,758	58,86,124
<b>B. Draw Down from Reserves</b>		
There have been no instances of draw down from reserves by the Company during the current and previous year.		
<b>C) Concentration of Advances, Exposures and NPAs</b>		
<b>a) Concentration of Advances</b>		
Total Advances to twenty largest borrowers	10,22,48,125	21,71,542
Percentage of Advances to twenty largest borrowers to Total Advances	1.12%	0.04%
<b>b) Concentration of Exposures</b>		
Total exposure to twenty largest borrowers/customers	10,22,48,125	21,71,542
Percentage of exposures to twenty largest borrowers / customers to Total Exposure	1.12%	0.04%
<b>c) Concentration of NPAs</b>		
Total exposure to top four NPA accounts	2,37,107	3,23,074

	Percentage of NPAs to Total Advances in that sector
<b>d) Sector-wise NPAs</b>	
Agriculture & allied activities	Nil
MSME	Nil
Corporate borrowers	Nil
Services	Nil
Unsecured personal loans	0.36%
Auto loans	Nil
Other personal loans	Nil
	<b>0.36%</b>

Particulars	As at 31 March 2017	As at 31 March 2016
<b>e) Movement of NPAs</b>		
i) Net NPAs to Net Advances (%)	0.00%	0.41%
ii) Movement of NPAs (Gross)		
(a) Opening Balance	2,42,87,534	98,44,522
(b) Additions during the year	3,17,19,620	1,83,76,442
(c) Reductions during the year	2,33,74,978	39,33,430
(d) Closing balance	3,26,32,176	2,42,87,534





**Arohan Financial Services Private Limited**  
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	As at 31 March 2017	As at 31 March 2016
<b>29 ADDITIONAL DISCLOSURES PURSUANT TO THE RBI GUIDELINES AND NOTIFICATIONS: (Contd.)</b>		
<b>C) Concentration of Advances, Exposures and NPAs (Contd.)</b>		
<b>e) Movement of NPAs (Contd.)</b>		
iii) Movement of Net NPAs		
(a) Opening Balance	2,40,44,659	97,46,077
(b) Additions during the year	3,17,19,620	1,81,92,677
(c) Reductions during the year	5,57,64,279	38,94,095
(d) Closing balance	-	2,40,44,659
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening Balance	2,06,04,651	98,44,522
(b) Provisions made during the year	1,20,27,525	1,07,60,129
(c) Write-off/write-back of excess provisions	-	-
(d) Closing balance	3,26,32,176	2,06,04,651
<b>f) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)</b>		
The Company did not have any overseas assets during the current and previous year.		
<b>g) Off-balance sheet SPVs sponsored</b> (which are required to be consolidated as per accounting norms)		
The Company did not sponsor any SPVs during the current and previous year.		
<b>ix) Disclosure of customer complaints</b>		
a) No. of complaints pending at the beginning of the year	68	-
b) No. of complaints received during the year	486	453
c) No. of complaints redressed during the year	444	385
d) No. of complaints pending at the end of the year	110	68
<b>x) Information on instances of fraud identified during the year</b>		
<b>Nature of fraud</b>		
<b>Cash embezzlement and snatching</b>		
No. of cases	6	6
Amount of fraud	24,53,434	10,72,595
Recovery	17,80,326	8,00,546
Amount provided for	6,73,108	2,72,049
<b>Loans given against fictitious documents</b>		
No. of cases	2	1
Amount of fraud	11,14,214	3,71,992
Recovery	8,14,769	2,75,244
Amount provided for	2,99,445	96,748

**Arohan Financial Services Private Limited**  
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

**30 ASSET LIABILITY MANAGEMENT**

**Maturity pattern of assets and liability as on 31 March 2017**

	Up to 30/31 days	Over 1 Month up to 2 Months	Over 2 Months up to 3 Months	Over 3 Months & up to 6 Months	Over 6 Months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	48,38,68,253	3,69,88,143	5,76,60,683	12,39,25,361	19,88,91,859	21,89,11,042	-	-	1,12,02,45,341
Advances (Micro Finance Portfolio)	1,02,26,37,618	92,30,19,423	88,47,21,786	2,32,43,81,521	2,96,54,38,185	88,22,36,230	-	-	9,00,24,34,763
Advances (Corporate)	-	62,32,804	78,10,303	2,40,91,812	5,12,99,309	1,05,65,772	-	-	10,00,00,000
Investments	-	-	-	-	-	-	-	5,00,000	5,00,000
Borrowings	30,99,66,024	27,37,01,538	30,71,73,646	1,70,06,19,097	1,45,68,58,891	2,86,72,13,214	87,00,00,000	35,00,00,000	8,13,55,32,410
Foreign Currency assets	1,36,540	-	-	-	-	-	-	-	1,36,540
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-

**Maturity pattern of assets and liability as on 31 March 2016**

	Up to 30/31 days	Over 1 Month up to 2 Months	Over 2 Months up to 3 Months	Over 3 Months & up to 6 Months	Over 6 Months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total
Deposits	26,71,28,849	2,91,00,543	79,12,636	5,18,65,225	14,40,34,821	29,46,80,925	-	-	79,47,22,999
Advances (Micro Finance Portfolio)	53,79,92,272	57,36,39,231	55,57,46,889	1,44,36,54,615	1,68,02,13,460	1,06,89,49,273	-	-	5,86,01,95,740
Investments	-	-	-	-	-	-	-	5,00,000	5,00,000
Borrowings	28,57,87,595	20,93,66,743	31,85,89,285	86,19,88,275	1,36,36,23,175	1,82,56,98,000	20,00,00,000	33,00,00,000	5,39,50,53,073
Foreign Currency assets	13,41,020	-	-	-	-	-	-	-	13,41,020
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-

Notes:

- The above borrowings exclude interest accrued and due and interest accrued but not due.
- The advances comprise of loan portfolio and does not include interest accrued.
- The above information has been considered as per the Asset Liability Management (ALM) Report compiled by the management and reviewed by the ALM Committee.



**Arohan Financial Services Private Limited****Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

**31 ADDITIONAL DISCLOSURES PURSUANT TO PARA 18 OF MASTER DIRECTION - NON-BANKING FINANCIAL COMPANY - SYSTEMICALLY IMPORTANT NON-DEPOSIT TAKING COMPANY AND DEPOSIT TAKING COMPANY (RESERVE BANK) DIRECTIONS, 2016.**

Particulars	As at 31 March 2017	
	Amount outstanding	Amount overdue
<b>Liabilities side</b>		
<b>1 Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:</b>		
(a) Debentures		
Secured	1,58,04,99,976	-
Unsecured	10,00,00,000	-
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	-	-
(c) Term Loans (includes short-term borrowings)		
Secured	6,20,50,32,434	-
Unsecured	25,00,00,000	-
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial Paper	-	-
(f) Other Loans	-	-

Particulars	31 March 2017
<b>Assets side</b>	
<b>(2) Break up of Loans and Advances:</b>	
a) Secured, gross	10,00,00,000
b) Unsecured, gross	9,00,24,34,763
Total	9,10,24,34,763
Of Total Loans and Advances	
(a) Loans to Body Corporates	10,00,00,000
(a) Others	9,00,24,34,763
Total Loans and Advances	9,10,24,34,763
<b>(3) Break up of Leased Assets:</b>	
(i) Lease assets including lease rentals under sundry debtors:	
(a) Finance lease	-
(b) Operating lease	-
(ii) Stock on hire including hire charges under sundry debtors:	
(a) Assets on hire	-
(b) Repossessed asset	-
(iii) Other loans counting towards AFC activities	
(a) Loans where assets have been repossessed	-
(b) Loans other than (a) above	-

**Arohan Financial Services Private Limited****Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	31 March 2017
<b>(4) Breakup of investments ( long-term unquoted equity)</b>	
<b>Current Investments :</b>	
1. Quoted	
(i) Shares :	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others	-
2. Unquoted	
(i) Shares :	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others	-
<b>Long Term investments :</b>	
1. Quoted	
(i) Shares :	
(a) Equity	-
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others	-
2. Unquoted	
(i) Shares:	
(a) Equity	5,00,000
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others	-




**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

Particulars	Net of provision as at 31 March 2017		
	Secured	Unsecured	Total
<b>(5) Borrower group-wise classification of assets financed as in (2) and (3)</b>			
Category			
1. Related parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) other related parties	-	-	-
2. Other than related parties	9,90,00,000	8,87,97,78,240	8,97,87,78,240
<b>Total</b>	<b>9,90,00,000</b>	<b>8,87,97,78,240</b>	<b>8,97,87,78,240</b>

Particulars	Market value / Breakup or fair value or NAV	Book value (net of provisions)
<b>(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)</b>		
Category		
1. Related parties	-	-
2. Other than related parties	5,00,000	5,00,000
<b>Total</b>	<b>5,00,000</b>	<b>5,00,000</b>

Particulars	31 March 2017
<b>(7) Other information</b>	
(i) Gross non-performing assets	
(a) Related parties	-
(b) Other than related parties	3,26,32,176
(ii) Net non-performing assets	
(a) Related parties	-
(b) Other than related parties	-
(iii) Assets acquired on satisfaction of debt	-

**Arohan Financial Services Private Limited**
**Summary of significant accounting policies and other explanatory information (Contd.)**

(All amounts in ₹ unless otherwise stated)

**32 CONTINGENT LIABILITIES AND COMMITMENTS**

- (a) Demand for income tax received from income tax authorities in respect of which the Company has gone for appeal is INR 2,537,872 (31 March 2016: INR 1,086,500). Based on the management assessment, crystallization of liability on these items is not considered probable and hence not acknowledged as debt by the Company.
- (b) Corporate Guarantee provided to IndusInd Bank towards partnership agreement for INR 7,500,000 (31 March 2016: INR 7,500,000).
- (c) The details of credit enhancement provided in respect of securitisation transaction outstanding as at 31 March 2017 has been provided in note 29(iv).
- (d) Capital commitment for purchase/ development of intangible asset (net of advances) INR 1,000,000 (31 March 2016: INR 1,938,719).

Particulars	As at 31 March 2017	As at 31 March 2016
<b>33 EARNINGS PER EQUITY SHARE [EPES]</b>		
<b>a) Profit considered for computation of basic and diluted EPES</b>	27,46,27,044	21,65,41,788
<b>b) Computation of weighted average number of equity shares in computation of basic and diluted EPES</b>		
Weighted average number of shares considered for computation of basic EPES	5,64,79,401	5,16,87,286
Add: Effect of shares issued under ESOP scheme	27,086	62,429
Add: Effect of convertible preference shares	-	91,76,660
Add: Effect of warrants issued	-	83,184
Weighted average number of shares considered for computation of diluted EPES	<b>5,65,06,488</b>	<b>6,10,09,559</b>
<b>c) Earnings per equity share [EPES]</b>		
Basic EPES	4.86	4.19
Diluted EPES	4.86	3.55

Particulars	As at 31 March 2017	As at 31 March 2016
<b>34 FOREIGN CURRENCY DISCLOSURES</b>		
<b>a) Earnings in foreign currency</b>		
Grant income	1,38,803	29,33,475
	<b>1,38,803</b>	<b>29,33,475</b>

Particulars	As at 31 March 2017		As at 31 March 2016	
	Foreign Currency	Amount	Foreign Currency	Amount
<b>b) Unhedged foreign currency exposure</b>				
Grant Receivable	€ 1,968	1,38,803	20000	13,41,020
		<b>1,38,803</b>		<b>13,41,020</b>





## Arohan Financial Services Private Limited

### Summary of significant accounting policies and other explanatory information (Contd.)

(All amounts in ₹ unless otherwise stated)

#### 35 DETAILS OF SPECIFIED BANK NOTES (SBN) HELD AND TRANSACTED DURING THE PERIOD 8TH NOVEMBER 2016 TO 30TH DECEMBER 2016(\*):-

	SBNs	Other denomination Notes	Total
Closing cash in hand as on 8 November 2016	82,59,000	71,45,753	1,54,04,753
Add:- Permitted receipts	-	1,74,99,57,821	1,74,99,57,821
Less:- Permitted payments	-	99,60,02,885	99,60,02,885
Less:- Amount deposited in banks	82,59,000	70,19,45,307	71,02,04,307
<b>Closing cash in hand as on 30 December 2016</b>	<b>-</b>	<b>5,91,55,382</b>	<b>5,91,55,382</b>

(\*) The Company is not able to determine appropriateness of classification between SBNs and Other denomination notes due to the nature of business of company.

Particulars	As at 31 March 2017	As at 31 March 2016
<b>36 DISCLOSURE IN RESPECT OF CORPORATE SOCIAL RESPONSIBILITY UNDER SECTION 135 OF THE COMPANIES ACT, 2013 AND RULES THEREON</b>		
(a) Gross amount required to be spent during the year	36,24,909	17,12,838
(b) Amount spent during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	36,24,909	17,12,838

#### 37 Segment reporting

The Company operates in a single reportable segment i.e. micro credit, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting'. The Company does not have any reportable geographical segment.

38 Lease payments made under cancellable operating lease amounting to INR 35,700,680 (31 March 2016: INR 27,130,341) disclosed as rent and the same has been recognised as an expense in the statement of profit and loss.

39 Additional information as required under paragraph 5 of Part II of Schedule III to the Act to the extent either 'Nil' or 'Not Applicable' has not been furnished.

40 Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred in our report of even date.

For Walker Chandio & Co LLP  
Chartered Accountants

per **Anamitra Das**  
Partner

Place: Kolkata  
Date: 19 May 2017

For and on behalf of Board of Directors of  
**Arohan Financial Services Private Limited**

**Manoj Kumar Nambiar**  
Managing Director

**Vanita Mundhra**  
Company Secretary

**Anurag Agrawal**  
Director

**Milind Nare**  
Chief Financial Officer





**Arohan Financial Services Private Limited**

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