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AROHAN FINANCIAL SERVICES PRIVATE LIMITED

ANNUAL REPORT 2015



ANNUAL REPORT 2015

OUR MISSION

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

OUR VISION

To be among the top 3 Financial Inclusion players in the East, North East and Central LIS, serving over 10 Lac customers across 10 states, and being in the top 10 preferred places to work.

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FROM THE MD's DESK



Dear Shareholders,

I am delighted to write to you on the occasion of our AGM and the release of the first ever annual report of the company.

The Financial Inclusion (FI) space in India is one of the most happening sectors in the economy and has seen an exciting year with the growth of NBFC MFIs, conversion of the largest MFI into a universal bank, opening up of NBFCs to become full-fledged Banking Correspondents (BC's), RBI's intention to issue differentiated banking licenses to potential payment and small finance banks, the success of the PM Jan Dhan Yojana and the subsequent launch of the PM MUDRA Yojana, PM Bima Yojana and the Atal Pension Yojana schemes from the government. With this momentum and focus from the government and RBI, I foresee the dream of "Right to Finance" being recognized as a fundamental right becoming a reality very soon. Our microfinance sector has been significantly contributing to this cause, and has grown to over INR 40,000 Cr. covering over 3 Cr. million clients across 30 states in India as of end March 2015 recording a growth of over 60% in the year (MFIN Micrometer March 2015 data).

I am also happy to inform you that Arohan has again grown 100% from the previous year - our portfolio outstanding crossed INR 383 crores across 325,000 clients serviced by our 800+ employees in 104 branches located in the four states of West Bengal, Bihar, Assam and Jharkhand. Our financials have crossed revenue of INR 74 Cr. with a healthy bottom line of over INR 15.7 Cr. for the year delivering a RoE of close to 15%. I feel with this, we have successfully completed the operational and financial turnaround

of the company and its business since the Intellectap Group invested in Arohan and took an institutional promoter position in it in September 2012. During the last year, new product variants like Saral and Bazaar plus have been launched, our Pragati product has been re-launched, and we have expanded our insurance and pensions across other states and started offering general insurance products as well. Our funding team has been successful in starting many new relationships including with PSU banks and also issued the first domestic and foreign NCDs from the company. I would like to highlight some key achievements in the last year - opening of our fourth Low Income State Jharkhand, a rating and grading upgrade received by the company, new investment of INR 60 Cr by Tano Capital, an alternate investment fund with Piyush Goenka coming on our board, unveiling of a new look/logo and colours for the company, a new head office at Salt Lake and our application to RBI for a SFB license with IntelleCash, our promoter and IntelleGrow, our group company.

We are indeed fortunate to have a set of distinguished independent directors like Mr Bhaskar Sen, Mr Sumantra Banerjee and Mr Rajat Nag and with their valued guidance, the management has further strengthened the various operating policies, put in place a strong Internal Audit and Risk Management framework and a robust HR process in place. The company has a well thought through five year plan in place and our aspiration is to cover ten Low Income States, serve over one million clients with at least two to three accounts per customer while being in the Top 10 places to work and efficiently manage a credit portfolio outstanding of over INR 2500 Cr. Our current level of Indian holding enables us to still raise upwards of US\$ 15 million in additional foreign equity to comfortably fund our growth aspirations in the strategic plan.

I consider serving as the MD of the company an honour, and am delighted to lead it with my management team to the next level of evolution. I wish to sincerely thank all of you as shareholders, our clients for their patronage, the RBI our regulator for enabling policies, the government for making FI a national priority, MFIN our industry Self Regulatory Organisation (SRO), the management team for its application, our employees for their hard work, our investors for their continued confidence in us, our lenders for their support, the various service providers we deal with and the board of directors for their continued support and guidance.

Warm regards,

Manoj Kumar Nambiar | Managing Director

FROM THE CEO's DESK



Dear Shareholders,

Welcome to our first ever Annual Report!

This was a phenomenal year for us as we doubled our portfolio, started operations in Jharkhand and extended our network to over 100 branches. Our initiatives on providing a wider range of financial services expanded with our work in life insurance and micro-pension under the NPS-Lite scheme. Given our performance in FY 2014-15, we can now confidently state that Arohan is once again a front runner in the microfinance industry, having cast away the last vestiges of the tumultuous period of 2011 and 2012.

People remain the cornerstone of our business. We strengthened our senior management team with –

- Madhu Murthy, Senior Vice President joining us as Head of Business. Madhu has over twenty years of experience in insurance, sales & marketing and microfinance. Prior to joining Arohan, he was heading the east India operations of SKS as Zonal Head.
- Sandeep Goswami, Associate Vice President joining us as Head of HR, Training & Admin. Sandeep was an army officer in the engineering corps and later had extensive stints in senior training roles across various corporates. Prior to joining Arohan, Sandeep was the Head of Training at Utkarsh.
- Anant Jayant Natu, Associate Vice President joining us as Head of Central Operations. Anant has a decade's experience in consulting in the financial inclusion space in India and abroad. His last stint was of six years with MicroSave as Senior Manager.

A slew of employee focused initiatives on compensation, HR policies and hygiene elements in the branches saw a 10% drop in employee attrition. Our efforts to make Arohan a great place to work will continue this year with more employee friendly measures lined up.

With our rapid scaling up, a robust and effective training function is a key element to success. We established a dedicated training unit in the second half of the year, principally drawing upon high quality field staff. Our goal is to ensure that every employee receives at least two days of training in a quarter, in house or external.

Several strategic milestones were reached this year. As banking correspondents of IndusInd Bank we started operations in Assam. We also boosted the Arohan product suite by introducing new products – General Insurance offerings – Hospicash and Shopkeeper insurance to our portfolio in partnership with Future Generali General Insurance Company Limited.

On the technology front, we made significant progress on completion of the accounting module of our frontline system, Omni Enterprise. The project is slated for closure by September 2015. As and when this happens, Arohan will have a truly integrated loan management and accounting system.

We have many more initiatives lined up in 2015-16 with strengthening of our Customer Care Unit, activating our CSR initiative and scaling up our offerings of liability products to our customers. Indeed, the year ahead promises to be an even more exciting and eventful one.

We set up a dedicated Corporate Communications unit this year with exclusive manpower. The visible presence you see of Arohan today on social media and the regular newsletter communication to stakeholders is a result of the hard work the unit has put in.

We continued to play a key role in MFIN, the industry SRO where Manoj Nambiar served his second term as a Board member while I was fortunate to have the opportunity to serve in the Credit Bureau Task Force, thereby contributing to the wider cause of the microfinance industry.

Deep appreciation and thanks are due to our various stakeholders for their support and contribution – customers, employees, funders, members of the Board and shareholders, for the success we have enjoyed in FY 2014-15 and I look forward to all us working together for the journey forward.

With Best Wishes,

Shubhankar Sengupta | CEO



DIRECTORS' REPORT

The Members,

Your Directors are pleased to present the Ninth Directors' Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, March 31, 2015. The key highlights of the year are as under:

- 01.** Net Worth of the Company increased from INR 67 Cr. to INR 138 Cr.
- 02.** Profit After Tax in FY 2014-15 grew from INR 3 Cr. to INR 11 Cr., representing 256% growth.
- 03.** Capital Raised in FY 2014-15 was INR 60 Cr. (INR 22 Cr. in FY 2013-14).
- 04.** Debt Raised during FY 2014-15 increased from INR 234 Cr. to INR 381 Cr.
- 05.** Gross Loan Portfolio grew from INR 190 Cr. to 383 Cr., representing 102% growth in FY 2014-15.
- 06.** Loan Disbursal in FY 2014-15 was INR 510 Cr. (INR 261 Cr. in last FY), representing 95% growth.
- 07.** NPAs as a percentage of Gross Loan Portfolio reduced to 0.29 % compared to last year's figure of 0.37%.



01. Financial Highlights

In a more favorable industry environment, your Company has also registered a very impressive growth of 256% in terms of Profit after tax as given in the table below:

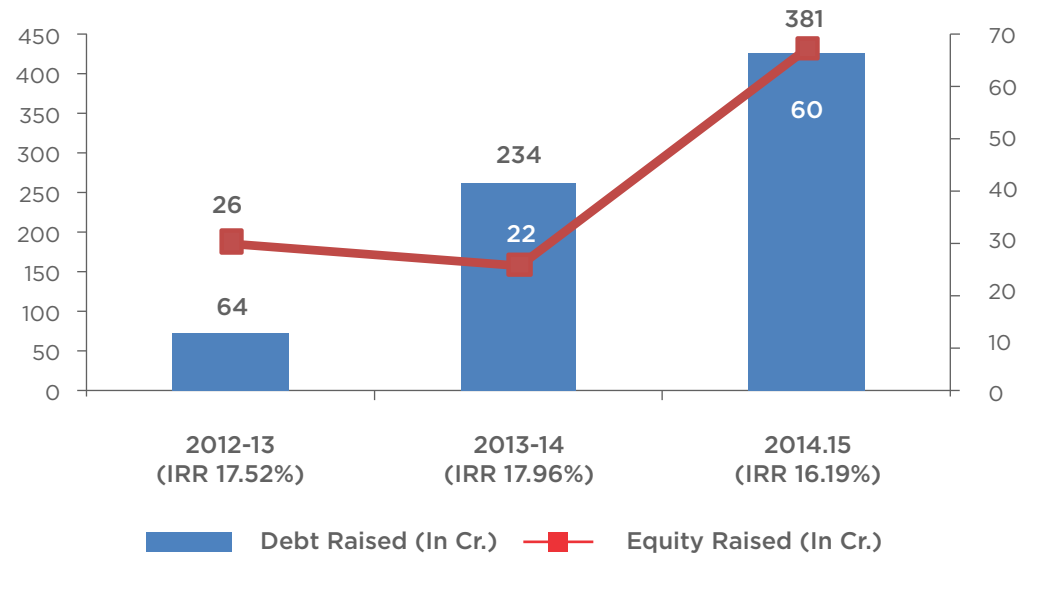
| Particulars# | 2014-15 | 2013-14 | Growth |
|-------------------|---------|---------|--------|
| Total Revenue | 74.6 | 33.7 | 121% |
| Total Expenses | 58.8 | 30.3 | 100% |
| Profit Before Tax | 15.7 | 4.4 | 258% |
| Tax Expenses | 4.9 | 1.3 | 262% |
| Profit After Tax | 10.9 | 3.1 | 256% |

All numbers in INR Cr. unless stated otherwise.

A detailed analysis of the financials is given in the Management Discussion & Analysis Report that forms part of the Directors' report.

02. Fund Raised (In Cr.)

During FY 2014-15 Arohan raised a total INR 441 Cr. fund which includes capital infusion of INR 60 Cr., representing growth of 72% compared to the previous year.



INR 381 Cr. debt raised also includes seven NCDs of INR 101 Cr. The total number of debt relationships at the end of March 2015 was 26. The overall borrowing cost in terms of IRR (Internal Rate of Return) was also reduced from 17.96% to 16.19% yoy.

03. State of Company Affairs

The highlights of the Company's performance are as under:

- Revenue from operations increased by 111%, this was due to higher disbursements in FY 2014-15 which stood at INR 510 Cr. against INR 260 Cr. in 13-14 FY.
- Number of employees at the end of March 2015 was 880+ as against 555 in March 2014 leading to an increase in employee cost.
- Borrowings in March 2015 were INR 381 Cr. (INR 234 Cr. in FY 2013-14) , due to which finance cost has increased by 139%.
- NPA as a percentage of Gross Loan Portfolio reduced from 0.29% to 0.37%.
- Profit before tax increased by 258% to INR 15.75 Cr. as against INR 4.41 Cr. in the financial year 2013-2014

Profit after tax increased by 256% to INR 10.90 Cr. as against INR 3.06 Cr. in the financial year 2013-2014.

The financial year 2014-2015 has been a very successful and important year for the Company. The key notables during this fiscal were as follows:

- Arohan raised equity capital of INR 60 Cr. from Tano India Private Equity Fund II
- BLR rating of BBB and MFI grading of MFI 2+
- Expansion of operations by launching yet another state – Jharkhand
- Launch of Bazaar and Pension products across states, and pilot of General Insurance products
- Launch and growth of IBL partnership in Assam
- Application for a Small Finance Bank license through Intellecash

The future, particularly the Financial Year 2016, presents many opportunities and challenges in front of the Company, which can be enumerated as follows:

Opportunities

The Small Finance Bank opportunity (SFB):

An in-principle approval for SFB will present the opportunity to create differentiation in the market, and with customers, on a more stable regulatory platform. However, transformation efforts required will be significant.

Banking Correspondent (BC):

Becoming a BC to a bank can enable the company provide liability products, which can strengthen its case for a SFB.

New funding avenues:

New avenues of funding such as ECBs, Tier II capital, refinancing from MUDRA Bank etc. represent exciting opportunities to strengthen and diversify the company's financial position

Differentiation to customers:

It is important to increase relevance to customers and strengthen our bond with customer, especially in established, mature markets with a differentiated offering / value proposition ("one stop shop")

Mandatory Corporate Social Responsibility:

The mandatory Corporate Social Responsibility spend can actually create an opportunity to create higher brand visibility and deepen customer connect.

Technology:

Technology is fast developing in the financial services space and offers scope for better service, monitoring, efficiency and analytics

Demand in Low Income States (LIS):

LIS continue to have a lot of demand for financial services, especially newer geographies such as Orissa and Jharkhand which are relatively less penetrated even for traditional micro-credit

Non-financial cross-sell:

Opportunity for non-financial cross-sell now exists with established players for various social products such as solar lanterns and water purifiers

Challenges / Focus areas

The largest MFI getting a license to operate as a universal bank:

While it will still be early days in FY 2016 , yet ability to raise deposits is expected to further strengthen the entity.

BC: Smaller MFIs are getting a new lease of life through BC partnerships and also have the ability to offer lower interest rates to customers in some cases, increasing competition.

Pricing: Lower interest rates by competition will be a threat in more mature and price sensitive areas

Managing scale:

Managing scale to create a sustainable engine of growth across geographies will be a key focus area this year.

04. Share Capital

The Company has only one class of equity shares having a par value of INR 10 per share. Each holder of equity shares is entitled to one vote per share. During the FY 2014-15 a total of 1,01,06,813 equity shares were issued which included 91,76,660 shares of Tano India Private Equity Fund II.

During the year, the Company has made compulsorily convertible preferential allotment of 91,76,660 shares to Tano India Private Equity Fund II @ INR 20 per share. Each holder of preference shares is entitled to one vote per preference share and is entitled to a preference dividend of 0.001% of face value per annum. The preference shares are compulsorily convertible to equity shares upon occurrence of the following events:

- on or before listing of the equity shares of the company
- on or before 26 February 2034, being the expiry period of the conversion period
- any time prior to expiry of the conversion period at the option of the investor.

05. Share Warrants

Out of 10,00,000 warrants issued to Intellectash 8,31,793 warrants were converted into equity shares in this financial year. Intellectash has the option to convert the remaining 1,68,207 warrants into equity shares at any date on or before 30th September 2015.

The details of shareholding pattern and allotment of new shares in FY 2014-15 is given in the Management Discussion & Analysis Report that forms part of the Directors' report.



06. Employee Stock Option

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

The information on options granted by the Company during the financial year 2014-2015 and other particulars with regard to Employee Stock Options are set out as below:

| Particulars | ESOP 2011 | ESOP 2013 | ESOP 2013 (R) |
|--|-----------|-----------|---------------|
| Option Issued (No. of Shares) | 225000 | 400000 | 200000 |
| Option Exercised & Vested (No. of Shares) | - | 34100 | - |
| Option Lapsed (No. of Shares) | - | 91000 | 5000 |
| Balance on 31st March 2014 (No. of Shares) | 225000 | 274900 | 195000 |
| Exercise Price/Share (INR) | 33.00 | 13.74 | 16.23 |

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 the applicable SEBI guidelines.

07. Dividend

During FY 2014-15 the Company issued and allotted Compulsorily Convertible Preference Shares ("CCPS") aggregating INR 18.35 Cr. These "CCPS" are entitled to fixed cumulative dividend of 0.001% p.a on the face value. However, since "CCPS" were issued on the last date of the financial year, no dividend amount was due in FY 2014-15.

In order to conserve the resources of the company and to build up reserves, the Directors are not recommending any dividend against equity shares.

08. Foreign Exchange Transactions

The particulars regarding foreign exchange transactions (in INR) are furnished below:

| Particulars | 2013-14 | 2014-15 |
|---|-----------|-----------|
| Grant received from International Financial Corporation (IFC) | 52,07,007 | 19,51,695 |
| Gain/(Loss) on Foreign Exchange Transaction | - | 6719 |

09. Operational Highlights

The gross loan portfolio of the Company grew by 102% as compared to the previous year. The Company also started its operations in Jharkhand.

| Particulars | 2014-15 | 2013-14 | Growth |
|-------------------------------|---------|---------|--------|
| Number of States | 4 | 3 | 33% |
| Number of Branches | 104 | 73 | 42% |
| Clients (in "000") | 321 | 220 | 46% |
| Gross Loan Portfolio (In Cr.) | 383 | 190 | 102% |
| Loan Disbursal (In Cr.) | 510 | 261 | 95% |
| NPA (PAR>90 days, in %) | 0.29% | 0.37% | -21% |

The growth of the portfolio was higher than the growth of branches as the efficiency level in the branches also improved significantly. The percentage of NPA also reduced from 0.37% to 0.29% in FY 2014-15.

A detailed analysis of the financials is given in the Management Discussion & Analysis Report that forms part of the Directors' report.

10. Employees

Arohan gives paramount importance to managing its employees professionally. As of March, 2015 Arohan had 880 employees (compared to 555 on 31st March 2014) on its rolls. The Company has fair and transparent recruitment and other policies which safeguard the interest of its employees.

With an objective to develop the skill set of its employee, the Company has created a separate department for Training & Development.

11. Technology

Arohan has made rapid strides in technological initiatives in the last few years. A core banking solution, OMNI Enterprise was implemented across all the branches in 2011. OMNI Enterprise is a comprehensive Micro Finance banking solution developed by InfracoreTech, a specialist software solutions provider for global financial enterprises, founded in 1995. The customized solution provided by InfracoreTech can be adapted to changing business requirements. A dedicated technology team is in place to support the Company's business growth.

In order to ensure seamless business continuity, Arohan has focused significantly on data security. Arohan's data center is hosted and managed by Net Tech (Mumbai). The disaster recovery measures guarantee 24/7 connectivity and uptime to ensure smooth business function.

12. Change of Registered Office

Considering the growth and expansion plan of the Company, the board and the management felt it necessary to shift the registered office of the company to a location which enables better business linkages. The company thus shifted its registered office to Salt Lake, Sector - V in Kolkata.

13. Application for Small Finance Bank

Our holding company Intellicash is one of the 72 applicants to the RBI for a Small Finance Bank (SFB) license. The plan is to merge Arohan, the NBFC MFI and Intellicash, the early stage SME lending NBFC with Intellicash and be able to offer a wide range of credit products from INR 10 thousand to INR 10 Cr. to individual borrowers, retail, tiny and SME enterprises in the Low Income States (LIS) of India. The RBI is expected to announce the list of SFB's in the initial pilot phase by Q2 of Financial Year 2015 - 16 with an implementation period of 18 months. It is expected to do a review of the first 12 months' operation of the initial SFB's and then open the licenses on tap. The Arohan Board and management is very aligned with the idea that the Small Finance Bank is the right next phase of evolution of the business as it will provide a holistic product and service offering to the range of customers that we serve in the field.

14. Rating, Awards & Recognition

| Agency | Rating |
|--|-------------------------------|
| CARE MFI Grading | Upgraded from MFI 2 to MFI 2+ |
| MF Transparency | 91/100 - Rank 5* |
| ACCESS-ASSIST Code of Conduct Assessment | 3.18/4- A category |

*Valid till August 2014. Post which the concerned agency has stopped conducting these assessments.

15. Board of Directors

Your Company has 10 directors which include 3 independent directors, 5 nominee directors and 2 executive directors. According to the provision of Section 149 of the Companies Act, 2013 we have also one woman director in the Board.

During the year Mr. Vidyanand Jha and Mr. Satyam Darmora resigned from the board. The details of the existing board of directors are given in the Corporate Governance report that forms part of the Directors' report.

16. Number of Board Meetings

During the Financial year 2014-2015, four Meetings of the Board of Directors of the company were held on 29th April, 2014, 25th July, 2014, 31st October 2014 and 13th February, 2015 respectively.

The details of the sub-committees meetings held during the year have been disclosed in the corporate governance section of this report.

17. Declaration by Independent Director

The Company has three independent directors as on March 31, 2015. Mr. Bhaskar Sen, Mr. Rajat Mohan Nag and Mr. Sumantra Banerjee. Your Company has taken declarations from the directors stating that they satisfy all requirements of independence as given in Section 149 (6) of the Companies Act 2013.

18. Company's Policy on Directors' Appointment and Remuneration

Pursuant to the requirements of Section 178 of the Companies Act 2013, the company follows the following policy with regard to the appointment and remuneration of directors:

- Investors holding more than the minimum threshold shareholding (currently 10%) may be allowed to appoint one or more nominee director (s) to the Board.
- The Nomination Committee of the Board is authorized to review and take decision on the profiles of suggested names prior to appointment as director.
- The Compensation committee of the Board is responsible for appraising the performance and deciding the remuneration of executive directors.
- No sitting fees are to be paid to any nominee director. Independent Directors may be paid sitting fees for their participation in Board and Committee meetings. Sitting fee amount is to be decided by the Board.

19. RBI Regulation

The Company being a systematically important non-deposit taking Non Banking Financial Company (NBFC) is regulated by Reserve Bank of India. As per Non Banking Financial Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year.

The Company has been re-classified as NBFC-MFI by RBI w.e.f 10th January 2014 and has complied with the regulations stipulated by the apex bank.

20. Reserve

As per the requirement of Section 45-IC of the Reserve Bank of India Act, 1934 at least 20% of the net profit after tax is to be transferred to the Statutory Reserve. The Net Profit after tax for the year has increased to INR 109 Cr. and an amount of INR 2.18 Cr. was transferred to the Statutory Reserve Fund.

21. Corporate Governance

Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of corporate governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt best practices.

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

| Governance Level | Board Responsibility | Responsible |
|------------------|-----------------------|---------------------------|
| Level - 1 | Strategic Supervision | Board of Directors |
| Level - 2 | Strategic Management | Core Management Committee |
| Level - 3 | Executive Management | Head of the Departments |

A report on Corporate Governance practices followed by the Company is attached and form part of the Directors' report.

22. Risk Management Frame Work

Arohan was one of the the four MFI's in India that were selected by IFC for a risk management project. On behalf of IFC, M2I, a renowned consultancy firm in the micro finance sector provided technical support to set up the risk management framework. The development in last two years is summarized below:

- Separate risk management department, risk management policies and also a separate risk management committee at board level has been introduced in FY 2013-14.
- Arohan's risk appetite has been defined under each category of risk and risk limits were issued so that each department works within those limits.
- In April 2014, the risk management department presented the first risk report to the Risk Management Committee, chaired by an Independent Director.
- 40 workshops have been conducted across the regions for building risk awareness among employees. Branch-wise risk grading was also introduced in FY 2014-15.

The Risk Management Frame Work in Arohan is one of the best in the industry and adequate for the size of the organization.

23. Corporate Social Responsibility (CSR)

The Company aims to further the socio economic welfare of the under-served communities in the area of its operations through its CSR activities. The Company intends to engage in activities which enhance the development indicators of the societies it works with, without any prejudice, by carrying out non-profit oriented CSR initiatives, by itself or through suitable partners even though it was not applicable in FY 2014-15.

The Corporate Social Responsibility Committee (CSR Committee) of the Company has been formulated and the Committee has approved a budget of INR 25 Lakhs for FY 2015-16.

The CSR Committee is headed by an Independent Director and comprises of 3 Directors. The Board approved CSR policy is attached herewith as a part of Directors' report (Annexure I).



24. Grievance Redressal Mechanism

The Company has implemented a Grievance Redressal Mechanism for customers and employees. In line with the "Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013 a system for prevention and dealing with sexual harassment of women employees is also implemented in the Company. A grievance redressal committee is functioning under the HR department. Dedicated telephone and mobile numbers have been made operational for registering complaints and suggestions.

25. Statutory Auditor & Report

At the AGM held on 25th July, 2014, Walker Chandiok & Co LLP, Chartered Accountants, were appointed as statutory auditors of the Company to hold office till the conclusion of the Annual General Meeting (AGM) to be held in the calendar year 2018. In terms of first proviso of Section 139 of the Companies Act, 2013, the appointment of the auditors shall be placed for ratification at every AGM. Accordingly the appointment of Walker Chandiok & Co LLP, Chartered Accountants, as Statutory Auditor of the Company, is placed for ratification by the shareholders. In this regard, the Company has received a certificate from the auditors to the effect that if they are re-appointed, it would be in accordance with the provision of section 141 of the Companies Act, 2013.

The report of the auditors to the shareholders is a part of the Annexure.

The notes to the Accounts, that are a part of the financial statements, are self-explanatory and need no further clarifications or explanations.

26. Secretarial Auditor & Reports

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and rules there under, the Board of directors appointed Mr. Arup Kumar Roy, Practicing Company Secretary to undertake the Secretarial Audit of the Company for the FY 2014-15.

The Secretarial Audit report is annexed herewith as Annexure II.

The board has also appointed Mr. Arup Kumar Roy, Practicing Company Secretary to undertake the Secretarial Audit of the Company for the FY 2015-16.

27. Significant and Material Orders

There are no significant and material orders passed by the regulators or the courts or the tribunals impacting the going concern status and the Company's operations in the future.

28. Loan, Guarantees and Investments under Section 186

The Company does not have any subsidiaries and hence has not made any layered investments of the kind specified under Section 186 (1) of the Companies Act 2013.

29. Material Changes Affecting the Financial position of the Company

Except as disclosed elsewhere in this report, there have been no material changes and commitments which have occurred between the end of the financial year of the Company and date of this report which can affect the financial position of the Company.

30. Particulars of Contracts or Arrangement with Related Parties

All related party transactions that were entered into during the financial year ended 31st March, 2015 were on an arm's length basis and were in the ordinary course of business. Therefore, the provisions of Section 188 of the Companies Act, 2013 were not attracted. Further, there are no materially significant related party transactions during the year under review made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large. Thus, disclosure in Form AOC-2 is not required.

31. Extract of Annual Return

In accordance with the section 134 (3) (a) of the Companies Act, 2013 an extract of the annual return in the prescribed format is annexed as Annexure III to the Directors' report.

32. Internal Financial Controls

The Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of the Company's business, including mandating adherence to the Company's policies, safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures.

33. Conservation of Energy

The particulars as required under the provisions of Section 134(3) (m) of the Companies Act, 2013 with respect to conservation of energy and technology absorption have not been furnished considering the nature of activities undertaken by the company during the year under review.

34. Green Initiatives in Corporate Governance

In line with the 'Green Initiative', the Company decided to effect electronic delivery of Notice of Annual General Meeting and Annual Report to those shareholders whose email addresses were registered with the Company. The Companies Act, 2013 permit the dissemination of financial statements in electronic mode to the shareholders. Your Directors are thankful to the shareholders for actively participating in the Green Initiative and seek your continued support for implementation of the green initiative.

35. 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 31st March, 2015, the applicable accounting standards were followed along with proper explanations 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 at 31st March, 2015 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 frauds 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;
- The Directors had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively.



36. Acknowledgment

Your Directors would like to express their sincere appreciation for the assistance and cooperation received from financial institutions, banks, Government authorities, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives, staff and workers.

ANNEXURE TO THE DIRECTORS' REPORT

AROHAN / ANNUAL REPORT 2015



ANNEXURE I

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Introduction

Arohan Financial Services Private Limited (hereinafter referred to as Arohan) believes that a business entity's performance must be measured by its economic, social and environmental impact and efforts to embed sustainability. Social enterprises are, more than any other business enterprise, capable of addressing these concerns and Arohan aspires to transcend business interests and work toward the all-round human development of the communities we operate in through initiating and supporting programmes that enhance societal sustainability. In the financial inclusion space, there is tremendous potential for using the customer interface for livelihood creation and capability generating schemes. Arohan would build on this connect with the poorer sections of the society for furthering their welfare. These programmes are independent of the normal conduct of business and are not viewed as business propositions by Arohan. In alignment to Arohan's mission to empower the underserved, we see Corporate Social Responsibility (hereinafter referred to as CSR) as an opportunity to further extend help to the underserved in the larger community through the provision of non-financial, non-profit based assistance.

Objective

Arohan would aim to further the socio-economic welfare of under-served communities in the area of its operations through its CSR activities. It would engage in activities which enhance the development indicators of the societies it works with, without any prejudice, by carrying out non-profit oriented CSR initiatives, by itself or through suitable partners.

Project Implementation and Key areas

SELECTION OF KEY AREAS

Arohan will be focusing on the key development indicators as enumerated in the Human Development Index concept conceived by the United Nations Development Programme. The three key indicators in this regard are -

1) Education (As measured by the Literacy Rate) 2) Health (As measured by Life Expectancy and other mortality and vitality statistics) and 3) Per Capita Income. Since Arohan's key business activity is to enable the facilitation of generating income and providing financial capital to the most vulnerable sections which will generate income at the bottom of the pyramid and create a positive effect on the per capita income, we shall not look at this as an indicator of our CSR activities.1) Education: As part of the CSR programme, we will be focusing on the other two aspects of human development viz. Health and Education. In the area of education, Arohan will design and implement programmes to engender financial literacy among its clients and the larger community. Additionally, skill building and technical education programmes to help the vulnerable sections will also be undertaken as part of the CSR programme.

2) Health: In the area of health, Arohan will undertake programmes which will have a significant positive impact on the health indicators specified in the HDI including life expectancy, maternal mortality and infant mortality rates. Arohan's CSR programmes in the field of health and sanitation will focus on achieving maximum impact and providing a better health infrastructure resulting in much better community performance in health-related social indicators.

Other programmes like disaster intervention and mitigation will also be undertaken under certain circumstances. The below table summarizes the broad scope of the CSR activities Arohan will cover under its CSR programme:

| Education | Health | Other CSR Programmes |
|--|--|--|
| Financial literacy programme for customers and staff | Health camps for Arohan customers and staff | Relief in times of natural disasters like the relief programme undertaken at Panskura in West Bengal in 2013 |
| Scholarships or financial assistance for children of staff/customers | Health and hygiene education for customers and staff | Reconstruction/renovation of infrastructure in case of calamities |
| Skill Development and Technical education support for the community | Assistance in provision of medical facilities to those in need | Work around /donations for community development or related causes |
| Other education programmes for the community | Safe drinking water and sanitation programmes | |

PROJECT IMPLEMENTATION METHODOLOGY

Customer Centricity' is one of the key values of Arohan and Arohan has always made interventions for the benefit of its customers. Arohan recognizes the need to have a comprehensive programme in the CSR domain to enable social development in the areas of its operations.

Projects will be implemented either directly with the support of internal teams, through external service providers in identified areas for CSR by the company or through donations to trusts/Non-Governmental Organizations working in the sectors specified in Annexure 1. In the event of contracting an external provider, Arohan's Corporate Initiatives team will prepare an internal project proposal outlining the major objectives of the programme and evaluate the provider's proposal on the basis of the same. In compliance with the Part 2 Sub-section 3 of the companies act amendment, Arohan's CSR policy and programmes will be displayed on the website.



Organizational mechanism and responsibilities

CSR BUDGETING AND EXPENDITURE

The budgeting of CSR activities will be maintained by the Corporate Initiatives department with support from the Accounts Department. The immediate approval for the release of funds for CSR will follow the normal company policy requiring an approval from the Head of Corporate Initiatives as per the CSR plan and budget approved by the CSR committee. The yearly budget however will be prepared by the CSR committee and sent to the Board for approval.

In every Financial Year, Arohan will comply with the amendments made to Schedule 8 of the Companies Act in 2013. In accordance with the amendments, Arohan will set apart a minimum of at least 2% of its average net profit in the immediately preceding three financial years. As per the definition of the amendments made to the Schedule 8, Profit Before Tax (PBT) will be considered as Net Profit for this purpose. The expenditure will be decided and put forward to the Board annually and a half-yearly review will be conducted by the Corporate Initiatives department and submitted to the committee. The surplus arising from CSR activities will not form part of Arohan's business profit.

CSR COMMITTEE

The CSR committee will be comprised of four members (two from the leadership team, including the Head of Corporate Initiatives, one Independent Director and the MD). The independent director will be the de facto head of the CSR committee. The committee will review the proposal made by the Corporate Initiatives department and make recommendations to be submitted to the Board for approval. The committee will be responsible for monitoring the approved CSR programmes and the committee will meet every quarter to review the progress and make recommendations.

RESPONSIBILITIES OF THE CSR COMMITTEE

The implementation of the CSR policy would be the key responsibility of the committee. A broad outline of the responsibilities of the committee is given below:

- Review the CSR programmes submitted by the Corporate Initiatives department and make recommendations to the Board of Directors
- Approve the Budget for CSR activities for the following year and set up an audit mechanism for the CSR expenditure of Arohan
- Formulate long-term strategic partnerships and plan documents in the CSR domain and assign timelines for proposed programmes
- Ensure a CSR manager is appointed, who will report to the head of Corporate Initiatives and will be responsible for implementation of CSR activities for the company (part of the Corporate Initiatives team at Arohan)

Ensure that external or internal review (as required) of the CSR program - implementation, expenditure, physical verification of the project and its impact - is conducted.

CSR EXPENDITURE OF AROHAN

The CSR expenditure of Arohan will comply with the following directives from the relevant sub-section of Schedule VII of the companies act. The expenditure shall include all expenditure including contribution to corpus, projects or programmes approved by the Board on the recommendation of its CSR committee, in accordance with the said policy, but shall not include any expenditure not in conformity or not in line with activities which fall within the purview of Schedule VII of the act, including adherence to any specific amendments to the schedule. The activities as specified in the Schedule VII are given as Annexure 1.

REVIEW OF CSR EXPENDITURE

The CSR expenditure of Arohan will be reviewed by the CSR committee. The CSR committee shall assess the expenditure and ensure that the activities comply with the Companies Act Amendment, 2013 and other applicable laws if any. The committee shall also decide whether there should be an external or internal expenditure review process for the expenditure

Evaluation or Impact Assessment

The impact of the CSR programme of Arohan will be assessed by a team constituted with members from the Operations and Corporate Initiatives functions of the company. The team will assess the customer outreach of each of the CSR programmes, staff awareness about the aims and objectives of the programme and finally compile a report which will also include a review of the performance of external providers engaged in CSR activities. The external Social Performance Assessment report will also be used by the CSR committee in preparing an annual CSR performance report. The CSR report will be prepared by the 3rd week of April and added as an attachment to the Board of Directors report submitted in the end of May. The committee will use the CSR annual report to prepare a set of policy objectives for the succeeding financial year. Both these documents will be submitted to the board for approval once every financial year.

Annexure 1

Ministry of Corporate Affairs

NOTIFICATION
New Delhi, the 27th February, 2014

G.S.R, 130(E).- In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following amendments to Schedule VII of the said Act, namely:-

(1) In Schedule VII, for items (i) to (x) and the entries relating thereto, the following items and entries shall be substituted, namely :-

- i) Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;
- ii) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently-abled and livelihood enhancement projects;
- iii) Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- iv) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining quality of soil, air and water;
- v) Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- (vi) Measures for the benefit of armed forces veterans, war widows and their dependents;
- (vii) Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports;
- (viii) Contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- (ix) Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government
- (x) Rural development projects.

ANNEXURE II

Form No. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31st March, 2015

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

To,
The Members,
Arohan Financial Services Private Limited
PTI Building 4th Floor, DP-9,
Sector-5, Salt Lake
Kolkata - 700091

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Arohan Financial Services Private Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March, 2015, the Company has complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by Arohan Financial Services Private Limited ("the Company") for the financial year ended on 31st March, 2015, and as shown to us during our audit, according to the provisions of the following laws to the extent applicable :

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The Securities and Exchange Board of India Act, 1992 ('SEBI Act') and the Regulations thereunder
- (vi) The Non-Banking Financial Company -Micro Finance Institutions (Reserve Bank) Directions, 2011 read with the Master Circulars.

I have also examined compliance with the applicable clauses of the following:-

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India.
- (ii) The Listing Agreement of Debt Securities entered into by the Company with The Bombay Stock Exchange Ltd.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

I further report that

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting members' views are captured and recorded as part of the minutes.

I further report that

There are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the company has issued on preferential basis preference shares, equity shares, debentures as well as increase in borrowing limits pursuant to Section 180 (1) (c) of the Companies Act, 2013.

Place: Kolkata
Date: 15th May, 2015

Arup Kumar Roy
Practicing Company Secretary
ACS: 6784
C P No.: 9597

ANNEXURE III

| FORM NO. MGT 9 |
|---|
| EXTRACT OF ANNUAL RETURN |
| as on financial year ended on 31.03.2014 |
| 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- 20, 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 | |
| A. Promoters | | | | | | | | | |
| (1) Indian | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 | 17067494 | 0 | 17067494 | 41.13 | 17899287 | 0 | 17899287 | 34.69 | -6.44 |
| d) Bank/FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| e) Any other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SUB TOTAL:(A) (1) | 17067494 | 0 | 17067494 | 41.13 | 17899287 | 0 | 17899287 | 34.69 | -6.44 |
| (2) Foreign | | | | | | | | | |
| 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 |
| SUB TOTAL (A) (2) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Shareholding of Promoter (A)= (A)(1)+(A)(2) | 17067494 | 0 | 17067494 | 41.13 | 17899287 | 0 | 17899287 | 34.69 | -6.44 |
| B. PUBLIC SHAREHOLDING | | | | | | | | | |
| (1) Institutions | | | | | | | | | |
| 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) Cenntal 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 | 75,49,892 | 1,41,52,170 | 2,17,02,062 | 52.30 | 75,49,892 | 2,33,28,830 | 3,08,78,722 | 59.84 | 7.54 |
| 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 |
| SUB TOTAL (B)(1): | 75,49,892 | 1,41,52,170 | 2,17,02,062 | 52.30 | 75,49,892 | 2,33,28,830 | 3,08,78,722 | 59.84 | 7.54 |
| (2) Non Institutions | | | | | | | | | |
| a) Bodies corporates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| i) Indian | 17,712 | 0 | 17,712 | 0.04 | 17,712 | 0 | 17,712 | 0.03 | -0.01 |
| ii) Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| b) Individuals | | | | | | | | | |
| i) Individual shareholders holding nominal share capital upto Rs.1 lakhs | 9,300 | 6,502 | 15,802 | 0.00 | 40,107 | 36,502 | 76,609 | 0.15 | 0.15 |
| ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs | 12,44,414 | 6,27,066 | 18,71,480 | 4.51 | 10,36,967 | 6,27,066 | 16,64,033 | 3.22 | -1.29 |
| c) Others (specify) | 0 | 820900 | 820900 | 1.98 | 0 | 10,65,900 | 10,65,900 | 2.07 | 0.09 |
| SUB TOTAL (B)(2): | 12,71,426 | 1454468 | 27,25,894 | 6.53 | 1094786 | 1729468 | 28,24,254 | 5.47 | -1.06 |
| Total Public Shareholding (B)= (B)(1)+(B)(2) | 88,21,318 | 1,56,06,638 | 2,44,27,956 | 58.83 | 86,44,678 | 2,50,58,298 | 3,37,02,976 | 65.31 | 6.48 |
| C. Shares held by Custodian for GDRs & ADRs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grand Total (A+B+C) | 2,58,88,812 | 1,56,06,638 | 4,14,95,450 | 100 | 2,65,43,965 | 2,50,58,298 | 5,16,02,263 | 100 | 0.00 |

(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 | 1,70,67,494 | 41.13 | NIL | 1,78,99,287 | 34.69 | NIL | 6.44 |
| | Total | 1,70,67,494 | 41.13 | NIL | 1,78,99,287 | 34.69 | NIL | 6.44 |

(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 | 1,70,67,494 | 41.13 | 1,70,67,494 | 41.13 |
| | At the beginning of the year | | | | |
| | 30.03.2015- Conversion of Warrants into Equity Shares | 8,31,793 | 6.44 | 1,78,99,287 | 34.69 |
| | At the end of the year | 1,78,99,287 | 34.69 | 1,78,99,287 | 34.69 |

(iv)

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

| Sl. No | | 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 |
| 1 | For Each of the Top 10 Shareholders | | | | |
| | Aavishkaar Goodwell India Microfinance Development Company | | | | |
| | At the beginning of the year | 1,41,52,170 | 34.11 | 1,41,52,170 | 34.11 |
| | Increase/ Decrease | NIL | - | 1,41,52,170 | 6.68 |
| | At the end of the year | 1,41,52,170 | 27.43 | 1,41,52,170 | 27.43 |
| 2 | TANO India Private Equity Fund II | | | | |
| | At the beginning of the year | - | - | - | - |
| | Allotment -30.03.2015 | 91,76,660 | 17.78% | 91,76,660 | 17.78% |
| | At the end of the year | 91,76,660 | 17.78% | 91,76,660 | 17.78% |
| 3 | Micheal & Susan Dell Foundation | | | | |
| | At the beginning of the year | 44,60,980 | 10.75% | 44,60,980 | 10.75% |
| | Increase/ Decrease | NIL | - | 44,60,980 | 2.11% |
| | At the end of the year | 44,60,980 | 8.64% | 44,60,980 | 8.64% |
| 4 | India Financial Inclusion Fund | | | | |
| | At the beginning of the year | 30,88,912 | 7.44% | 30,88,912 | 7.44% |
| | Increase/ Decrease | NIL | - | 30,88,912 | 1.45% |
| | At the end of the year | 30,88,912 | 5.99% | 30,88,912 | 5.99% |
| 5 | Arohan ESOP Trust | | | | |
| | At the beginning of the year | 8,20,900 | 1.98% | 8,20,900 | 1.98% |
| | Less: ESOP exercised on 29.04.2014 | 7,90,900 | | 7,90,900 | |
| | Less : Share Transfer | 2,75,000 | | 10,65,900 | |
| | At the end of the year | 10,65,900 | 2.07% | 10,65,900 | 2.07% |
| 6 | Swaminathan Aiyar | | | | |
| | At the beginning of the year | 5,78,666 | 1.39% | 5,78,666 | 1.39% |
| | Increase/ Decrease | NIL | - | 5,78,666 | 0.27% |
| | At the end of the year | 5,78,666 | 1.12% | 5,78,666 | 1.12% |
| 7 | Chandan Phukan | | | | |
| | At the beginning of the year | 32,200 | 0.08% | 32,200 | 0.08% |
| | Increase/ Decrease | NIL | - | 32,200 | 0.02% |
| | At the end of the year | 32,200 | 0.06% | 32,200 | 0.06% |
| 8 | Madhu Rama Murthy | | | | |
| | At the beginning of the year | - | - | - | - |
| | Allotment -29.11.2014 | 30,807 | 0.06% | 30,807 | 0.06% |
| | At the end of the year | 30,807 | 0.06% | 30,807 | 0.06% |
| 9 | Jaydeep Chakraborty | | | | |
| | At the beginning of the year | - | - | - | - |
| | ESOP Exercised- 29.04.2014 | 30,000 | 0.06% | 30,000 | 0.06% |
| | At the end of the year | 30,000 | 0.06% | 30,000 | 0.06% |
| 10 | Aaviskaar Venture Management Services Pvt Ltd | | | | |
| | At the beginning of the year | 17,712 | 0.04% | 17,712 | 0.04% |
| | Increase/ Decrease | NIL | - | 17,712 | 0.01% |
| | At the end of the year | 17,712 | 0.03% | 17,712 | 0.03% |

(v)

Shareholding of Directors & KMP

| Sl. No | | 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 |
| 1.00 | For Each of the Directors & KMP | | | | |
| | Manoj Kumar Nambiar | | | | |
| | At the beginning of the year | 3,87,898.00 | 0.93 | 3,87,898.00 | 0.93 |
| | Allotment -30.06.2014 | 54,043.00 | 0.07 | 4,41,941.00 | 0.07 |
| | At the end of the year | 4,41,941.00 | 0.86 | 8,29,839.00 | 0.86 |
| 2.00 | Shubhankar Sengupta | | | | |
| | At the beginning of the year | 8,45,716.00 | 0.02 | 8,45,716.00 | 2.04 |
| | Allotment -30.06.2014 | 13,510.00 | | 8,59,226.00 | |
| | Less: Share Transfer - 30.03.2015 | 2,75,000.00 | | 5,84,226.00 | 0.01 |
| | At the end of the year | 5,84,226.00 | 0.01 | 5,84,226.00 | 0.01 |

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

| Type | Section of the Companies Act | Brief Description | Details of Penalty/Punishment/Compounding fees imposed | Authority (RD/NCLT/Court) | Appeal made if any (give details) |
|-------------------------------------|--|---|---|---------------------------|---|
| A. COMPANY | | | | | |
| NIL | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | Compounding of offence U/s 297 of the Companies Act 1956 | During the period 15.11.13 to 31.03.2014 the company entered into a transaction with Intellectual Capital Advisory Services Private Limited for Rs. 2,00,000/- as fees for raising Equity capital. The company had applied to the central government for permission, but inadvertently paid the initial fees before receiving a formal approval in writing. | The Company law Board levied a penalty of Rs. 27,000/- of which Rs. 5000/- was to be paid by the Company and 2000/- each was to be paid by the then Directors and Company Secretary of the Company. | Company Law Board | The Company appeared before the Company Law Board and admitted its offence and prayed that the offence under Section 297 of the Companies Act be compounded. On appeal being made by the Company, final order was passed and a fine of Rs. 27,000/- |
| B. DIRECTORS | | | | | |
| NIL | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | Compounding of offence U/s 297 of the Companies Act 1956 | During the period 15.11.13 to 31.03.2014 the company entered into a transaction with Intellectual Capital Advisory Services Private Limited for Rs. 2,00,000/- as fees for raising Equity capital. The company had applied to the central government for permission, but inadvertently paid the initial fees before receiving a formal approval in writing. | The Company law Board levied a penalty of Rs. 27,000/- of which Rs. 2000/- each was to be paid by the then Directors of the Company. | Company Law Board | The Company appeared before the Company Law Board and admitted its offence and prayed that the offence under Section 297 of the Companies Act be compounded. On appeal being made by the Company, final order was passed and a fine of Rs. 27,000/- was levied on the Company, its Directors & the Company Secretary of the Company |
| C. OTHER OFFICERS IN DEFAULT | | | | | |
| NIL | | | | | |
| Penalty | | | | | |
| Punishment | | | | | |
| Compounding | Compounding of offence U/s 297 of the Companies Act 1956 | During the period 15.11.13 to 31.03.2014 the company entered into a transaction with Intellectual Capital Advisory Services Private Limited for Rs. 2,00,000/- as fees for raising Equity capital. The company had applied to the central government for permission, but inadvertently paid the initial fees before receiving a formal approval in writing. | The Company law Board levied a penalty of Rs. 27,000/- of which Rs. 2000/- each was to be by the Company Secretary of the Company. | Company Law Board | The Company appeared before the Company Law Board and admitted its offence and prayed that the offence under Section 297 of the Companies Act be compounded. On appeal being made by the Company, final order was passed and a fine of Rs. 27,000/- was levied on the Company, its Directors & the Company Secretary of the Company |

CORPORATE GOVERNANCE REPORT

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 VALUES

Arohan's principles of corporate governance are laid on the strong foundation of Arohan's values, namely employee engagement, transparency, honesty & integrity, innovation, customer centricity and shareholder value focus. Arohan believes that the practice of each of these values leads to the creation of the right corporate culture in which the company is run hence fulfilling the purpose of good Corporate Governance.

Employee Engagement

Arohan treats its employees as a major stakeholder and hence its processes and systems are designed to ensure employee satisfaction, development and high morale.

Transparency

Arohan's products and processes are transparent to its clients such that the information communicated to them is clear, sufficient and timely in a manner and language clients can understand, so that clients can make informed decisions. It is also transparent in its communication to, and transactions with, all other stakeholders and employees.

Honesty and Integrity

Led by exemplary governance, Arohan maintains high standards of integrity in its delivery, products and processes. Arohan has zero tolerance for unethical practices. It strives to behave with honesty in all its internal and external communication, and dealings with all stakeholders.

Innovation

Arohan strives to maintain a creative culture in the organisation, where employees are encouraged to learn and innovate in their day to day work, while adhering to Arohan's standards of business and conduct. Also, product, process and business model innovation are integral to Arohan.

Customer Centricity

Since customers are considered important stakeholders, Arohan's products and processes are designed keeping customer needs and realities in mind. Arohan strives to serve customer needs in an effective and efficient manner and behave in a dignified and respectful manner with its customers at all times.

Shareholder Value Focus

Arohan recognizes its shareholders to be an important stakeholder whose interests it strives to protect, and to whom it seeks to deliver value by focusing on sustainability, profitability and growth of the business.

GOVERNANCE STRUCTURE

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 will be followed in Arohan:

| Governance Level | Broad Responsibility | Responsibility |
|------------------|-----------------------|---------------------------|
| Level - 1 | Strategic Supervision | Board of Directors |
| Level - 2 | Strategic Management | Core Management Committee |
| Level - 3 | Executive Management | Head of the 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 Executive Officer of the Company, who in turn will appoint the various other management executives of the company.

BOARD OF DIRECTORS

The Company has a broad-based Board of Directors, constituted in compliance with the Reserve Bank of India Act, 1934 and Companies Act, 2013 and in accordance with good corporate governance practices. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. The Board has constituted six committees viz., Audit Committee, Risk Management Committee, HR & Compensation Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee and the Corporate Governance Committee, As on 31st March, 2015 these Board Committees were chaired by Independent Directors.

As on 31st March 2015, the Board comprised of 10 directors and four meetings of the Board of Directors were held during the financial year 2014-2015 on 29th April 2014, 25th July 2014, 31st October 2014 and 13th February 2015 respectively.

Introduction to Board Members



Manoj Kumar Nambiar
Managing Director

Manoj Kumar Nambiar is currently the Managing Director of Arohan and a Board Member. Manoj possesses more than 25 years of experience across Marketing, Consumer Finance, Retail Banking and Micro-finance in India and the Middle East.

Prior to joining Arohan, Manoj was the MD and CEO of Intellectash. During his career in the Middle East, Manoj has held senior management positions with National Bank of Oman, Alharami Group and Ahli Bank.

Manoj holds a B.E (Mechanical) from Veermata Jijabhai Technology Institute (VJTI) and a Master of Management Studies from Jamnalal Bajaj Institute of Management Studies (JBIMS). Manoj has also completed a program on Strategic Leadership in Microfinance from Harvard Business School.



Shubhankar Sengupta
Director & CEO

Shubhankar Sengupta is the founder of Arohan and a seasoned micro-finance professional with over 17 years experience. Shubhankar worked previously at BASIX - a key livelihoods promotion institution - where he grew up the ranks from a field position to a senior management role.

Shubhankar is a founding board member of MFIN and is actively involved in the Credit Bureau initiatives of MFIN. Shubhankar holds a post graduate degree from Institute of Rural Management and has completed program on Strategic Leadership in Microfinance from Harvard Business School.



Bhaskar Sen
Independent Director

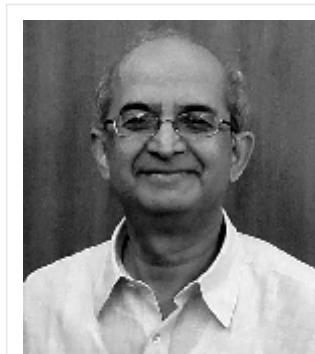
Mr. Bhaskar Sen is ex-CMD of United Bank of India having over 40 years of banking experience in India and overseas. He has exposure across areas of commercial banking like Foreign Exchange, Credit, International Banking etc. Prior to Chairman & Managing Director of UBI he was the Executive Director of Dena Bank. Mr Sen was also on the managing committee of FEDAI and was also elected as Director in FIMMDA. Mr. Sen has been the chairman of Industrial Investment Bank of India Ltd. He also serves as Deputy Chairman of Indian Banks' Association. Mr. Sen was inducted as Additional Independent Director in Arohan on 23rd January 2014.



Sumantra Banerjee
Independent Director

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 53 years' experience of which, 25 years are at Board/ Key Management positions. He has sectoral experiences 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 completed his MBA in Marketing & Finance from the USA. He holds a B Tech in Chemical Engineering from IIT, Kharagpur and MS in Polymer Science from the USA.

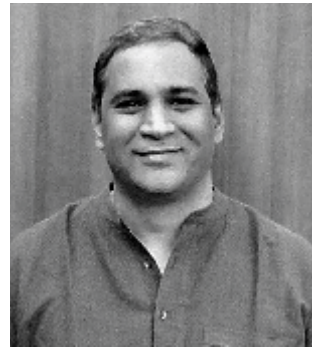


Rajat Nag
Independent Director

Mr. Rajat Nag was appointed on the Board of Arohan with effect from 31st December, 2014. 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 to help it achieve 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 Adviser 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 a Masters degrees in Business Administration from Canada and Economics from London School of Economics.

Mr. Vineet Chandra Rai
Nominee Director



Vineet is the Founder and Managing Director of Aavishkaar and Co-founder & Chairman of the Intellec 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 Intellec with the idea to harness intellectual capital for development. Intellec 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.

Mr. Anurag Agarwal
Nominee Director



Over the last ten years of his association with Intellec, Anurag set up and built the company's Investment Banking Business unit with a specific focus on assisting early and growth-stage multiple bottom-line enterprises access equity capital. He has worked with several socially oriented investors assisting them in identifying suitable impact investment opportunities and facilitating investment transactions. 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, India's first impact focused angel network within Intellec and continues to guide the team as part of its group of strategic advisors. He was also one of the key architects of the current group structure of Intellec and led the efforts of the group in the incubation/acquisition of the 3 NBFCs (Intellecash, Intellegrow and Arohan) within the Intellec group. Anurag has a Bachelor of Business Administration and a Master of Commerce Degree from Madras University, Chennai (India), and a Master of Business Administration in Finance from TA Pai Management Institute, Manipal (India).



Mr. Sanjib Jha
Nominee Director

Sanjib has over 14 years of experience in business planning, mergers and acquisitions, transaction structuring, negotiation, execution, deal closure and portfolio management, management information systems, financial accounting, relationship management with institutional investors, venture capital funds, and key partners. In the past, Sanjib was among the initial founding team members at ATS Services, a domestic BPO, and later joined Actis, where he concentrated on transactions and facilitated exits through public markets in the financial services, FMCG, pharmaceutical and automotive sectors. After Actis, Sanjib played a role in setting up Lok Capital in India. At Lok, he was also responsible for investments with major Indian MFIs. Sanjib is a qualified Company Secretary. He serves on the boards of Intellec Software Technologies, Arohan, Intellecash and Intellegrow.



Mr. Piyush Goenka
Nominee Director

Piyush has 15 years of experience in financial services. Prior to joining Tano Capital, Piyush had 6 years of experience in investment analysis, structured finance and investment banking. He has worked with an Indian bank and Infrastructure Leasing and Financial Services (IL&FS). Currently, he is an Investment Director at Tano and has led the Fund's investment in several portfolio companies and also serves on their Boards as a representative of the Fund. He has an MBA from MDI Gurgaon, India and is a CFA charter-holder.



Ms. Sushma Kaushik
Nominee Director

Sushma brings with her over 10 years of diverse experience in the field of consulting and investing. She started off with an entrepreneurial venture in engineering design services and moved on to a role in investments in Real Estate and Hospitality as a part of the acquisition team at Starwood Capital India Advisors. She has extensively evaluated real estate transactions covering debt and equity structures. Sushma then moved to Ashoka-Innovators for the Public to work with social entrepreneurs in the 'Housing for All' initiative. She has worked closely on building collaborative partnerships in market based solutions for the low-income population. Sushma is an engineering graduate from RVCE, Bangalore and has an MBA from the Indian School of Business.



Board Committees

To focus effectively on pertinent issues and ensure expedient resolution of diverse matters, the Board has constituted a set of Committees with specific terms of reference. The Committees operate as per the guidelines approved by the Board. The minutes of the meetings of all Committees of the Board are placed before the Board for approval in subsequent meetings.

These Committees will respond to the institution's specific needs or one-off needs, fulfilling a specific duty at a given moment in time, without the Committee or its duties being required by the institution permanently.

Audit Committee

The Company has formed an Audit Committee as per the requirements of the Companies Act 2013 and Reserve Bank of India Act, 1934 which is headed by an Independent Director. The Committee at present comprises of five Directors of which two are Independent Directors.

Terms of Reference

The Audit Committee makes recommendations to the Board of Directors regarding the appointment of external auditors and their remuneration, as well as the approval of annual financial statements and periodical statements.

It also discusses the audit program and results with Auditors and ensures fulfilment of internal controls, adherence to accounting policies and accuracy of financial information.

The Audit Committee is responsible for ensuring that internal and external audit activities are carried out properly and that audit matters are given sufficient importance at the Board of Directors' meetings.

During the Financial year 2014-2015, four meetings were held of the Audit Committee on 29th April 2014, 25th July 2014, 31st October 2014 and 13th February 2015 respectively.

Risk Management Committee

The Company has formed a Risk Management Committee as per the requirements of the Companies Act 2013 and Reserve Bank of India Act, 1934 which is headed by an Independent Director. The Committee at present comprises of five Directors of which two are Independent Directors.

Terms of Reference

The Risk Management Committee is responsible for analyzing matters relating to the institution's risk control and management strategy and policy, and assessing and approving risk operations that could be significant.

The Risks Management Committee has powers over controlling financial risks generated by the business units. It must approve the methods and models to identify, measure, monitor, control, report and reveal different risk types.

Its other duties include: reporting regularly to the Board of Directors on risk exposure and the measures taken to manage it; adjusting or authorizing overruns on exposure limits for the different risk types; and adopting, implementing and disseminating contingency plans in the event of acts of nature or force majeure to avoid breach of the set risk exposure limits.

During the Financial year 2014-2015, four meetings were held of the Risk Management Committee on 29th April 2014, 25th July 2014, 31st October 2014 and 13th February 2015 respectively.

HR & Compensation Committee

The functions of this committee include recommending to the Board the quantum of remuneration (including performance bonus and incentives) payable to the employees and recommending of grant of ESOPs to employees and Whole Time Directors. The Committee is headed by an Independent Director. The Committee at present consists of 4 Directors of which one is a Independent Director who also heads the Committee.

Terms of Reference

The HR & Compensation Committee shall annually review performance of the Managing Director and CEO of the company by evaluating their performance in terms of the corporate goals and objectives.

They are responsible for reviewing and approving the overall compensation of the employees in terms of salary, incentive and also ESOPs.

Other responsibility includes, helping management to devise an appropriate organization structure, review and approve HR policies, oversee employee engagement & training programs and any other HR related issues.

During the Financial year 2014-2015, two meetings were held of the HR & Compensation Committee on 29th April 2014 and 31st October 2014 respectively.

Nomination & Remuneration Committee

The Committee is responsible for recommending appointment of Directors to the Board, identifying persons who are qualified to become Directors and who may be appointed in senior management. The Committee is headed by an Independent Director and comprises of four Directors of which two are Independent Directors.

Terms of Reference

a) To formulate the criteria for determining qualifications, positive attributes and independence of Directors

b) To ensure a fit and proper status of proposed/existing Directors on an annual basis

c) To recommend to the Board the appointment and removal of Senior Management.

d) To carry out evaluation of Directors' performance and recommend to the Board appointment/ removal based on their performance.

e) To make recommendations to the Board on the following matters:

i) Policy relating to remuneration for Directors

ii) Any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract

iii) To develop a succession plan for the Board and to regularly review the plan

During the Financial year 2014-2015, two meetings were held of the Nomination & Remuneration Committee on 29th April 2014 and 31st January 2015 respectively.

Corporate Social Responsibility (CSR) Committee

The responsibility of this Committee includes reviewing the corporate social responsibility initiatives undertaken by the Company and recommending to the Board a CSR Policy indicating the activities to be undertaken by the Company and recommending the amount of the expenditure to be incurred on such activities. The Committee is headed by an Independent Director and comprises of 4 Directors.

Terms of Reference

- To review and establish the Company's CSR strategy and implementation in practice and to ensure that the Company's social, environmental and economic activities are aligned with each other
- To consider and propose an annual budget for CSR activities to the Board and Audit Committee for approval
- To ensure the company's website communicates and reports its CSR approach and performance in a timely, complete and coherent manner
- Monitor compliance with the CSR Policies and to review the performance against agreed targets.

The CSR committee was constituted on the 13th February 2015 and thus no meeting of the Committee was held during the financial year.

Corporate Governance Committee

The Corporate Governance Committee was formed on 13th February 2015 and is headed by an Independent Director and comprises of 3 Directors.

Terms of Reference

- Develop recommendations regarding the essential and desired experiences and skills for potential directors, taking into consideration the Board's short term needs and long term succession plans
- Recommend to the Board nominees for election as Directors of the Board. Assess the needs of the Board in terms of frequency and location of Board and Committee Meetings, meeting agendas, reports and information, and the conduct of the meetings and make recommendations to the Board as desired
- Prepare recommendation for the Board regarding any report required or recommended on Corporate Governance

Periodically, in consultation with the Chair, review and recommend composition and Chairs of various Committees

No meetings of the Committee were held during the financial year 2014-2015 as the committee was formed towards the extreme end of the year on 13th February, 2015.

Core Management Committee

Core Management Committee is a committee at the senior management level formed by the Managing Director of the Company. The members of the committee are selected by the Managing Director and should be AVP level (Assistant Vice President) or above. Other senior members may also be invited by the MD based on the topics of discussion. The Core Management Committee shall be responsible for making strategic, as well as, any other material decisions of the Company.

All the members of the Core Management Committee shall review Company performance at least once in every month. The representative of the each department in the Committee present their monthly updates to the other members of the Committee.

Introduction to Core Committee



Madhu Murthy
Senior Vice President –Business Head

Madhu leads Arohan's distribution across all its states of operation. He brings over 24 years of accomplishments in sales and P&L responsibility across MNCs and Indian corporations. Prior to joining Arohan, he was heading the Eastern region for SKS Microfinance, and also has more than a decade's experience in sales with Max Life Insurance. Madhu has a successful track record of making a meaningful difference to people, process, profitability and growth, and has managed complex environments and situations, to effect many a spectacular turnaround through robust planning and effective execution. He specializes in both direct and indirect channels of distribution, business development, operations and other support functions. Madhu is a Commerce Graduate and has completed Management Development program on managerial success at IIM Lucknow.



Amit Dutta
Vice President- Finance

Amit leads the finance, Accounts and the Compliance departments at Arohan. He joined Arohan in 2008 as the Head of Finance, Accounts and IT; after managing the two departments successfully for two and half years he moved to the newly formed department of Internal Control. He was responsible for single handedly crafting the new department, designing the audit process, taking care of the reporting structure and the audit check list, branch rating, while leading a 20 member team. Amit is a qualified Chartered Accountant and has completed his Executive MBA from the Xavier Institute of Management Bhubaneswar (XIMB). He has over 10 years of experience in the fields of Accounts, Finance, Taxation and Audit.



Shraddha Srimal
AVP- Strategy, Risk & Corporate Initiatives

Shraddha has over eight years of experience in strategy, risk and innovation. She has worked with Deloitte's Innovation team to drive strategic initiatives, as well as, to build and pilot new services globally for the firm. She has also 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. She has also worked with the MFI sector as a consultant. Shraddha joined Arohan in October 2013. She focuses on strategic planning, risk management and leads key initiatives at Arohan to drive growth and enable the company to deliver greater value to all its stakeholders. Shraddha is a Mathematics (Honours) graduate from St. Xavier's College, Calcutta. She also holds a PGDM from the Indian Institute of Management (IIM), Indore.



Capt. Sandeep Goswami
AVP- Human Resource, Administration & Training

Capt. Sandeep Goswami has over 20 years of rich exposure in operational leadership and man management during the tenure in the Indian Army ,NIS Sparta, AVIVA Life Insurance, Anjali Micro Finance and India Homes . He was previously Head - HR & Training in Utkarsh Micro Finance Pvt Ltd.

Proven ability to enhance operational effectiveness and meet operational goals within set parameters. Sandeep has a BE (Electrical & Electronics) from BIT Mesra and Diploma in Automobile Engineering.



Anant Natu
AVP- Central Operations

Anant leads the Central Operations team at Arohan. Central Operations department is the nerve centre of Arohan's Operations- playing a key role in policy formulations for product and processes, business planning, MIS, stakeholder management, and customer engagement. Anant has over 9 years of experience in development and financial sectors and brings on board his expertise in building nascent practice groups, project management and consulting. He was previously leading the Private Sector Development (PSD) domain at MicroSave in Delhi, driving its consulting business in Value-chains, Energy and Environment. In consulting role, Anant has worked with over 60 institutions that includes banks, MFIs, Corporate, farmer/producer organisations, multilateral agencies, and social investment funds; across South Asia, South-east Asia and Africa. Prior to that, Anant was a Manager at ICICI Bank's Social Initiative Group in Chennai.

Anant is a rural management graduate from the Institute of Rural Management Anand (IRMA).

MANAGEMENT DISCUSSION AND ANALYSIS

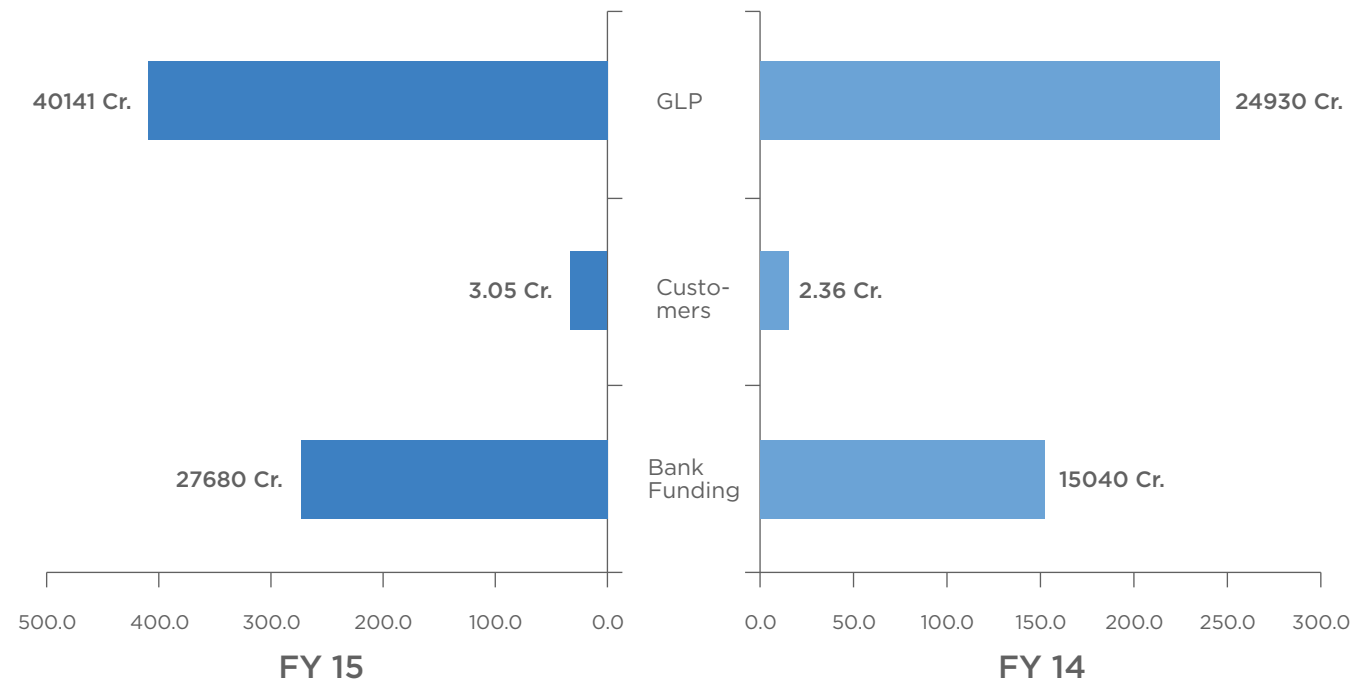
Arohan has witnessed a year of growth, posting profits every quarter of the past financial year. Profitability was largely due to growth in the microcredit business leveraging economies of scale and working efficiencies. Arohan's assets under management grew over 100% yoy for the third year in a row. Arohan sought to strengthen its growth by expansion of its client base and products. It also raised additional INR 60 Cr. equity to nearly double its net-worth. Overall access to bank and foreign institutional funding helped the company achieve its performance targets.



INDUSTRY OVERVIEW

Broad based growth

The accelerating growth of the Microfinance industry in India is attributable to three major factors – the huge demand for finance at the ‘Bottom of Pyramid’; the ability of microfinance institutions to overcome challenges faced by the banking system to reach the last mile and the enabling environment created by the government and the regulator RBI. Building on its innate strengths along with a supportive regulatory environment, the microfinance industry in India posted a broad-based growth of over 60% in FY ‘15. The industry catered to over 3 Cr. low income clients in India, with a total loan portfolio of over INR 40000 Cr. by 31st March, 2015.



The industry has also witnessed marked improvements in productivity indicators - the average clients per branch for NBFC MFIs stood at 2,890, growth of 19% over FY 14-15. The average GLP per branch for NBFC -MFIs exhibited a similar increasing trend, a growth of over 49% FY 14-15, at a figure of INR 3.8 Cr. The average clients per loan officer stood at 591, a growth of 9% over FY 13-14.

#(Source: MicroMeter March 2015 – quarterly analysis of the Indian microfinance industry’s performance published by Microfinance Institutions Network or MFIN).

Favourable regulatory developments

The apex regulatory body for financial institutions in India, the Reserve Bank of India (RBI) recognizes the role of the sector in furthering financial inclusion. FY ‘15 saw many positive regulatory signals for the sector. The margin cap applicable to NBFC MFIs was benchmarked to the base lending rate of the top 5 asset banks in the country, thus making the industry pricing aligned to the overall financial services sector. Non deposit taking NBFCs, including NBFC MFIs were allowed to act as Business Correspondents (BCs) of banks, providing NBFC MFIs greater direct access to bank funds for lending to end customers, as well as, the ability to offer a wider range of financial services as the agent of a bank. One of the only two in-principle approvals for a universal banking licence was awarded to the biggest NBFC MFI. Further MFIN and SaDhan, the two most widely recognized MFI industry bodies were given the status of Self-Regulatory Organizations (SROs) by RBI, a first in the financial services sector. The RBI also announced the guidelines for differentiated banking licences – Small Finance Banks (SFBs) and Payments Banks. The last quarter of the financial year saw many applicants for these differentiated banking licences, amongst which were 17 NBFC MFIs who applied for the SFB licence.

AROHAN’S BUSINESS

Overview

Arohan’s core business is providing small ticket loans and other basic financial services to its customers. Its customers are predominantly located in rural areas in India, and Arohan extends loans to them mainly for use in small businesses or for other income-generating activities and not for personal consumption. These individuals often have no, or very limited, access to loans from institutional sources of financing.

In its core business, Arohan utilizes a group-lending model to provide unsecured loans to its customers. This enables better customer selection as group members will typically choose other group members with sufficient repayment capacity. In event of any unforeseen circumstance, group members will often support the repayment of another group member. This social collateral enables Arohan to provide micro credit where it is required and maintain on time repayment rates of over 99%.

In addition to its core business of providing micro-credit, Arohan uses its distribution channel to provide other financial products and services that its customers may need such as life and general insurance products, enterprise loans and micro pension products.

Since 10th January, 2014 Arohan has been recognised as, and has since been regulated by the RBI as a Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI). This year Arohan’s total revenue and PBT was INR 74.6 Cr. and INR 15.7 Cr. respectively. As of March 31, 2015, Arohan had 3.22 Lakhs borrowers spread across 104 branches across four states (West Bengal, Bihar, Assam and Jharkhand) with Gross Loan Portfolio (GLP) of INR 384 Cr.

Competitive Differentiators

Arohan believes it has the following competitive strengths:

Focus on Low Income States

Arohan’s vision is to fulfil the financial services needs of the low income group in the country, with a special focus on the 10 Low Income States (LIS) of the East, North East and Central India. Financial exclusion is among the highest in these states, and together they constitute 50% of the total microfinance demand, which includes the demand for credit and other allied banking and financial services. Arohan is the only player with a unique focus on these 10 states (West Bengal, Bihar, Assam, Jharkhand, Orissa, Chhattisgarh, Madhya Pradesh, Uttar Pradesh, Meghalaya and Tripura) and is committed to building deep relationships with its customers in these geographies.

Transparency

Arohan’s focus since inception has been towards transparency and it has made sure that its products and processes are communicated to its clients in such a manner that the information communicated to them is clear, sufficient and timely. Clients are educated about the products over detailed training sessions, and in a manner and language they can understand. Arohan also maintains transparency in its communication to, and transactions with all other stakeholders, and employees. This helps Arohan build robust relationships with all its stakeholders.

Committed, Strong Investors

Arohan’s investors are both socially oriented, as well as, committed, and focus on long term sustainability. Also, Arohan has a unique advantage of a high Indian ownership compared to its peer group MFIs, which can be leveraged to infuse additional capital even from foreign sources. In a growing company with ongoing capital requirements, this creates a clear long term growth advantage for the company.

Customer Focus and Innovation

Arohan serves multiple client segments unlike other MFIs who currently focus on a limited client segment and treat the under-served as a homogenous segment. Arohan is the first MFI in India to design and successfully launch a micro loan product for male customers – Bazar. It is also one of the few NBFC MFI is which looks to provide a range of financial services to its customers, not just micro credit. Today Arohan offers life insurance, general insurance and pension services, in addition to micro credit to its customers. It also seeks to provide liability products to its clients. Thus, Arohan is well positioned to create competitive differentiation amounts its customers.

Experienced Management Team

Arohan's management team is both well qualified and well experienced to spearhead its growth agenda. It is the only MFI in its peer group to have such a breadth and depth of management expertise. It not only has a strong first line leadership, but also robust second and third line management. Arohan's management team has over 200 years of experience in a variety of domains including banking, microfinance, consulting, finance, insurance, HR and operations.

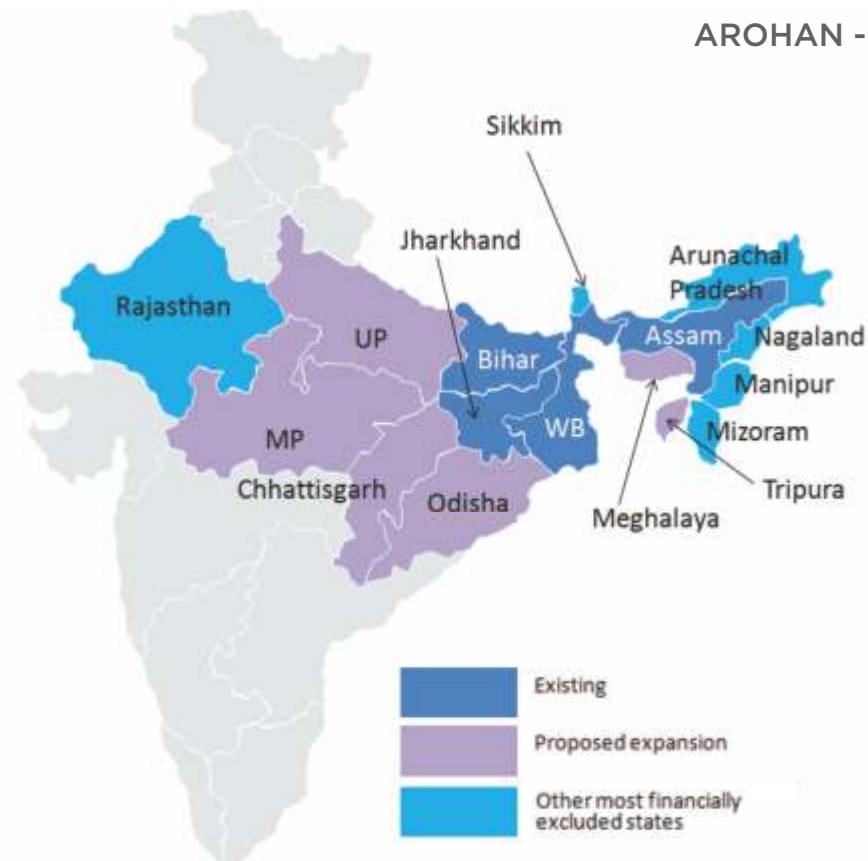
Best in Class Corporate Governance

Arohan has a 10 member Board with management, investor representatives and three very reputed Independent Directors. The Board members of Arohan bring a wide set of expertise to the table, and help steer the company effectively. The company follows best practices of corporate governance including the constitution of all required Board committees and policies, along with well-documented conduct of meetings and adherence to policies. Arohan also has robust Internal Audit and Risk Management setups, which have independent reporting to the Chair of the respective committees (headed by an Independent Director) which help the organisation to ensure process quality adherence and effectively deal with business risks.

COMPANY STRATEGY

Arohan's mission is to provide a range of financial services to its customers with a geographical focus on the 10 Low Income States (LIS) of East, North East and Central India. Arohan's strategy is to grow in both directions towards the North East, as well as, East and Central India from its flagship operations in West Bengal. This is to ensure contiguous growth and better control in operations. As of 31st March, 2015 its operations spanned West Bengal, Bihar, Assam and Jharkhand. In FY'16 it plans to enter at least one more LIS - Orissa. Arohan has a strategic focus on these 10 states as this is where more than 50% of the microfinance demand is. Moreover, its strategy is to create deeper customer relationships by offering a range of products and services so as to better serve its customers' needs and create a stable foundation for growth.

AROHAN - LIS Focus



Arohan also aims to be one of the top 10 preferred places to work in. In a dynamic business environment and an extremely high touch delivery model, Arohan places great emphasis on its human resources who form the link with the end customer.

Financial Analysis

| Particulars (INR Cr.) | March '13 | March '14 | March '15 | Growth (from FY14 to FY15) |
|-----------------------|-----------|-----------|-----------|-------------------------------|
|-----------------------|-----------|-----------|-----------|-------------------------------|

Source of Funds

| | | | | |
|---------------------|------------|------------|------------|-------------|
| Capital | 30 | 40 | 69 | 73% |
| Reserve and surplus | 12 | 27 | 69 | 155% |
| Net Worth | 42 | 67 | 138 | 106% |
| Loan Fund | 61 | 146 | 365 | 150% |
| Current Liabilities | 2 | 14 | 10 | -28% |
| Provision | 1 | 2 | 4 | 100% |
| Total | 106 | 229 | 517 | 126% |

Application of Fund

| | | | | |
|-------------------------|------------|------------|------------|-------------|
| Fixed Assets | 2 | 1 | 2 | 100% |
| Investment | 3 | 0.1 | 1 | 900% |
| Gross Loan Portfolio | 90 | 190 | 384 | 102% |
| Less: Managed Portfolio | 22 | 36 | 19 | -47% |
| Own Portfolio | 68 | 155 | 365 | 135% |
| Cash & Bank | 12 | 52 | 120 | 131% |
| Other Current Assets | 21 | 21 | 29 | 38% |
| Total | 106 | 229 | 517 | 126% |

Ratio Analysis

| | | | | |
|------------------------|--------|--------|--------|------|
| Qualifying Asset Ratio | 86.00% | 89.27% | 94.25% | 6% |
| CRAR | 51.3% | 33.49% | 35.88% | 7% |
| Margin | 9.78% | 9.57% | 9.78% | 2% |
| Debt Equity Ratio | 1.46 | 2.18 | 2.63 | 21% |
| Return On Equity | 0.19% | 4.54% | 10.06% | 122% |

Net worth: In FY 2014-15 the net worth of the Company increased by 106% - primarily on account of INR 60 Cr. of capital infusion from Tano Capital in the month of March 2015 and also due to increase in the profitability of the Company. As a result the CRAR of the Company also improved from 33.49% to 35.88% even though there was a 126% growth in the total assets of the company. The ROE of the Company also improved from 4.54% to 10.06%, representing 122% growth. If the capital infusion of INR 60 Cr., on the last day of the financial year would not have been considered, the ROE would be 15%.

Loan Funds: During the year a total of INR 381 Cr. was raised which includes NCDs of INR 101 Cr. There was not a single case of default in loan repayment and during the year a total of INR 161 Cr. was repaid to our lenders. The borrowing outstanding at the end of the year increased by 150% and the Company able to leverage its equity more effectively. Discounting the fresh capital infusion of INR 60 Cr. in the month of March 2015, the debt-equity ratio of the Company stood at 4.68 (which was 2.63 with the strengthened capital base) as on March 31st, 2015.

Current Liabilities and Provisions: Current liabilities of the Company reduced by 28% mainly as the Company had no such liability on account of securitization. Further the provisions of the Company increased mainly on account of general provisions made against incremental portfolio, per RBI's provisioning norms for NBFC MFIs

Fixed Assets and Investment: The growth in fixed assets was 100% mainly on account of branch expansion. However there was no movement in investments.

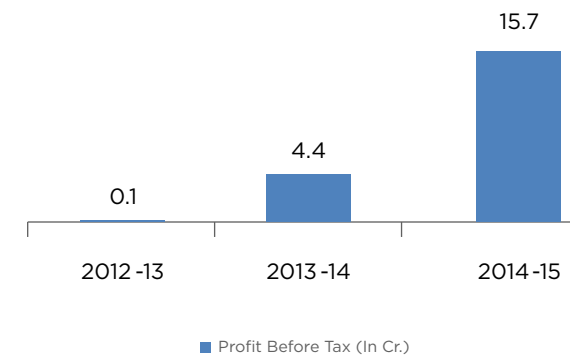
Loan Portfolio: The Gross Loan Portfolio of the Company has increased by 102%. However the growth percentage in terms of net portfolio was 136% as in FY 2014-15. The Company did not enter in any securitization deal.

Cash and Bank Balance: The cash and bank balance increased by 131% compared to the previous year. The Company could not deploy the funds that came through capital infusion as it was credited to its bank account on the last day of the financial year. Discounting the funds raised through capital infusion, the cash and bank balance growth would have been only 15%.

Other Current Assets: The growth in other current assets was 38%, mainly on account of increment of accrued interest due against loan portfolio.

| PROFIT & LOSS ACCOUNT | | | | |
|---------------------------|-------------|-------------|-------------|----------------------------|
| INR in Cr. | | | | |
| Particulars | 2012-13 | 2013-14 | 2014-15 | Growth (from FY14 to FY15) |
| INCOME | | | | |
| Revenue from Operations | 13.8 | 31.3 | 71.2 | 127% |
| Other Income | 0.7 | 2.4 | 3.4 | 40% |
| Total | 14.4 | 33.7 | 74.6 | 121% |
| EXPENSE | | | | |
| Employee Benefit Expenses | 6.3 | 8.8 | 14.4 | 64% |
| Administrative Cost | 3.4 | 5 | 6.4 | 27% |
| Financial Cost | 4.2 | 14.9 | 35.6 | 139% |
| Provision & Write Off | 0.5 | 0.7 | 2.5 | 257% |
| Total | 14.3 | 29.3 | 58.8 | 100% |
| Profit Before Tax | 0.1 | 4.4 | 15.7 | 258% |

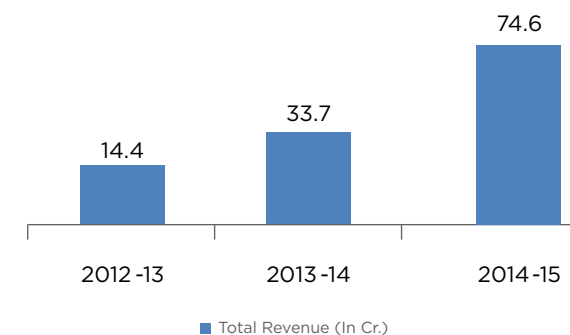
Profit Before Tax (in INR Cr.)



At the end of FY 2014-15 Company has registered a PBT (Profit Before Tax) of INR 15.7 Cr., representing 258% growth even though the growth in revenue was 121%. This gap between the growth in PBT and revenue was mainly due to improvement in operational efficiency.

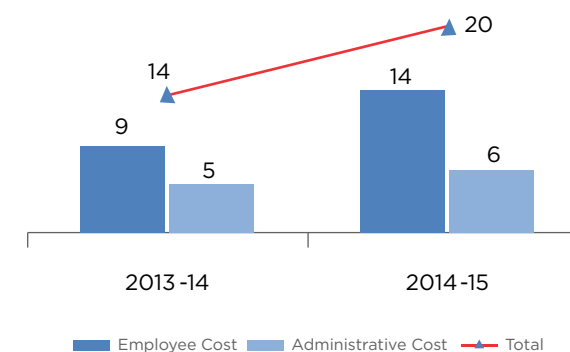
During FY 2014-15 a total of INR 510 Cr. was disbursed, as against INR 261 Cr. disbursed in FY 2013-14. The lower growth of the branches (28 new branches were opened) in comparison of disbursement growth (95%) itself indicating better and effective utilization of infrastructure. The GLP (Gross Loan Portfolio) per branch also improved from INR 2Cr. to INR 4Cr., representing 100% growth.

Total Revenue (in INR Cr.)



During FY 2014-15 the total revenue of the Company was INR 74.6 Cr. This also includes other income of INR 3 Cr. (INR 2 Cr. in FY), representing mainly interest income from collateral security. Revenue from operating activity includes interest income of INR 65 Cr. (INR 28 Cr. in FY) In comparison to the previous year the growth in revenue was 121%. However in terms of interest income the growth was 132%. The growth (42%) in non-operating income also showed a positive trend.

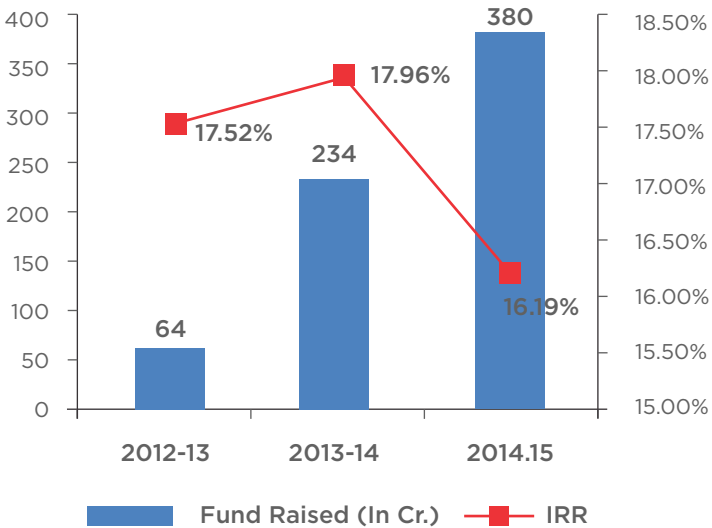
Operating Cost (In Cr.)



The employee cost, as well as, the administrative cost of the Company increased in FY 2014-15. The employee cost increased from INR 9 Cr. to INR 14 Cr., showing 64% increase where as whereas increase in administrative cost was only 28%.The ratio of incremental operating cost to the incremental revenue was just 17%, which helped the Company reduce its cost of operations. Operating cost/Asset Under Management ratios, mentioned below showed significant improvement.

| Year | 2012-13 | 2013-14 | 2014-15 |
|----------------------|---------|---------|---------|
| Operating Cost / AUM | 13.34% | 9.83% | 7.24% |

Fund Raised



In FY 2014-15 the company raised INR 380.5 Cr. fund from 26 lenders, showing 63% growth in funds raised. Further IRR (Internal Rate of Return), including the cost of collateral security, also reduced from 17.96% to 16.19%. The growth in funding and cost reduction helped the Company increase disbursement, as well as, profitability. The financial cost of the Company in terms of average borrowing outstanding also improved from 14.38% to 13.89%. The incremental financial cost (INR 20.7 Cr.) was 51% of the incremental revenue.

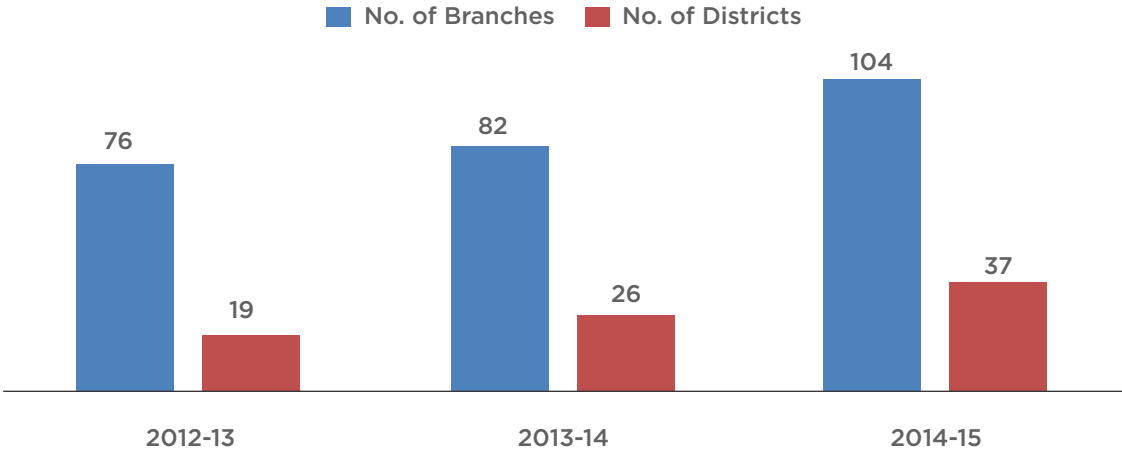
| Particulars | 2013-14 | 2014-15 |
|---|---------|---------|
| Apportionment of incremental revenue to costs | | |
| Incremental Opex/ Incremental Revenue | 22% | 17% |
| Incremental Financial Cost/Incremental Revenue | 55% | 51% |
| Incremental Provision & Write Off/Incremental Revenue | 1% | 4% |
| Apportionment of incremental revenue to profits | | |
| Incremental PBT/Incremental Revenue | 22% | 28% |
| Total | 100% | 100% |

In terms of incremental revenue, PBT increased from 22% to 28% which was possible due to savings in operating expenses, as well as, financial cost by 5% and 4% respectively.

Operational Snapshot

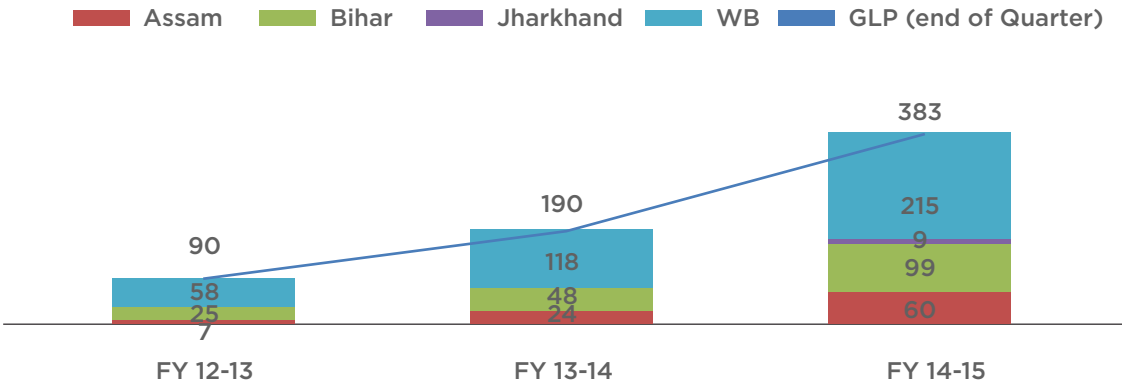
As on 31st March, Arohan had its branches spread across four states- West Bengal, Bihar, Assam and Jharkhand, with Jharkhand being the newest addition. All of these four states are in the RBI's list of underbanked states. Of the 37 districts that Arohan has its presence, 31 have been identified as underbanked districts by RBI, as shown in the chart below.

Outreach

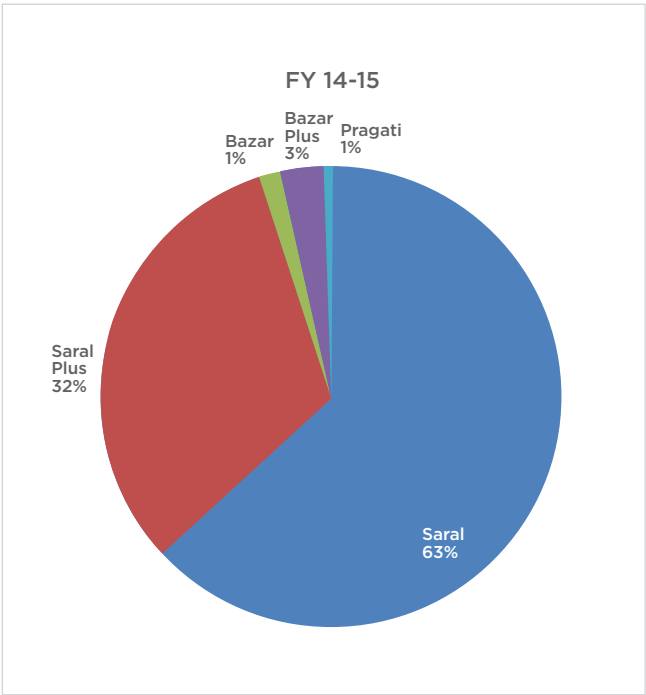
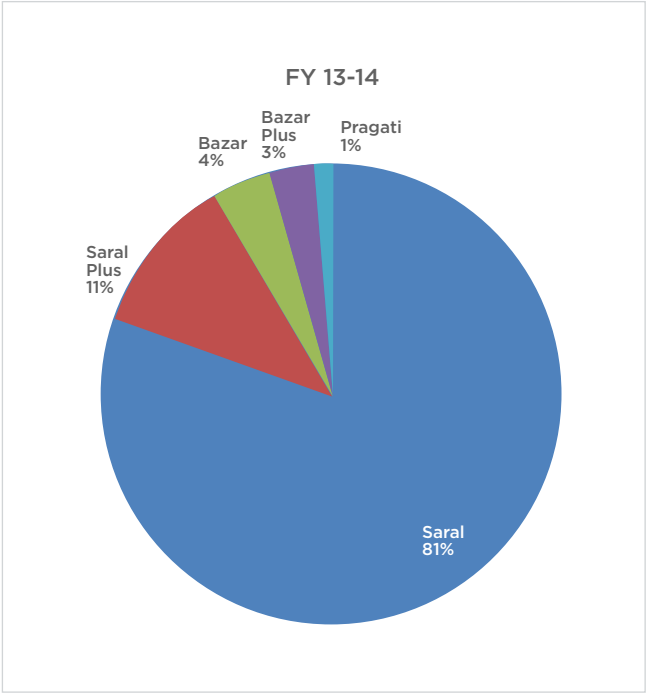
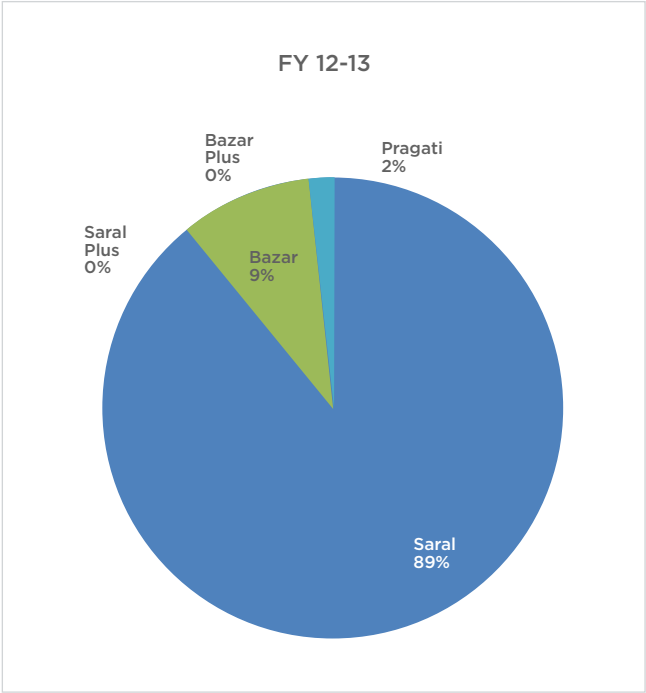


Arohan's Gross Loan Portfolio (GLP) has been more than doubling every year with y-o-y growth rate of 106% as on March 31st, 2015. In terms of size of gross loan portfolio or assets under management it ranks 20th in the MFIs in India. Over the last few years, the share of West Bengal in the overall portfolio has come down from 64% to 56% and is set to go down further, as Arohan diversifies into new states and geographies, as shown in the chart below.

Gross Loan Portfolio



1. The share of Plus loans (ticket sizes between INR20,000 to INR30,000) has gone up steadily over the last couple of years and is now at 35%. Plus loans are available only to the graduate customers of Arohan who have had at least one cycle of loan from Arohan and have well-established business activity. Also, share of Pragati came down a bit due to product and process reengineering affected in the product during Q2 & Q3.
2. This year also saw Arohan entering into a Business Correspondent (BC) partnership with IndusInd Bank Ltd (IBL). Arohan built a portfolio of INR18.7 Crores for IBL sourced through 7 of its branches in Assam.

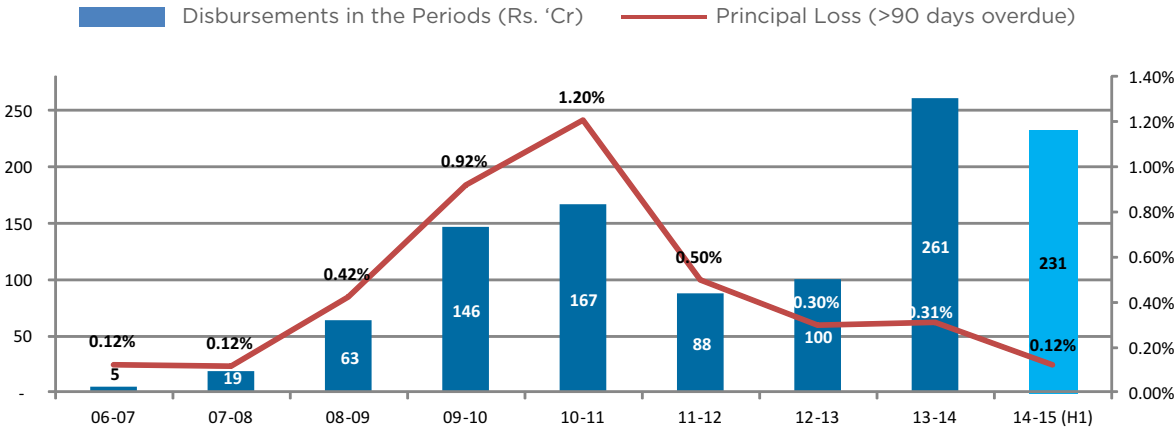


Arohan launched a partnership with Future Generali in March 2015. On behalf of Future Generali, Arohan offers its customers insurance products to cover the risks associated with loss of income due to hospitalisation, and events such as burglary and fire in the shop, for its customers. Most of Arohan customers work in the informal sector. To secure them against the financial insecurity associated with old age, Arohan, in partnership with IFMR Rural Finance offers them NPS-Sawalamban.

| Arohan | Units | FY 12-13 | FY 13-14 | FY 14-15 |
|----------------------------|-------|----------|----------|----------|
| Non-Credit | | | | |
| Pensions subscriptions | # | 543 | 372 | 940 |
| Life Insurance Policies | # | 222 | 2387 | 435 |
| General Insurance Policies | # | NA | NA | 63 |

The portfolio quality as measured by PAR 90 (sum of the outstanding principal of all loans past due for more than 90 days) has improved consistently over the last 3 years.

| Arohan | Units | FY 12-13 | FY 13-14 | FY 14-15 |
|-------------------|---------------|----------|----------|----------|
| Portfolio Quality | | | | |
| PAR 90 Value | in INR Crores | 0.60 | 0.71 | 1.10 |
| PAR 90 | % | 0.66% | 0.37% | 0.29% |



The loan loss ratio for a year as measured by principal due for more than 90 days for loans disbursed in that year, has shown a positive trend for Arohan since FY 10-11, as shown in the chart above.

*These loan loss ratios are indicative, as observed so far.

The productivity ratios are close to the industry average. In FY '15 productivity of the company in terms of customers per CSR is lower due to rapid expansion of its branch network in the second half of the financial year, and consequent ramp up of new branches.

| Productivity | Units | FY 12-13 | FY 13-14 | FY 14-15 |
|----------------------|------------|----------|----------|----------|
| Customers per CSR | # | 326 | 605 | 561 |
| Customers per branch | # | 1,496 | 2,679 | 3,085 |
| GLP per CSR | in INR Cr. | 0.3 | 0.5 | 0.7 |
| GLP per branch | in INR Cr. | 1.2 | 2.3 | 3.7 |

Human Resource Management

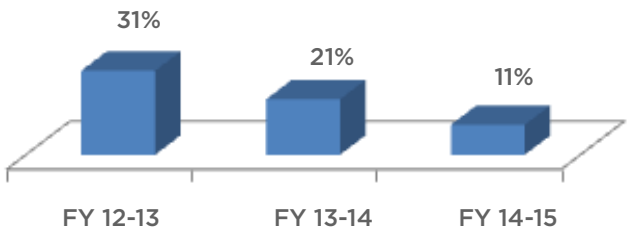
Arohan is committed to creating a workplace where employees find job stability, fair treatment, rewards and recognition for high performance and a conducive working environment. Arohan treats all its employees with respect and dignity- regardless of cultural, ethnic or gender differences. On this basis, a comprehensive and employee friendly Human Resources Policy and Systems has been developed.

Arohan has increased its manpower strength by 63% in the last year. 75% of the recruitment happened at the field level in line with branch expansion. 666 staff recruitments were conducted.

| Productivity | FY 12-13 | FY 13-14 | FY 14-15 |
|-----------------|----------|----------|----------|
| Field Staff | 436 | 461 | 702 |
| Non Field Staff | 75 | 79 | 178 |
| Total | 511 | 540 | 880 |

Attrition levels reduced significantly by 10%, in FY '15 in a steadily improving trend for the company.

Attrition Trend



Note: The above data is a reflection of the number of confirmed employees leaving the organization. The Attrition Rate is calculated as:-Employee left in a year / (Employee Strength at the start of the year + no. of joining in the year)

Internal Audit

Arohan has an independent 'Internal Audit' department which is responsible for the audit of operations, as well as, other support functions like Accounts, IT, Admin etc. In order to maintain independence, the Head of the Internal Audit department directly reports to the Chairman of the Audit committee, who is an Independent Director.

To understand the compliance and adherence to laid down policies, branches and other support functions are audited on a regular basis. Each branch is audited at least once a quarter and each support function is audited at least once in six months.

| Summery of audit activities | 2012-13 | 2013-14 | 2014-15 |
|---------------------------------------|---------|---------|---------|
| Branches covered | 63 | 73 | 96 |
| Number of branches audited | 256 | 292 | 380 |
| Number of customers contacted | 4473 | 9907 | 18429 |
| Number of centers visited | 2022 | 2728 | 4169 |
| Audit sample in terms of disbursement | 4.74% | 5.52% | 6.03% |

In addition to checking loan documents and other relevant documents, the Internal Audit department of the company also focuses on independent customer contact. During 2014-15 6% of the accounts disbursed were covered.

Formal reporting is done each quarter to the audit committee. Summary of the audit observations along with management's comments and corrective measures are discussed in this meeting.

Risk Management

Arohan set up a Risk Management function this year, with support from International Finance Corporation (IFC). The head of the risk management function reports independently to the Risk Management Committee of the Board, which is headed by an Independent Director. The Risk Management Committee reviews the various risk aspects for the organization on a quarterly basis.

The risk management process and framework is being continuously improved within the organization. The identification and analysis of risks has been a key agenda. In this context five key risk areas – corporate level risk, credit risk, liquidity risk, market risk and operational risk have been focused on. Analysis commensurate to the size of the company has been carried out to ensure effective risk management.

A summary of the key activities undertaken by the company for risk management are as follows:

Building a Risk Culture

40 workshops at various levels have been undertaken in order to build a risk culture in the organization. It has been made an integral part of the induction program of the organization. All new personnel joining the organization have to undergo induction and are introduced to the concepts of risk management.

Setting and monitoring Risk Limits

Risk limits have been set for the various support functions of the organization; the same have been approved by the Risk Committee and Core Management Committee and implemented. These risk limits are monitored on a regular basis by the Risk Management Committee during the quarterly reviews. The company had a total of 61 risk limits at the beginning of FY 15, to which 10 more risk limits were added in Q3 FY '16, in an effort to bring in greater control.

Risk grading of the operational branches

All the operational branches above 3 months of operation undergo risk assessment and are assigned a risk grade. The grading is against a five point scale and covers the operational risk and credit risk arising at the branch level. Risk grading of branches commenced in Q2 FY 15.

| | Q2 FY 15 | Q3 FY 15 | Q4 FY 15 |
|---------------------------|----------|----------|----------|
| Number of Branches Graded | 73 | 84 | 94 |

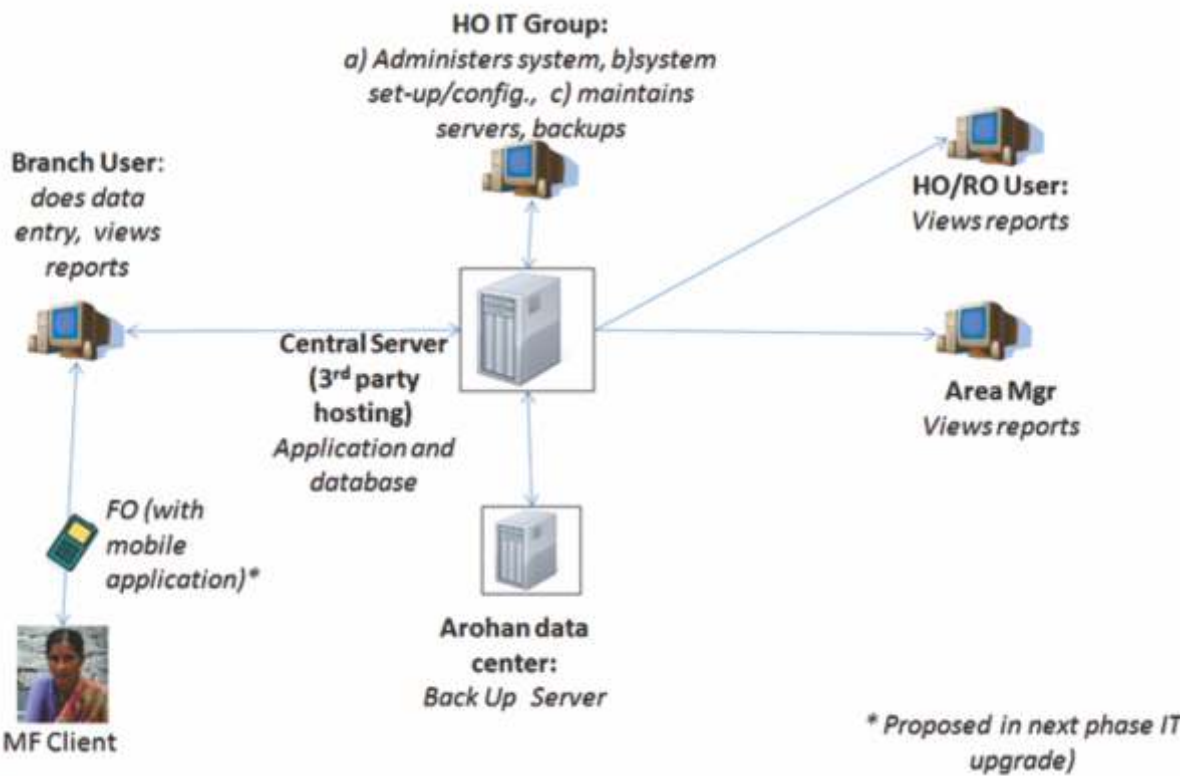
Every quarter reporting on the organization’s adherence to defined risk limits, risk grading of various branches, and overall risk outlook for the organization is shared with the Risk Management Committee of the Board.

Technology

Information and Communications Technology is a critical component in Arohan’s current operations and growth plans.

Arohan’s key operating system is a web based core banking solution customised to Arohan’s requirement – widely used by co-operative banks in India and overseas. It is an end to end system with an integrated accounting module, which is currently being implemented by the company. It also provides Arohan’s branches with real-time connectivity to the central server, as well as, all levels of management access to the central server, thereby improving supervision, control and decision making.

Arohan’s Centralized IT infrastructure



The LMS is being hosted in an external server by Net Tech in Mumbai. The DR is hosted remotely in a Tier III location. The remaining applications are housed in a local data center.

Corporate Social Responsibility (CSR)

Arohan formally adopted a Corporate Social Responsibility (hereinafter referred to as CSR) policy in FY 2014-15. Per its CSR policy, Arohan aims to further the socio-economic welfare of under-served communities in the areas of its operations through various CSR initiatives.

In the financial inclusion space, there is tremendous potential for leveraging the customer interface for livelihood creation and capability generating schemes. Arohan would build on this interface with the poorer sections of the society for furthering their welfare. These programmes are independent of the normal conduct of business and are not viewed as business propositions by Arohan. In alignment to Arohan's mission to empower the underserved, we see CSR as an opportunity to further extend help to the underserved in the larger community through the provision of non-financial, non-profit based assistance.

In line with its CSR policy, Arohan will look to benefit the society by focusing on two aspects of human development namely, Health and Education.

Arohan will be focusing on the key development indicators as enumerated in the Human Development Index concept conceived by the United Nations Development Programme. The three key indicators in this regard are - 1) Education (As measured by the Literacy Rate) 2) Health (As measured by Life Expectancy and other mortality and vitality statistics) and 3) Per Capita Income. As part of the CSR programme, Arohan will be focusing on two aspects of human development viz. Health and Education.

Other programmes like disaster intervention and mitigation will also be undertaken under certain

circumstances like floods, famine, earthquakes, fires, cyclones, landslides, epidemics, terror attacks and some such disasters, where we aim to provide basic utilities such as food, shelter, clothing, water, medicines to their families free of cost.

In every Financial Year, Arohan will comply with Section 135 of the Companies Act, 2013. In accordance with the Act, Arohan will set apart a minimum of at least 2% of its average net profit in the immediately preceding three financial years. Net Profit will be defined as per Section 198 of the Companies Act, 2013. The expenditure will be decided and put forward to the Board annually and a half-yearly review will be conducted. The surplus arising from CSR activities will not form part of Arohan's business profit.

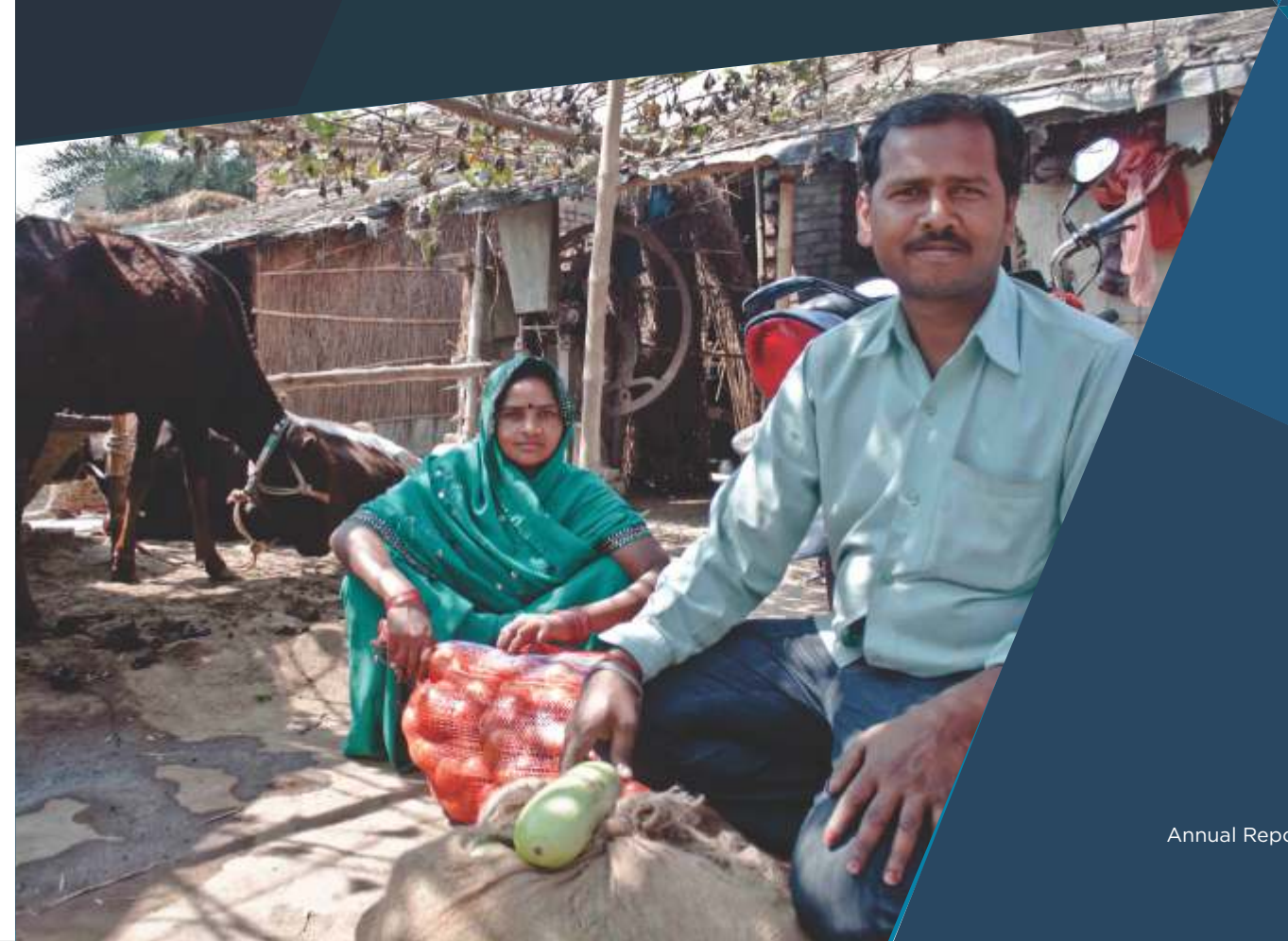
The CSR committee is responsible for monitoring the approved CSR program. The committee meets every quarter to review progress and make recommendations.

In 2015-16 Arohan plans to launch its CSR initiative in West Bengal and Bihar. In West Bengal the organization will look at providing supplementary education for under privileged youth. For this initiative, Arohan will look at suitable partners who will work in its areas of operation to provide quality skill education to youth, which can result in livelihood creation.

In Bihar, Arohan will focus on sanitation. The sanitation initiative will focus on generating awareness on safer sanitation, with a special focus on women.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31st March 2015



INDEPENDENT AUDITOR'S REPORT

To the Members of Arohan Financial Services Private Limited

Report on the financial statements

01. We have audited the accompanying financial statements of Arohan Financial Services Private Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

03. Our responsibility is to express an opinion on these financial statements based on our audit.
04. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
05. We conducted our audit in accordance with the Standards of Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
06. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
07. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

08. 8.In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

09. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
10. As required by Section 143(3) of the Act, we report that:
- we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - the financial statements dealt with by this report are in agreement with the books of account; in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
 - on the basis of written representations received from the directors as on 31 March 2015 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2015 from being appointed as a director in terms of Section 164(2) of the Act; and
 - f.with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

1. as detailed in Note 32(a) to the financial statements, the Company has disclosed the impact of pending litigations on its financial position;

2. the Company did not have any long-term contracts including derivatives contract for which there were any material foreseeable losses; and

3. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

per Sanjay Kumar Jain
Partner
Membership No.: 207660

Place: Hyderabad
Date: 15 May 2015

Annexure to the Independent Auditor's Report of even date to the members of Arohan Financial Services Private Limited, on the financial statements for the year ended 31 March 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

01. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
02. The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
03. The Company has granted interest free unsecured loan to one party covered in the register maintained under Section 189 of the Act; and with respect to the same:

(a) The principal amount is not due for repayment currently; and

(b) There is no overdue amount in respect of loans granted to such party.
04. Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 3(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
05. The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
06. To the best of our knowledge and belief, the Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
07. (a) The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amount payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess on account of any dispute, are as follows:

| Name of the statute | Nature of dues | Amount | Amount Paid Under Protest | Period to which the amount relates | Forum where dispute is pending |
|--------------------------|----------------|-----------|---------------------------|------------------------------------|---|
| The Income Tax Act, 1961 | Income Tax | 1,086,500 | 1,086,500 | 2010-11 | Commissioner of Income Tax (Appeals), Kolkata |

(c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder. Accordingly, the provisions of clause 3(vii)© of the Order are not applicable.

08. In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
09. In our opinion, the Company has not defaulted in repayment of dues to any financial institution or a bank or to debenture-holders during the year.
10. The Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 3(x) of the Order are not applicable.
11. In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
12. According to the information and explanations given to us, no fraud on or by the Company causing a material misstatement in the financial statement, has been noticed or reported during the year, except for four incidents of cash embezzlement by customer service representatives amounting to ₹936,721 for which the Company has been able to recover ₹275,992 from such representative and claimed and received compensation from the insurance company to the extent of ₹405,054. Services of such customer service representatives have been terminated and their final settlements withheld.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm Registration No.: 001076N/N500013

per Sanjay Kumar Jain
Partner
Membership No.: 207660

Place: Hyderabad
Date: 15 May 2015

Auditors Report

(Pursuant to the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008)

To
The Board of Directors
Arohan Financial Services Private Limited
PTI Building, 4th Floor
DP-9, Sector V, Salt Lake
Kolkata - 700 091

- 01.** We have audited the accompanying financial statements of Arohan Financial Services Private Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2015, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information and have issued an unqualified opinion vide our report dated 15 May 2015.
- 02.** As required by the paragraphs 3 and 4 of Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, issued by the Reserve Bank of India ("the RBI") vide Notification No. DNBS. 201/DG(VL)-2008 dated 18 September 2008 (amended from time to time) and based on our audit, we report on the matters specified in paragraphs 3 and 4 of the said directions:

(a) The Company is engaged in the business of Non-Banking Financial Institution (without accepting or holding public deposits) and pursuant to the provisions of Section 45(1A) of the Reserve Bank of India Act, 1934 (as amended) it has obtained a certificate of registration vide certificate no. B.05.02932 dated 8 July 2009.

(b) In our opinion, and in terms of the Company's assets and income pattern for the year ended and as at 31 March 2015, the Company is entitled to continue to hold the certificate of registration issued by the RBI.

(c) The Company is not an asset finance company as defined under the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

(d) In our opinion, during the year ended 31 March 2015, the Company has complied with the criteria set forth by the RBI in the Notification 'Non-Banking Financial Company- Micro Finance Institutions (Reserve Bank) Directions, 2011' dated 2 December 2011, as amended, for classification of a non-banking Financial Company as Non-Banking Financial Company-Micro Finance Institution.

(e) The board of directors of the Company in their meeting held on 29 April 2014 has passed a resolution for non-acceptance of any public deposits during the year ended 31 March 2015.

(f) The Company has not accepted any public deposits during the year ended 31 March 2015.

(g) In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the prudential norms issued by the RBI in relation to recognition of income, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it in terms of the Non-Systematically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.

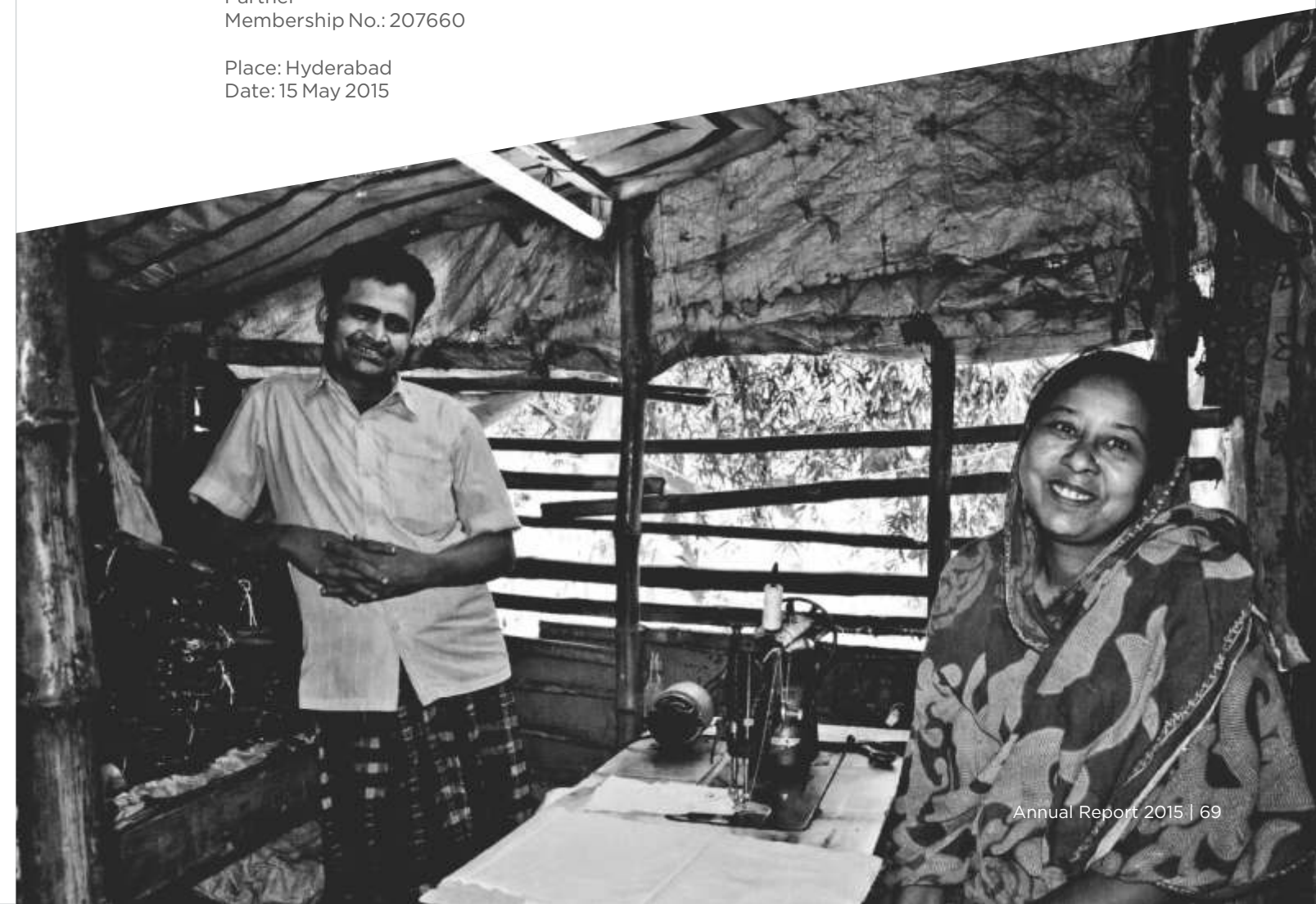
(h) As of the date of our report, the Company has not submitted annual return with the RBI in form NBS- 7 for the financial year ended 31 March 2015. However, based on our examination of the computation of the capital adequacy ratio, we report that the Company has complied with the capital to risk asset norm for the year ended 31 March 2015. Further, the capital adequacy ratio as at 31 March 2014 as disclosed in the annual return submitted to the Bank in form NBS - 7, had carried certain incorrect computation. The recomputed capital adequacy ratio as at 31 March 2014 is yet to be filed with the RBI.

(i) As per the information furnished to us, the Company has electronically furnished the annual statement of capital funds, risk assets/exposures and risk asset ratio (NBS-7) with the RBI on 17 April 2014.

For Walker Chandio & Co LLP
Chartered Accountants
Firm Registration No: 001076N/N500013

per Sanjay Kumar Jain
Partner
Membership No.: 207660

Place: Hyderabad
Date: 15 May 2015



AROHAN FINANCIAL SERVICES PRIVATE LIMITED SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER INFORMATION (ALL AMOUNTS IN ₹ UNLESS OTHERWISE STATED)

01. Company Overview

Arohan Financial Services Private Limited (“the Company” or “Arohan”) is a company domiciled in India and registered under the provisions of the Companies Act, 1956 (“the Act”). The Company has been registered as a Non-Banking Financial Company (“NBFC”) with the Reserve Bank of India (“the RBI”) from 8 July 2009 and pursuant to the notification issued by the RBI for classification of NBFCs as Non-Banking Finance Company – Micro Finance Institutions (“NBFC-MFI”), the Company’s application for registration as an NBFC-MFI was approved by the RBI on 10 January 2014.

As a NBFC-MFI with headquarters in Kolkata, Arohan operates in the low income states such as Bihar, Jharkhand, Assam and West Bengal. The Company is primarily engaged in providing the livelihood promotion services such as micro-credit to socio-economically disadvantaged customers un-reached by the formal banking systems and other allied services such as distribution of insurance and pension products.

| Description* | Saral Loan | Bazaar Loan | Pragati Loan | Saral Plus Loan | Bazaar Plus Loan |
|---------------------|---|--|--|---|---|
| Launch Date | April 2006 | April 2008 | October 2010 | August 2013 | August 2013 |
| Launch Date | 3-5 member JLGs who undergo 2 days of training prior to loan sanction | 3-5 member JLGs who undergo two days of meeting prior to loan sanction | Individual clients involved in manufacturing within the age group of 21-50 years and employing at least 3 wage laborers. | Individual Loans for people who have prior credit history with Arohan | Individual Loans for people who have prior credit history with Arohan |
| Launch Size | ₹10,000 to ₹15,000 | ₹10,000 to ₹15,000 | ₹50,000 to ₹500,000 | ₹20,000 to ₹35,000 | ₹20,000 to ₹35,000 |
| Repayment Frequency | Monthly | Monthly | Monthly | Monthly | Monthly |
| Loan Tenure | 12 Months | 12 Months | 12-36 Months | 24 Months | 24 Months |

02. Basis of preparation

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India (“Indian GAAP”) and comply in all material respects with the mandatory Accounting Standards (“AS”) prescribed under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), and with the relevant provisions of the Act, pronouncements of the Institute of Chartered Accountants of India (“ICAI”) and guidelines issued by the RBI as applicable to non-banking financial company. The financial statements have been prepared on an accrual basis except for interest on non-performing loan assets which is accounted on cash basis based on the guidelines issued by the RBI from time to time. The accounting policies applied by the Company are consistent with those used in the prior period.

All assets and liabilities have been classified as current or non-current as per the Company’s normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of work, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

03. Significant accounting policies

(a) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes, classification of assets and liabilities into current and non-current and the useful lives of fixed assets.

Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(b) Fixed assets – Tangible assets

Fixed assets are stated at cost, net of depreciation. The cost of an asset comprises its purchase price and any cost directly attributable for bringing the asset to its working condition and location for its intended use.

(c) Depreciation

Depreciation on all tangible assets is provided on straight line method over the useful lives of assets prescribed under Schedule II of the Act. In respect of additions, depreciation is provided on pro-rata basis from the date of acquisition/installation. Written down value of all assets acquired prior to 1st April 2014 are being depreciated over their remaining useful life as prescribed in Schedule II of the Act.

(d) Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortization. Computer software expenditure is amortized over a period of 5 years on straight line method.

(e) Investments

Investments that are readily realizable and intended to be held for not more than a year and current maturities of long-term investments are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of the long-term investments.

(f) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

- Interest on loans is recognized on accrual basis, except in the case of Non-Performing Assets (“NPAs”), where interest is recognized upon realization, in accordance with the directives of the Non-Systematically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.
- Grants are recognized where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and where such benefits have been earned by the enterprise and it is reasonably certain that the ultimate collection will be made.
- Loan processing fees income is recognized over the period of the loan.
- Interest income on deposits with banks is recognized in time proportion basis taking into account the amount outstanding and the rate applicable.
- **Securitization and direct assignment of loan portfolio**
Premium arising on securitization /direct assignment of assets is recognized over the tenure of the agreement, loss if any arising from assignment/ securitization is immediately charged off and Loan processing fee on securitized portfolio is recognized up front as per the guidelines on securitization of standard assets issued by the RBI.

(g) Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(h) Asset classification and provisioning

Loan asset classification of the Company is given in the table below:

| Particulars | Criteria |
|-----------------------|--|
| Standard asset | The asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business |
| Non-performaing asset | An asset for which, interest/principal payment has remained overdue for a period of 90 days or more |

Provision for loan portfolio

Provision for loan portfolio has been made in accordance with the provisioning requirements for NBFC-MFI issued by the RBI vide its circular no. DNBS.(PD) CC.No.395/03.10.038/2014-15 dated 1 July 2014, which requires the minimum provision to be higher of (i) 1% of the outstanding loan portfolio or (ii) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

Loans write off

Under the following circumstances, loans are written off:

- Under extra-ordinary circumstances such as the death of a customer who has not received life insurance coverage or his/her spouse and/or any other incident where in the opinion of the management, the loan amount is not recoverable.
- Where the balance outstanding at the time of closure of loan is insignificant and in the opinion of the management, the cost of collection is not economically viable.
- All loss assets as identified in terms of Directions issued by Non-Systematically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.

(l) Earning per equity share

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

(j) Employee benefits**PROVIDENT FUND**

The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the eligible employees. There are no other obligations of the Company other than the contributions made to the funds.

GRATUITY AND LEAVE ENCASHMENT

Gratuity and Leave encashment is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the statement of profit and loss in the period in which such gains or losses arises.

EMPLOYEE STATE INSURANCE

The Company contributes to the Employees State Insurance Fund maintained by the state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognized as an expense on accrual basis. There are no other obligations of the Company other than the contributions made to the funds.

EMPLOYEE SHARE BASED PAYMENTS

Recognition, measurement and disclosures relating to employee stock compensation is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments ("the Guidance Note"), issued by the ICAI. The Company uses intrinsic value method for the purposes of measurement of compensation cost and the fair value method for the purposes of additional disclosures in the financial statements. An independent valuer determines the intrinsic value of the underlying shares as on the date of the grant and compensation expenses, where applicable, are recognized as deferred employee stock compensation and is charged to statement of profit and loss using the straight line method over the vesting period.

(k) Provision and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. A disclosure of the contingent liability is made when there is a possible or a present obligation that may, but probably will not, require an outflow of resources.

(l) Transaction in foreign currency

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction. Foreign currency monetary items are reported using the year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(m) Borrowing costs

Interest on borrowing is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowing. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortized over the tenure of the respective borrowings. An unamortized borrowing cost remaining, if any, is fully expensed off as and when the related borrowing is prepaid /cancelled.

(n) Cash and cash equivalent

Cash and cash equivalents comprise cash and deposit with banks. The Company considers all highly liquid investments with a remaining maturity at the date of purchase of three months or less and that are readily convertible into known amounts of cash to be cash equivalents.

(o) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of non-cash nature, any deferrals, or accruals of past or future operating cash receipts or payments and item of expenses associated with investing or financing cash flows. The cash flows from operating, investing and financing activities of the Company are segregated.

Arohan Financial Services Private Limited**Balance Sheet as at 31 March 2015**

(All amounts in ₹ unless otherwise stated)

| | Notes | 31 March 2015 | 31 March 2014 |
|--------------------------------|-------|-----------------------------|-----------------------------|
| Equity and liabilities | | | |
| <i>Shareholders' funds</i> | | | |
| Share capital | 4 | 691,646,830 | 406,745,500 |
| Reserves and surplus | 5 | 688,790,701 | 266,714,423 |
| | | <u>1,380,437,531</u> | <u>673,459,923</u> |
| <i>Non-current liabilities</i> | | | |
| Long-term borrowings | 6 | 1,194,323,673 | 338,688,030 |
| Long-term provisions | 9 | 3,650,660 | - |
| | | <u>1,197,974,333</u> | <u>338,688,030</u> |
| <i>Current liabilities</i> | | | |
| Short-term borrowings | 6 | 18,589,971 | 111,507,630 |
| Trade payables | 7 | 4,803,785 | 1,176,100 |
| Other current liabilities | 8 | 2,535,985,077 | 1,150,790,774 |
| Short-term provisions | 9 | 36,779,262 | 17,531,009 |
| | | <u>2,596,158,095</u> | <u>1,281,005,513</u> |
| Total | | <u>5,174,569,959</u> | <u>2,293,153,466</u> |
| Assets | | | |
| <i>Non-current assets</i> | | | |
| Fixed assets | | | |
| Tangible assets | 11 | 10,292,367 | 6,741,008 |
| Intangible assets | 12 | 4,963,608 | 4,995,516 |
| Capital work-in-progress | | 1,915,000 | 1,415,000 |
| Non-current investments | 13 | 500,000 | 500,000 |
| Deferred tax assets (net) | 14 | 13,110,506 | 4,924,394 |
| Loan to customers | 15 | 490,991,941 | 149,842,439 |
| Long-term loans and advances | 16 | 16,040,646 | 17,294,977 |
| Other non-current assets | 17 | 131,006,970 | 79,911,489 |
| | | <u>668,821,038</u> | <u>265,624,823</u> |
| <i>Current assets</i> | | | |
| Current investments | 13 | 10,600,000 | - |
| Cash and bank balances | 18 | 1,204,988,886 | 520,559,151 |
| Loan to customers | 15 | 3,154,360,641 | 1,396,360,933 |
| Short-term loans and advances | 16 | 85,849,671 | 89,805,560 |
| Other current assets | 19 | 49,949,723 | 20,802,999 |
| | | <u>4,505,748,921</u> | <u>2,027,528,643</u> |
| Total | | <u>5,174,569,959</u> | <u>2,293,153,466</u> |

Notes 1 to 39 form an integral part of these financial statements

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

For **Walker Chandiok & Co LLP**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 15 May 2015

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

Manoj Kumar Nambiar
Managing Director

Vanita Mundhra
Company Secretary

Place: Kolkata
Date: 15 May 2015

Shubhankar Sengupta
Director

Amit Kumar Dutta
Chief Financial Officer

Arohan Financial Services Private Limited**Statement of Profit and Loss for the year ended 31 March 2015**

(All amounts in ₹ unless otherwise stated)

| | Notes | 31 March 2015 | 31 March 2014 |
|--|-------|--------------------|--------------------|
| Revenue | | | |
| Revenue from operations | 20 | 711,871,586 | 323,234,210 |
| Other income | 21 | 33,705,088 | 24,059,672 |
| Total revenue | | 745,576,674 | 347,293,882 |
| Expenses | | | |
| Employee benefit expenses | 22 | 143,775,772 | 87,582,286 |
| Finance costs | 23 | 355,619,134 | 148,502,709 |
| Depreciation and amortisation expense | 24 | 3,896,690 | 3,872,323 |
| Provision for loan portfolio | 25 | 20,991,492 | 9,349,036 |
| Other expenses | 26 | 63,767,122 | 50,385,756 |
| Total expenses | | 588,050,210 | 299,692,110 |
| Profit before exceptional items and tax | | 157,526,464 | 47,601,772 |
| Less: Exceptional item | | - | 3,551,483 |
| Profit before tax | | 157,526,464 | 44,050,289 |
| Tax expense | | | |
| Current tax | | 56,649,562 | 18,352,378 |
| Tax for earlier periods | | 89,132 | - |
| Deferred tax | | (8,186,112) | (4,924,394) |
| Profit for the year | | 108,973,882 | 30,622,305 |
| Earnings per equity share [EPES] | | | |
| Nominal value per share | 34 | 10 | 10 |
| Basic | | 2.62 | 0.85 |
| Diluted | | 2.60 | 0.85 |

Notes 1 to 39 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 Chandiok & Co LLP**
Chartered AccountantsFor and on behalf of Board of Directors of
Arohan Financial Services Private Limitedper **Sanjay Kumar Jain**
Partner**Manoj Kumar Nambiar**
Managing Director**Shubhankar Sengupta**
Director**Vanita Mundhra**
Company Secretary**Amit Kumar Dutta**
Chief Financial OfficerPlace: Hyderabad
Date: 15 May 2015Place: Kolkata
Date: 15 May 2015**Arohan Financial Services Private Limited****Cash Flow Statement for the year ended 31 March 2015**

(All amounts in ₹ unless otherwise stated)

| | 31 March 2015 | 31 March 2014 |
|---|--------------------------|----------------------|
| Cash flows from operating activities | | |
| Profit before tax | 157,526,464 | 44,050,289 |
| Adjustments : | | |
| Depreciation and amortisation | 3,896,690 | 3,872,323 |
| Provision for non-performing assets | 20,991,492 | 12,900,519 |
| Provision for securitized portfolio, net | (1,304,367) | 550,746 |
| Provision for bonus | - | 764,609 |
| Provision for doubtful advances | 325,198 | 2,139,754 |
| Loan assets written-off | 3,001,598 | 2,600,435 |
| Provision no longer required, written back | (94,315) | - |
| Employee stock option compensation | 792,870 | 2,660,040 |
| Gain on sale of investments | (7,467,034) | (5,642,224) |
| Dividend income from current investments | (410,158) | - |
| (Gain) / loss on sale of assets | 75,903 | (14,686) |
| Operating profit before working capital changes | 177,334,341 | 63,881,805 |
| Increase in loans to customers | (2,097,672,641) | (862,141,925) |
| (Increase) / decrease in long-term loans and advances | 2,323,663 | (1,725,974) |
| Decrease in short-term loans and advances | 2,212,075 | 57,986,273 |
| Increase in other non-current assets | (51,095,481) | (12,395,545) |
| Increase in other current assets | (29,146,724) | (11,353,178) |
| Increase in trade payables | 3,627,685 | 1,023,430 |
| Increase / (decrease) in other current liabilities | (38,837,050) | 110,925,526 |
| Cash used in operating activities | (2,031,254,132) | (653,799,588) |
| Income taxes paid | (57,799,416) | (19,361,653) |
| Net cash used in operating activities | A (2,089,053,548) | (673,161,241) |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (7,515,171) | (1,092,712) |
| Purchase of intangible assets | (1,438,687) | (1,432,269) |
| Proceeds from sale of tangible fixed assets | 57,590 | 28,935 |
| Purchase of current investments | (2,556,286,461) | - |
| Proceeds from sale of investments | 2,553,563,653 | 33,223,763 |
| Increase in other bank balances and restricted deposits | (55,308,750) | (173,089,318) |
| Net cash used in investing activities | B (66,927,826) | (142,361,601) |

| | | | |
|---|-----------------|----------------------|----------------------|
| Cash flows from financing activities | | | |
| Proceeds from issue of equity shares | 315,208,608 | 220,994,282 | |
| Proceeds from issue of preference shares | 300,000,000 | - | |
| Share issue expenses | (16,855,587) | (1,078,729) | |
| Proceeds from long-term borrowings | 3,790,479,954 | 1,709,000,000 | |
| Repayment of long-term borrowings | (1,510,812,957) | (931,183,606) | |
| Proceeds from short-term borrowings | 11,902,000 | 75,857,630 | |
| Repayment of short-term borrowings | (108,408,630) | - | |
| Proceeds / (repayments) from working capital facilities (net) | 3,588,971 | - | |
| Net cash from financing activities | C | 2,785,102,359 | 1,073,589,577 |
| Net increase in cash and cash equivalents (A+B+C) | | | |
| Cash and cash equivalents as at the beginning of the year | | 629,120,985 | 258,066,735 |
| Cash and cash equivalents as at the end of the year (refer note 1) | | 368,083,626 | 110,016,891 |
| Note 1: | | | |
| Cash and bank balances as per Note 18 | | 1,204,988,886 | 520,559,151 |
| Less: Other bank balance | | 207,784,275 | 152,475,525 |
| Cash and cash equivalents considered for cash flow | | 997,204,611 | 368,083,626 |
| Note 2: Interest paid | | | |
| | | 300,084,626 | 125,970,667 |
| Note 3: Interest received on loans to customers | | | |
| | | 618,728,865 | 268,484,599 |
| Note 4: Interest received on fixed deposits | | | |
| | | 22,274,589 | 5,081,404 |

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

| | | |
|--|--|--|
| For Walker Chandiok & Co LLP Chartered Accountants | For and on behalf of Board of Directors of Arohan Financial Services Private Limited | |
| per Sanjay Kumar Jain Partner | Manoj Kumar Nambiar Managing Director | Shubhankar Sengupta Director |
| | Vanita Mundhra Company Secretary | Amit Kumar Dutta Chief Financial Officer |
| Place: Hyderabad Date: 15 May 2015 | Place: Kolkata Date: 15 May 2015 | |

Arohan Financial Services Private Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

| | 31 March 2015 | | 31 March 2014 | |
|--|-------------------|--------------------|-------------------|--------------------|
| | Number | Amounts | Number | Amounts |
| 4 Share capital | | | | |
| Authorised share capital | | | | |
| ₹10 each Equity shares of | 52,070,470 | 520,704,700 | 45,000,000 | 450,000,000 |
| 0.001% Compulsorily convertible preference shares of ₹ 20/- each | 9,176,660 | 183,533,200 | - | - |
| | | 704,237,900 | | 450,000,000 |
| Issued, subscribed and fully paid up | | | | |
| ₹10 each Equity shares of | 51,602,263 | 516,022,630 | 41,495,450 | 414,954,500 |
| Less: Amount recoverable from the trust [Refer (h) below] | (790,900) | (7,909,000) | (820,900) | (8,209,000) |
| 0.001% Compulsorily convertible preference shares of ₹ 20/- each | 9,176,660 | 183,533,200 | - | - |
| | | 691,646,830 | | 406,745,500 |

| | | | | |
|---|-------------------|--------------------|-------------------|--------------------|
| (a) Reconciliation of Equity Share Capital | | | | |
| | Number | Amount | Number | Amount |
| Equity shares of ₹ 10 each | | | | |
| Balance at the beginning of the year | 41,495,450 | 414,954,500 | 30,588,513 | 305,885,130 |
| Add : Issued during the year | 10,106,813 | 101,068,130 | 10,906,937 | 109,069,370 |
| Less : Shares issued to ESOP trust | (820,900) | (8,209,000) | (825,000) | (8,250,000) |
| Balance at the end of the year | 51,602,263 | 516,022,630 | 41,495,450 | 414,954,500 |

| | | | | |
|---|------------------|--------------------|---------------|---------------|
| (b) Reconciliation of Preference Share Capital | | | | |
| | Number | Amount | Number | Amount |
| Preference shares of ₹ 20 each | | | | |
| Balance at the beginning of the year | - | - | - | - |
| Add : Issued during the year | 9,176,660 | 183,533,200 | - | - |
| Balance at the end of the year | 9,176,660 | 183,533,200 | - | - |

- (c) During the year, the Company has made preferential allotment of shares as follows:
- ₹ 10 each and 9,176,660 preference shares (0.001%) of ₹ 20 each respectively to Tano India Private Equity Fund II at a price of ₹ 10 each in favour of Intellecash Microfinance Network Private Limited ('Intellicash') at a price of - 98,360 equity shares of ₹ 10 each to certain shareholders at a price of**

- (d) **Terms and rights attached:**
- Equity Shares:** The Company has only one class of equity shares having a par value of ₹ 10 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.
- Preference Shares:** The Company has only one class of preference shares having a face value of shares is entitled to one vote per preference share and is entitled to a preference dividend of 0.001% of face value per annum. The preference shares are compulsorily convertible to equity shares upon occurrence of the following events:
- on or before listing of the equity shares of the company.
 - on or before 26 February 2034, being the expiry period of the conversion period.
 - any time prior to expiry of the conversion period at the option of the investor.
- In the event of liquidation of the Company, the holder of preference shares shall be entitled to receive assets of the Company, before its distribution to equity shareholders. The distribution will be in proportion to the number of preference shares held by preference shareholders.

(c) Details of shareholders holding more than 5% paid-up capital

| | 31 March 2015 | | 31 March 2014 | |
|---|---------------|---------|---------------|--------|
| | Number | % | Number | % |
| Equity shares of ₹ 10 each | | | | |
| IntelleCash Microfinance Network Company Private Limited | 17,899,287 | 34.69% | 17,067,494 | 41.13% |
| Aavishkaar Goodwell India Microfinance Development Company II Limited | 14,152,170 | 27.43% | 14,152,170 | 34.11% |
| Tano India Private Equity Fund II | 9,176,660 | 17.78% | - | 0.00% |
| India Financial Inclusion Fund | 3,088,912 | 5.99% | 3,088,912 | 7.44% |
| Michael & Susan Dell Foundation | 4,460,980 | 8.64% | 4,460,980 | 10.75% |
| | | | | |
| | 31 March 2015 | | 31 March 2014 | |
| | Number | % | Number | % |
| Preference shares of ₹ 20 each | | | | |
| Tano India Private Equity Fund II | 9,176,660 | 100.00% | - | 0.00% |

(f) 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, 34,100 (31 March 2014: 4,100) equity shares of ₹ 10 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.

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

i) Employee stock option plan

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

ii) Equity warrants

Pursuant to the terms of the Share Subscription Agreement dated 12 September 2012, the Company had issued 1,000,000 warrants, representing the rights to acquire 1,000,000 equity shares of ₹ 10 each at a price based on the prevailing book value of the Company on the date of exercise to IntelleCash. Warrants could be exercised within a period of three years from the date of issue. During the current financial year 831,793 rights have been exercised at a price of ₹16.23 per share aggregating to ₹13,500,000.

(h) 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 the 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 the Trust under a back to back arrangement by the Trust with the employees of the Company. ESOP Trust has repaid the existing loan during current financial year and Company has given a fresh interest free loan on 30th March 2015. The year-end balance for the total loan granted is ₹ 9,600,000 (31 March 2014: ₹ 8,209,000).

Subsequently, pursuant to the Board of Directors approval in their meeting held on 11 March 2011, 25 April 2013 and 29 April 2014, the Company has established ESOP 2 -2011 plan, ESOP 2013 plan and ESOP 2013 (Revised) plan respectively and has allocated 225,000, 400,000 and 200,000 equity shares of ₹ 10 each at face value under the respective plans to the ESOP Trust. As at 31 March 2015, the stock option outstanding comprises of 225,000 (31 March 2014: 225,000), 274,900 (31 March 2014: 395,900) and 195,000 (31 March 2014: Nil) equity shares of ₹ 10 each, fully paid-up at an exercise price of ₹ 33.00, ₹ 13.74 and ₹ 16.23 respectively, each to the eligible employees, subject to progressive vesting over a period of 60 months, 36 months and 36 months respectively from the date of the grant and exercise price being payable immediately under the respective schemes. Options granted under the ESOP 2- 2011 plan are issued at the market price and options under ESOP 2013 and ESOP 2013 (Revised) plan are accounted at intrinsic value of ₹ 6.65 and ₹ 10.10 respectively being the difference between the market value as estimated by the management and the grant price is accounted as stock option compensation cost over the vesting period.

| | ESOP 2 - 2011 | ESOP 2013 | ESOP 2013 (Revised) |
|---------------------------|--|--|--|
| Date of Grant | March 31, | May 28, 2013 | July 1 2014 |
| Date of Board approval | March 11, | April 25, 2013 | April 29 2014 |
| Number of options granted | 225,000 | 400,000 | 200,000 |
| Method of settlement | Equity | Equity | Equity |
| Vesting period | 60 months from the date of Grant | 36 months from the date of Grant | 36 months from the date of Grant |

The exercise price and remaining contractual life of the ESOP Plans are as follows:

| | 31 March 2015 | 31 March 2014 |
|--|------------------|------------------|
| ESOP 2-2011 | | |
| Exercise price | 33 | 33 |
| Weighted average remaining contractual life (in years) | 1.00 | 2.00 |
| ESOP 2013 | | |
| Exercise price | 13.74 | 13.74 |
| Weighted average remaining contractual life (in years) | 1.16 | 2.27 |
| ESOP 2013 (Revised) | | |
| Exercise price | 16.23 | - |
| Weighted average remaining contractual life (in years) | 2.25 | - |

Effect of the employee share-based payment plans on the statement of profit and loss and on the financial position:

| | 31 March 2015 | 31 March 2014 |
|--|------------------|------------------|
| Deferred employee stock compensation opening balance | 2,632,775 | - |
| Add: Accrued employee stock compensation | 1,137,530 | 2,660,040 |
| Less: Deferred employee stock compensation exercised | (199,500) | (27,265) |
| Deferred employee stock compensation closing balance | 3,570,805 | 2,632,775 |

Reconciliation of stock options:

| | ESOP 2-2011 | ESOP 2013 | ESOP 2013 (Revised) |
|-------------------------------------|-------------|-----------|------------------------|
| Outstanding as at 1 April 2012 | 225,000 | - | - |
| Exercised and vested | - | - | - |
| Forfeited | - | - | - |
| Outstanding as at 31 March 2013 | 225,000 | - | - |
| Stock option issued during the year | - | 400,000 | - |
| Exercised and vested | - | 4,100 | - |
| Forfeited | - | - | - |
| Outstanding as at 31 March 2014 | 225,000 | 395,900 | - |
| Stock option issued during the year | - | - | 200,000 |
| Exercised and vested | - | 30,000 | - |
| Forfeited | - | 91,000 | 5,000 |
| Outstanding as at 31 March 2015 | 225,000 | 274,900 | 195,000 |

Arohan Financial Services Private Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

5 Reserves and surplus

| | 31 March 2015 | 31 March 2014 |
|---|--------------------|---------------------|
| i) Securities premium reserve | | |
| Balance at the beginning of the year | 328,901,099 | 218,068,651 |
| Add : Premium on shares issued during the year | 330,607,278 | 111,883,912 |
| Add: Transferred from shares options outstanding account | 199,500 | 27,265 |
| Less: Share issue expense | (16,855,587) | (1,078,729) |
| Balance at the end of the year | 642,852,290 | 328,901,099 |
| ii) Share options outstanding account | | |
| Balance at the beginning of the year | 2,632,775 | - |
| Add : Additions made during the year | 792,870 | 2,660,040 |
| Less : Transferred to securities premium reserve account | (199,500) | (27,265) |
| Balance at the end of the year | 3,226,145 | 2,632,775 |
| iii) Statutory reserve | | |
| Balance at the beginning of the year | 12,199,871 | 6,075,410 |
| Add : Transfer from Statement of Profit and Loss | 21,794,776 | 6,124,461 |
| Balance at the end of the year | 33,994,647 | 12,199,871 |
| iv) General reserve | | |
| Balance at the beginning of the year | 9,469,194 | 9,469,194 |
| Less : Adjustment made during the year (refer Note 11) | (1,442,165) | - |
| Balance at the end of the year | 8,027,029 | 9,469,194 |
| v) Surplus/(Deficit) in the statement of profit and loss | | |
| Balance at the beginning of the year | (86,488,516) | (110,986,360) |
| Add : Profit for the year | 108,973,882 | 30,622,305 |
| Less : Transfer to statutory reserve | (21,794,776) | (6,124,461) |
| Balance at the end of the year | 690,590 | (86,488,516) |
| | 688,790,701 | 266,714,423 |

- a) **Statutory reserve**
In accordance with the provision of Section 45-IC of the Reserve Bank of India Act, 1934, the Company being an NBFC has transferred 20% of the profit after tax for the year to the Statutory Reserve.

6 Borrowings

| | 31 March 2015 | | 31 March 2014 | |
|---|----------------------|-------------------|----------------------|--------------------|
| | Long term | Short term | Long term | Short term |
| Secured | | | | |
| Debentures | 977,583,266 | - | 100,000,000 | - |
| Term loans from | | | | |
| Banks | 1,504,173,725 | - | 690,868,196 | 70,000,000 |
| Others | 1,153,060,523 | - | 564,282,321 | 30,407,630 |
| Working Capital facility from a Bank | - | 3,588,971 | - | - |
| | 3,634,817,514 | 3,588,971 | 1,355,150,517 | 100,407,630 |
| Unsecured | | | | |
| Loans and advances from related parties | - | 15,001,000 | - | 10,100,000 |
| Other loans and advances | - | - | - | 1,000,000 |
| | - | 15,001,000 | - | 11,100,000 |
| Total borrowings | 3,634,817,514 | 18,589,971 | 1,355,150,517 | 111,507,630 |
| Less: Current maturities of long-term borrowings (note 8) | 2,440,493,841 | - | 1,016,462,487 | - |
| Term loans | | | | |
| -Banks | 1,188,639,252 | - | 970,629,150 | - |
| -Others | 929,354,289 | - | - | - |
| Debentures | 322,500,300 | - | 45,833,337 | - |
| | 1,194,323,673 | 18,589,971 | 338,688,030 | 111,507,630 |

| a) Terms and conditions of debentures issued | | | |
|---|---------------------|------------------|---|
| Name of Debenture Holder | Amount borrowed (₹) | Rate of Interest | Repayment Schedule |
| Hinduja Leyland Finance Limited | 100,000,000 | 13.65% | 24 Monthly Installments commencing from May 2014 |
| AAV Sarl (Symbiotics) | 290,500,000 | 14.75% | Repayble in 2 tranches commencing from May 2018 |
| Microfinance Initiative for Asia (MIFA) Debt Fund | 150,000,000 | 15.00% | Bullet Repayment in July 2017 |
| Mahindra & Mahindra Financial Services Limited | 75,000,000 | 13.25% | 24 Monthly Installments commencing from October 2014 |
| The Ratnakar Bank Limited | 150,000,000 | 11.88% | 15 Bi-monthly Installments commencing from September 2014 |
| Hinduja Leyland Finance Limited | 150,000,000 | 13.50% | 24 Monthly Installments commencing from December 2014 |
| Mahindra & Mahindra Financial Services Limited | 100,000,000 | 13.25% | 24 Monthly Installments commencing from February 2015 |
| Hinduja Leyland Finance Limited | 100,000,000 | 13.50% | 24 Monthly Installments commencing from April 2015 |

- b) **Terms and conditions of loans 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 11.75% per annum to 15.15% per annum (31 March 2014 : 13% to 15.35% per annum). Non-convertible debentures 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 debenture 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 loan carries interest in the range of 13.1% per annum to 15.5% per annum (31 March 2014 : 13.1% to 15.5% per annum).

| d) Repayment details of borrowings | 31 March 2015 | 31 March 2014 |
|---|----------------------|----------------------|
| Up to 1 year | 2,440,493,841 | 1,016,462,487 |
| Over 1 to 3 years | 903,823,673 | 338,688,030 |
| Over 3 years | 290,500,000 | - |
| | 3,634,817,514 | 1,355,150,517 |

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

(All amounts in ₹ unless otherwise stated)

7 Trade payables

| | 31 March 2015 | 31 March 2014 |
|---|------------------|------------------|
| Dues to micro and small enterprises [Refer (a) below] | - | - |
| Dues to others | 4,803,785 | 1,176,100 |
| | 4,803,785 | 1,176,100 |

- (a) 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 2015, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED Act.

8 Other current liabilities

| | 31 March 2015 | 31 March 2014 |
|--|----------------------|----------------------|
| Current maturities of long-term borrowings | 2,440,493,841 | 1,016,462,487 |
| Interest accrued and due on borrowings | 9,370,513 | 3,316,585 |
| Interest accrued but not due on borrowings | 28,888,511 | 3,026,043 |
| Excess interest refundable | - | 4,967,567 |
| Statutory liabilities | 7,317,028 | 2,375,226 |
| Payable on account of securitisation | - | 73,170,186 |
| Employee dues | 16,997,025 | 8,084,914 |
| Unamortised profit on securitisation | - | 18,886,208 |
| Unamortised loan processing fees | 30,112,987 | 13,531,001 |
| Liabilities for expenses | 1,576,209 | 3,894,404 |
| Other payables | 1,228,963 | 3,076,153 |
| | 2,535,985,077 | 1,150,790,774 |

9 Provisions

| | 31 March 2015 | | 31 March 2014 | |
|---|------------------|-------------------|---------------|-------------------|
| | Long term | Short term | Long term | Short term |
| Provision against loan portfolio | - | 36,453,526 | - | 15,462,033 |
| Provision against securitized portfolio | - | - | - | 1,304,367 |
| Provision for bonus | - | - | - | 764,609 |
| Provision for doubtful advances | - | 325,198 | - | - |
| Provision for gratuity | 3,241,229 | - | - | - |
| Provision for leave encashment | 409,431 | 538 | - | - |
| | 3,650,660 | 36,779,262 | - | 17,531,009 |

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

(All amounts in ₹ unless otherwise stated)

10 Employee benefits

Defined Benefit Plans / Long Term Compensated Absences - As per Actuarial Valuations as on 31 March, 2015 and recognised in the financial statements in respect of Employee Benefit Schemes:

| | 31 March 2015 | | 31 March 2014 | |
|--|--------------------|------------------|------------------|----------|
| | Gratuity | Leave | Gratuity | Leave |
| i) Change in projected benefit obligation | | | | |
| Projected benefit obligation at the beginning of the year | 1,946,856 | - | 2,426,658 | - |
| Service cost | 921,903 | 502,871 | 916,815 | - |
| Interest cost | 143,445 | - | 157,095 | - |
| Actuarial (gain) / loss | 3,357,191 | - | (627,771) | - |
| Benefits paid | (706,051) | (92,902) | (925,941) | - |
| Projected benefit obligation at the end of the year | 5,663,344 | 409,969 | 1,946,856 | - |
| ii) Change in plan assets | | | | |
| Fair value of plan assets at the beginning of the year | 2,899,026 | - | 3,467,718 | - |
| Expected return on plan assets | 229,140 | - | 278,536 | - |
| Actuarial (gain) / loss | 188,834 | - | - | - |
| Employer contributions | - | - | 78,713 | - |
| Benefits paid | (706,051) | - | (925,941) | - |
| Fair value of plan assets at the end of the year | 2,610,949 | - | 2,899,026 | - |
| iii) Reconciliation of present value of obligation on the fair value of plan assets | | | | |
| Present value of projected benefit obligation at the end of the year | (5,852,178) | (409,969) | (1,946,856) | - |
| Funded status of the plans | 2,610,949 | - | 2,899,026 | - |
| Asset / (liability) recognised in the balance sheet | (3,241,229) | (409,969) | 952,170 | - |
| iv) Components of Employer Expenses | | | | |
| Service cost | 921,903 | 502,871 | 916,815 | - |
| Interest cost | 143,445 | - | 157,095 | - |
| Expected returns on plan assets | (229,140) | - | (278,536) | - |
| Recognized net actuarial (gain)/ loss | 3,357,191 | - | (627,771) | - |
| Total expense recognised in the Statement of Profit and Loss | 4,193,399 | 502,871 | 167,603 | - |

Net Gratuity expenses have been recognised in "Contribution to Provident and other funds" and Leave Encashment in "Salaries and other allowances" under Note 22.

v) Key actuarial assumptions

| | | | | |
|---|-------|----|-------|---|
| Discount rate | 8% | 8% | 9% | - |
| Long-term rate of compensation increase | 5% | 5% | 5% | - |
| Rate of return on plan assets | 8.70% | - | 9.15% | - |

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.

vi) Table for 5 years actuarial valuation disclosures for Gratuity

| Particulars | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|-----------|-----------|-------------|-----------|-----------|
| Defined benefit obligation | 5,852,178 | 1,946,856 | 2,426,658 | 1,974,262 | 1,209,420 |
| Plan assets | 2,610,949 | 2,899,026 | 3,467,718 | 2,599,473 | 1,890,464 |
| (Surplus)/Deficit | 3,241,229 | (952,170) | (1,041,060) | (625,211) | (681,044) |
| Net actuarial loss/(gain) recognized during the current year | 3,357,191 | (627,771) | (189,700) | 376,928 | 383,471 |

vii) Since the Company has adopted the policy towards leave encashment during the year, there are no reportable figures for the prior years.

viii) 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 ₹ 5,100,981 (31 March 2014: ₹ 3,330,920).

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

(All amounts in ₹ unless otherwise stated)

11 Tangible assets

| | Furniture and fixtures | Computer and accessories | Office equipment | Total |
|------------------------------------|-----------------------------------|-------------------------------------|-----------------------------|-------------------|
| Gross block | | | | |
| Balance as at 1 April 2013 | 7,293,715 | 5,616,795 | 1,164,829 | 14,075,339 |
| Additions | 223,366 | 815,231 | 54,115 | 1,092,712 |
| Disposals | (42,503) | - | - | (42,503) |
| Balance as at 31 March 2014 | 7,474,578 | 6,432,026 | 1,218,944 | 15,125,548 |
| Additions | 2,170,121 | 4,645,837 | 699,213 | 7,515,171 |
| Disposals | | (570,222) | - | (570,222) |
| Balance as at 31 March 2015 | 9,644,699 | 10,507,641 | 1,918,157 | 22,070,497 |
| Accumulated depreciation | | | | |
| Up to 31 March 2013 | 3,891,445 | 2,636,785 | 164,393 | 6,692,623 |
| Depreciation charge | 858,685 | 800,845 | 60,641 | 1,720,171 |
| Adjustment | (28,254) | - | - | (28,254) |
| Balance as at 31 March 2014 | 4,721,876 | 3,437,630 | 225,034 | 8,384,540 |
| Depreciation charge | 429,788 | 1,551,585 | 444,722 | 2,426,095 |
| Reversal on disposal of assets | - | (436,729) | - | (436,729) |
| Adjustment (*) | - | 1,404,224 | - | 1,404,224 |
| Balance as at 31 March 2015 | 5,151,664 | 5,956,710 | 669,756 | 11,778,130 |
| Net block | | | | |
| Balance as at 31 March 2014 | 2,752,702 | 2,994,396 | 993,910 | 6,741,008 |
| Balance as at 31 March 2015 | 4,493,035 | 4,550,931 | 1,248,401 | 10,292,367 |

(*) In accordance with Schedule II of the Companies Act, 2013, the written down value of tangible assets, whose remaining useful life as on 1 April 2014 is Nil, have been adjusted with general reserves.

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

(All amounts in ₹ unless otherwise stated)

12 Intangible assets

| | Computer Software | Total |
|------------------------------------|------------------------------|-------------------|
| Gross block | | |
| Balance as at 1 April 2013 | 7,656,955 | 7,656,955 |
| Additions | 4,376,403 | 4,376,403 |
| Balance as at 31 March 2014 | 12,033,358 | 12,033,358 |
| Additions | 1,438,687 | 1,438,687 |
| Balance as at 31 March 2015 | 13,472,045 | 13,472,045 |
| Accumulated amortisation | | |
| Up to 31 March 2013 | 4,885,690 | 4,885,690 |
| Amortization charge | 2,152,152 | 2,152,152 |
| Balance as at 31 March 2014 | 7,037,842 | 7,037,842 |
| Amortization charge | 1,470,595 | 1,470,595 |
| Balance as at 31 March 2015 | 8,508,437 | 8,508,437 |
| Net block | | |
| Balance as at 31 March 2014 | 4,995,516 | 4,995,516 |
| Balance as at 31 March 2015 | 4,963,608 | 4,963,608 |

13 Investments

(Valued at cost unless stated otherwise)

| | 31 March 2015 | | 31 March 2014 | |
|--|----------------------|-------------------|----------------------|----------------|
| | Non-current | Current | Non-current | Current |
| In equity instruments (Trade, unquoted) | | | | |
| ₹10 50,000 (31 March 2014: 50,000) equity shares of each fully paid in Alpha Micro Finance Consultant Private Limited | 500,000 | - | 500,000 | - |
| In mutual funds (Non-trade, unquoted) | | | | |
| ₹ 10 each fully 1,050,000 (31 March 2014: Nil) units of paid in Sundaram Fixed Term Plan 366 Days Regular (Growth) - (*) | - | 10,500,000 | - | - |
| 7,295 (31 March 2014: Nil) units of ₹ 10 each fully paid in ICICI Prudential Ultra Short Term Plan (Growth) | - | 100,000 | - | - |
| Aggregate amount of unquoted investments | 500,000 | 10,600,000 | 500,000 | - |

(*) Represents investment placed as margin money to avail term loans from a bank.

14 Deferred tax assets (net)

| | 31 March 2015 | 31 March 2014 |
|--|--------------------------|--------------------------|
| On account of provision for bad and doubtful receivables | 12,501,088 | 5,439,859 |
| On account of 43B items | 1,241,042 | - |
| On account of fixed assets | (631,624) | (515,465) |
| Deferred tax assets (net) | 13,110,506 | 4,924,394 |

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

(All amounts in ₹ unless otherwise stated)

15 Loan to customers

| | 31 March 2015 | | 31 March 2014 | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | Non-current | Current | Non-current | Current |
| Unsecured, considered good* | 490,773,124 | 3,144,734,936 | 148,245,528 | 1,394,050,701 |
| Unsecured, considered doubtful** | 218,817 | 9,625,705 | 1,596,911 | 2,310,232 |
| | 490,991,941 | 3,154,360,641 | 149,842,439 | 1,396,360,933 |

* Represents standard assets classified in accordance with the RBI Prudential Norms. (Refer note 15(a))

** Represents non performing assets classified in accordance with the RBI Prudential Norms. (Refer note 15(a))

16 Loans and advances

| | 31 March 2015 | | 31 March 2014 | |
|---|---------------|------------|---------------|------------|
| | Non-current | Current | Non-current | Current |
| <i>(Unsecured, considered good)</i> | | | | |
| Security deposits | 3,196,910 | 1,697,740 | 1,130,312 | 985,350 |
| Prepaid expenses | - | 413,147 | - | 15,756,650 |
| Deposit with financial institutions [Refer (a) below] | - | 23,750,000 | 6,250,000 | 66,401,307 |
| Advance tax, net of provision | 3,243,736 | - | 2,174,404 | - |
| Loan to Arohan ESOP trust [Refer (b) below] | 9,600,000 | - | 7,718,261 | - |
| Advance payment against securitisation | - | 5,875,396 | - | - |
| Grant receivable | - | 1,121,279 | - | 1,678,253 |
| Advances to employees | - | 1,004,919 | 22,000 | 848,878 |
| Balances with government authorities | - | 1,251,850 | - | 165,398 |
| Other receivables | - | 50,735,340 | - | 3,969,724 |
| | 16,040,646 | 85,849,671 | 17,294,977 | 89,805,560 |

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

(b) During the year, the Company has extended a interest free loan of ₹ 9,600,000 to the Arohan ESOP Trust

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

(All amounts in ₹ unless otherwise stated)

15(a) Loans to customers

Loans to customers has been classified in accordance with the directives issued by the RBI vide the Non-Systematically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015, as amended, read with accounting policy mentioned in note 3(h). The necessary provisions as per the RBI norms have been made. The details are as follows:

As at 31 March 2015

| Asset classification | Classification criteria | Amount Outstanding | Provision |
|-----------------------|-------------------------|----------------------|-------------------|
| Standard assets | 0-90 days | 3,635,508,060 | 36,355,081 |
| Non-performing assets | above 90 days | 9,844,522 | 98,445 |
| Total | | 3,645,352,582 | 36,453,526 |

As at 31 March 2014

| Asset classification | Classification criteria | Amount Outstanding | Provision |
|-----------------------|-------------------------|----------------------|-------------------|
| Standard assets | 0-90 days | 1,542,296,229 | 15,422,962 |
| Non-performing assets | above 90 days | 3,907,143 | 39,071 |
| Total | | 1,546,203,372 | 15,462,033 |

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

(All amounts in ₹ unless otherwise stated)

17 Other non-current assets

| | 31 March 2015 | 31 March 2014 |
|--|--------------------|-------------------|
| Bank deposits with maturity of more than 12 months [Refer (a) below] | 113,463,391 | 64,500,904 |
| Interest accrued on fixed deposits | 17,543,579 | 15,410,585 |
| | 131,006,970 | 79,911,489 |

(a) Includes deposits aggregating to ₹113,050,000 placed as margin money deposits to avail term loans from banks, financial institutions and as cash collateral in connection with asset assignments/ securitisation transactions.

18 Cash and bank balances

| | 31 March 2015 | 31 March |
|---|----------------------|--------------------|
| Cash and cash equivalents | | |
| Balances with banks | | |
| - in current accounts | 436,273,781 | 366,256,272 |
| - in deposit account (with maturity upto 3 months) [Refer (a) below] | 560,000,000 | 1,230,697 |
| Cash on hand | 930,830 | 596,657 |
| | 997,204,611 | 368,083,626 |
| Other bank balances | | |
| Deposits with maturity more than 3 months but less than 12 months [Refer (a) below] | 207,784,275 | 152,475,525 |
| Total | 1,204,988,886 | 520,559,151 |

(a) Includes deposits aggregating to ₹186,626,378 placed as margin money deposits to avail term loans from banks, financial institutions and as cash collateral in connection with asset assignments/ securitisation transactions.

19 Other current assets

(Unsecured, considered good)

| | 31 March 2015 | 31 March |
|---------------------------------------|-------------------|-------------------|
| Accrued interest on loan to customers | 49,949,723 | 19,850,829 |
| Gratuity fund (Refer Note 10) | - | 952,170 |
| Total | 49,949,723 | 20,802,999 |

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

(All amounts in ₹ unless otherwise stated)

20 Revenue from operations

| | 31 March 2015 | 31 March 2014 |
|-------------------------------|--------------------|--------------------|
| Interest on loan to customers | 648,827,759 | 279,926,667 |
| Loan processing fee | 33,009,636 | 13,189,860 |
| Income from securitisation | 17,538,503 | 24,219,396 |
| Other operating revenues | 12,495,688 | 5,898,287 |
| | 711,871,586 | 323,234,210 |

21 Other income

| | 31 March 2015 | 31 March 2014 |
|--|-------------------|-------------------|
| Interest income on: | | |
| Fixed deposits | 24,407,583 | 17,476,950 |
| Loan to ESOP trust | 1,085,546 | 814,965 |
| Advance Tax | 129,012 | - |
| Gain on sale of current investments | 7,467,034 | 5,642,224 |
| Dividend income on current investments | 410,158 | - |
| Profit on sale of fixed assets, net | - | 14,686 |
| Provision no longer required, written back | 94,315 | - |
| Miscellaneous income | 104,721 | 110,847 |
| Foreign exchange gain | 6,719 | - |
| | 33,705,088 | 24,059,672 |

22 Employee benefit expenses

| | 31 March 2015 | 31 March 2014 |
|---|--------------------|-------------------|
| Salaries and other allowances | 124,491,781 | 74,848,347 |
| Contribution to provident and other funds | 13,864,365 | 6,372,474 |
| Employee stock option compensation | 792,870 | 2,660,040 |
| Staff welfare expenses | 4,626,755 | 3,701,425 |
| | 143,775,771 | 87,582,286 |

23 Finance costs

| | 31 March 2015 | 31 March 2014 |
|-----------------------|--------------------|--------------------|
| Interest expenses | 325,947,094 | 129,024,149 |
| Other borrowing costs | 29,672,040 | 19,478,560 |
| | 355,619,134 | 148,502,709 |

24 Depreciation and amortisation expense

| | 31 March 2015 | 31 March 2014 |
|---|------------------|------------------|
| Depreciation of tangible assets (Refer note 11) | 2,426,095 | 1,720,171 |
| Amortisation of intangible assets (Refer note 12) | 1,470,595 | 2,152,152 |
| | 3,896,690 | 3,872,323 |

25 Provision for loan portfolio

Provision towards own portfolio

| 31 March 2015 | 31 March 2014 |
|-------------------|------------------|
| 20,991,492 | 9,349,036 |
| 20,991,492 | 9,349,036 |

26 Other expenses

Rent
Repairs and maintenance-others
Insurance
Electricity
Service tax
Office expenses
Membership and subscription
Office maintenance
Printing and stationery
Professional and legal fees
Recruitment and induction
Communication expenses
Travelling and conveyance
Amortisation of premium
Payment to auditors (Refer note (a) below)
Reimbursement of expenses
Loss on sale of assets
Loan assets written off
Miscellaneous expenses

| 31 March 2015 | 31 March 2014 |
|-------------------|-------------------|
| 13,411,089 | 9,016,485 |
| 2,207,995 | 1,982,049 |
| 2,557,399 | 2,055,723 |
| 1,873,381 | 1,634,774 |
| 2,952,922 | 1,355,056 |
| 1,729,183 | 937,963 |
| 838,113 | 819,491 |
| 3,649,547 | 2,538,847 |
| 5,271,598 | 3,900,529 |
| 5,964,530 | 8,129,600 |
| 3,672,885 | 1,448,071 |
| 2,752,312 | 2,128,046 |
| 9,659,841 | 7,090,976 |
| - | 1,000,000 |
| 1,532,492 | 791,883 |
| 1,743,814 | 2,139,754 |
| 75,903 | - |
| 3,001,598 | 2,600,435 |
| 872,520 | 816,074 |
| 63,767,122 | 50,385,756 |

(a) Payments to auditors**As auditor**

Statutory audit
Tax audit

| | |
|-----------|---------|
| 1,250,000 | 750,000 |
| - | 75,000 |

In other capacity

Other services
Reimbursement of expenses

| | |
|------------------|----------------|
| 54,992 | 71,404 |
| 227,500 | 41,883 |
| 1,532,492 | 938,287 |

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

(All amounts in ₹ unless otherwise stated)

27 Related parties**a) Names of related parties**

| Relationship | Name |
|---|---|
| Key Management Personnel (KMP) | Shubhankar Sengupta - Director |
| | Manoj Kumar Narayan Nambiar - Managing Director |
| Relatives of KMP | Geeta Nambiar |
| Entities which are able to exercise control or have significant influence | Intellecash Microfinance Network Company Private Limited |
| | Intellectual Capital Advisory Services Private Limited |
| | Intellecap Software Technologies Private Limited |
| | Aavishkaar Goodwill India Microfinance Development Company II Limited |
| | Michael & Susan Dell Foundation |
| | India Financial Inclusion Fund |
| | Tano India Private Equity Fund II |
| | Jain Sons Finlease Limited |
| | Arohan ESOP Trust |

b) Transactions with related parties

| | Year ended 31 March | |
|---|---------------------|-------------|
| | 2015 | 2014 |
| <u>Issue of equity shares (including share premium)</u> | | |
| Aavishkaar Goodwill India Microfinance Development Company II Limited | - | 187,145,775 |
| IntelleCash Microfinance Network Company Private Limited | 13,500,000 | - |
| Michael & Susan Dell Foundation | - | 27,999,330 |
| Manoj Kumar Narayan Nambiar | 877,131 | 2,500,000 |
| Shubhankar Sengupta | 219,279 | - |
| <u>Loan given</u> | | |
| Arohan ESOP Trust | 9,600,000 | - |
| <u>Loan taken</u> | | |
| Manoj Kumar Nambiar | - | 5,900,000 |
| Geeta Nambiar | - | 5,700,000 |
| <u>Managerial Remuneration*</u> | | |
| Shubhankar Sengupta | 2,752,540 | 2,089,400 |
| Manoj Kumar Nambiar | 4,938,120 | 3,373,800 |
| <u>Interest received / (paid)</u> | | |
| Manoj Kumar Nambiar | (505,809) | (339,534) |
| Geeta Nambiar | (716,261) | (126,493) |
| Arohan ESOP Trust | 1,085,546 | - |
| <u>Fees for raising equity capital</u> | | |
| Intellectual Capital Advisory Services Private Limited | 10,504,915 | 200,000 |
| <u>Loan processing charges</u> | | |
| Manoj Kumar Nambiar | 19,500 | - |
| Geeta Nambiar | 23,500 | - |

| | Year ended 31 March | |
|--|---------------------|---------|
| | 2015 | 2014 |
| Reimbursement of expenses | | |
| Jain Sons Finlease Limited | 1,200,000 | - |
| Rent & service Charge | | |
| Intellectual Capital Advisory Services Private Limited | 183,061 | 63,242 |
| Intellecap Software Technologies Private Limited | 340,816 | 118,325 |

* Managerial remuneration does not include the share of profit amounting to ₹ 9,454,547 (31 March 2014: ₹ 2,192,827) payable to both the KMP's, the allocation of which is to be decided by the Compensation Committee in its ensuing meeting.

c) Balances with related parties

| | Year ended 31 March | |
|---|---------------------|-------------|
| | 2015 | 2014 |
| Balance (due to) / due from (net) * | | |
| Manoj Kumar Nambiar | (3,000,000) | (3,400,000) |
| Geeta Nambiar | (4,000,000) | (5,700,000) |
| Arohan ESOP Trust | 9,600,000 | - |
| Jain Sons Finlease Limited | 1,348,320 | - |
| Shubhankar Sengupta - through Arohan ESOP Trust (including interest receivable) | - | 7,618,261 |
| Intellectual Capital Advisory Services Private Limited | 183,530 | 200,000 |

* Disclosure on balances due to related parties does not include, share of profit amounting to ₹ 9,454,547 (31 March 2014: ₹ 2,192,827) payable to both the KMP's, the allocation of which is to be decided by the Compensation Committee in its ensuing meeting.

Arohan Financial Services Private Limited

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

28 Additional disclosures pursuant to RBI circulars

i) Capital adequacy ratio

The RBI has issued the "Non-Banking Financial Company - Micro Finance Institutions ("NBFC-MFI") - Directions" dated 2 December 2011, which provides the regulatory framework for all micro finance institutions. The disclosures required in this regard are as follows:

| | As at 31 March | |
|--------------------------|----------------|--------|
| | 2015 | 2014 |
| CRAR (%) | 35.88% | 37.10% |
| CRAR-Tier I Capital (%) | 35.88% | 37.10% |
| CRAR-Tier II Capital (%) | 0.00% | 0.00% |

ii) The Company has no exposure to real estate sector directly or indirectly in the current and previous year.

iii) Information on instances of fraud identified during the year

| | Year ended 31 March | |
|---|---------------------|---------|
| | 2015 | 2014 |
| Nature of fraud | | |
| <i>Cash embezzlement</i> | | |
| No. of cases | 4 | 1 |
| Amount of fraud | 936,721 | 176,438 |
| Recovery | 681,046 | 124,472 |
| Amount provided for | 255,675 | 51,966 |
| <i>Loans given against fictitious documents</i> | | |
| No. of cases | - | - |
| Amount of fraud | - | - |
| Recovery | - | - |
| Amount provided for | - | - |

29 Assignment/ securitisation of loans

During the year the Company has sold loans through direct assignment/ securitisation. The information on direct assignment/ securitisation activity of the Company as an originator is as shown below:

| | Year ended 31 March | |
|--|---------------------|-------------|
| | 2015 | 2014 |
| Number of loans assigned/ securitised | - | 72,217 |
| Book value of loans assigned/ securitised | - | 649,199,473 |
| Sale consideration received for loans assigned/ securitised | - | 688,986,547 |
| Gain / (Loss) on account of direct assigned / securitization | - | 39,787,074 |
| Income recognised in the statement of profit and loss | 17,538,503 | 23,465,775 |

Credit enhancements provided and outstanding (Gross):

| | | |
|-------------------------|---|-------------|
| Principal subordination | - | 356,377,715 |
| Cash collateral | - | 85,537,445 |
| Corporate Guarantee | - | - |

Disclosure pursuant to the RBI circular DNBS.PD.No. 301/3.10.01/2012-13 dated 21 August 2012:

| | Year ended 31 March | |
|---|---------------------|-------------|
| | 2015 | 2014 |
| (1) No of SPVs sponsored by the NBFC for securitisation transactions | - | 8 |
| (2) Total amount of securitised assets as per books of the SPVs sponsored by the | - | 649,199,473 |
| (3) Total amount of exposures retained by the NBFC to comply with 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 | - | 85,537,445 |
| (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 | - | - |
| - Others | - | - |
| (ii) Exposure to third party securitisations | | |
| - First loss | - | - |
| - Others | - | - |

Arohan Financial Services Private Limited
Summary of significant accounting policies and other explanatory information
(All amounts in ₹ unless otherwise stated)

30 Asset Liability Management

Maturing pattern of assets and liability as on 31 March 2015

| | 1 day up to 30 days | Over 1 Month to 2 Month | Over 2 Month up to 3 Month | Over 3 Month up to 6 Month | Over 6 Month up to 12 Month | Over 1 year up to 3 years | Over 3 years up to 5 years | Over 5 years | Total |
|---|---------------------|-------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|----------------------------|----------------|----------------------|
| Liabilities | | | | | | | | | |
| Borrowing from Bank/Financial institutions & Debentures | 144,117,363 | 119,340,791 | 131,436,029 | 330,462,859 | 574,125,599 | 25,034,480 | 290,500,000 | - | 1,615,017,121 |
| Market Borrowings (Including intercorporate loans and loan from shareholders) | 90,622,541 | 103,160,515 | 98,083,320 | 302,203,805 | 603,790,813 | 878,788,396 | - | - | 2,076,649,390 |
| Total | 234,739,903 | 222,501,306 | 229,519,348 | 632,666,664 | 1,177,916,412 | 903,822,876 | 290,500,000 | - | 3,691,666,511 |
| Assets | | | | | | | | | |
| Advance (Micro finance portfolio) Investment | 326,785,646 | 339,092,433 | 334,027,843 | 897,253,286 | 1,257,869,935 | 490,323,439 | - | 500,000 | 3,645,352,582 |
| Total | 326,785,646 | 339,092,433 | 344,627,843 | 897,253,286 | 1,257,869,935 | 490,323,439 | - | 500,000 | 3,656,452,582 |

Maturing pattern of assets and liability as on 31 March 2014

| | 1 day up to 30 days | Over 1 Month to 2 Month | Over 2 Month up to 3 Month | Over 3 Month up to 6 Month | Over 6 Month up to 12 Month | Over 1 year up to 3 years | Over 3 years up to 5 years | Over 5 years | Total |
|---|---------------------|-------------------------|----------------------------|----------------------------|-----------------------------|---------------------------|----------------------------|----------------|----------------------|
| Liabilities | | | | | | | | | |
| Borrowing from Bank/Financial institutions & Debentures | 53,111,962 | 44,321,401 | 74,511,995 | 192,843,461 | 341,601,368 | 160,634,137 | - | - | 867,024,324 |
| Market Borrowings (Including intercorporate loans and Loan from Shareholders) | 36,835,766 | 48,814,189 | 48,874,875 | 127,149,271 | 166,248,457 | 178,053,893 | - | - | 605,976,451 |
| Total | 89,947,728 | 93,135,590 | 123,386,870 | 319,992,732 | 507,849,825 | 338,688,030 | - | - | 1,473,000,775 |
| Assets | | | | | | | | | |
| Advance (Micro finance portfolio) Investment | 154,957,648 | 168,408,282 | 166,783,534 | 411,979,961 | 494,231,508 | 149,842,439 | - | 500,000 | 1,546,203,372 |
| Total | 154,957,648 | 168,408,282 | 166,783,534 | 411,979,961 | 494,231,508 | 149,842,439 | - | 500,000 | 1,546,703,372 |

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

(All amounts in ₹ unless otherwise stated)

31 Additional disclosures pursuant to Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007) issued by RBI

| | As at 31 March 2015 | |
|---|-------------------------------|--------------------------------|
| | Amount outstanding | Amount overdue |
| Liabilities side : | | |
| (1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | | |
| (a) Debentures | | |
| Secured | 999,697,637 | - |
| Unsecured | - | - |
| (other than falling within the meaning of public deposits) | | |
| (b) Deferred Credits | - | - |
| (c) Term Loans | 2,673,378,901 | - |
| (d) Inter-corporate loans and borrowing | - | - |
| (e) Commercial Paper | - | - |
| (f) Other Loans | 18,589,971 | - |
| | | |
| Assets side : | | As at 31 March 2015 |
| (2) Break up of Loans to customers: | | |
| a) Secured, gross | | - |
| b) Unsecured, gross | | 3,645,352,582 |
| (3) Break up of Leased Assets | | |
| (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 | | - |
| (4) Breakup of investments (long-term unquoted equity) | | |
| Current Investments : | | |
| 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 | | 10,600,000 |
| (iv) Government Securities | | - |
| (v) Others | | - |

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

(All amounts in ₹ unless otherwise stated)

| | As at 31 March 2015 |
|-----------------------------|--------------------------------|
| Long Term investments : | |
| 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 | 500,000 |
| (b) Preference | - |
| (ii) Debentures and Bonds | - |
| (iii) Units of mutual funds | - |
| (iv) Government Securities | - |
| (v) Others | - |

| | Net of provision as at 31 March 2015 | | |
|---|---|----------------------|----------------------|
| (5) Borrower group-wise classification of assets financed as in (2) and (3) | | | |
| Category | Secured | Unsecured | Total |
| 1. Related parties | | | |
| (a) Subsidiaries | - | - | - |
| (b) Companies in the same group | - | - | - |
| (c) other related parties | - | - | - |
| 2. Other than related parties | - | 3,608,899,056 | 3,608,899,056 |
| Total | - | 3,608,899,056 | 3,608,899,056 |

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

| Category | Market value / Breakup or fair value or NAV | Book value (net of provisions) |
|-------------------------------|--|---|
| 1. Related parties | - | - |
| 2. Other than related parties | 11,956,346 | 11,100,000 |
| Total | 11,956,346 | 11,100,000 |

| | |
|---|--------------------------------|
| (7) Other information | As at 31 March 2015 |
| (i) Gross non-performing assets | |
| (a) Related parties | - |
| (b) Other than related parties | 9,844,522 |
| (ii) Net non-performing assets | |
| (a) Related parties | - |
| (b) Other than related parties | 9,746,077 |
| (iii) Assets acquired on satisfaction of debt | - |

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

(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 ₹1,086,500 (31 March 2014: ₹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 ₹ 7,500,000 (31 March 2014: Nil).

33 Other commitments

| | Year ended 31 March | |
|---|---------------------|----------------|
| | 2015 | 2014 |
| For purchase/ development of intangible asset | - | 500,000 |
| | <u>-</u> | <u>500,000</u> |

34 Earnings per equity share [EPES]

| | Year ended 31 March | |
|--|---------------------|-------------------|
| | 2015 | 2014 |
| a) Profit considered for computation of basic and diluted EPES | 108,973,882 | 30,622,305 |
| b) Computation of weighted average number of equity shares in computation of basic and diluted EPES | | |
| Weighted average number of shares considered for computation of basic EPES | 41,611,484 | 36,069,409 |
| Add: Effect of shares issued under ESOP scheme | 96,630 | 121,944 |
| Add: Effect of convertible preference shares | 125,708 | - |
| Add: Effect of warrants issued | 103,684 | - |
| Weighted average number of shares considered for computation of diluted EPES | <u>41,937,506</u> | <u>36,191,353</u> |
| c) Earnings per equity share [EPES] | | |
| Basic EPES | 2.62 | 0.85 |
| Diluted EPES | <u>2.60</u> | <u>0.85</u> |

35 Earnings in foreign currency

| | Year ended 31 March | |
|--------------|---------------------|------------------|
| | 2015 | 2014 |
| Grant income | 1,951,695 | 5,207,007 |
| | <u>1,951,695</u> | <u>5,207,007</u> |

36 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.

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

(All amounts in ₹ unless otherwise stated)

- 37 Lease payments made under cancellable operating lease amounting to ₹ 13,411,089 (31 March 2014: ₹ 9,016,485) disclosed as rent and the same has been recognised as an expense in the statement of profit and loss.
- 38 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.
- 39 **Comparatives**
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 to in our report of even date.

For **Walker Chandiok & Co LLP**
Chartered Accountants

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

per **Sanjay Kumar Jain**
Partner

Manoj Kumar Nambiar
Managing Director

Shubhankar Sengupta
Director

Vanita Mundhra
Company Secretary

Amit Kumar Dutta
Chief Financial Officer

Place: Hyderabad
Date: 15 May 2015

Place: Kolkata
Date: 15 May 2015

www.arohan.in



OUR VALUES

➤ Employee Engagement

Arohan treats its employees as a major stakeholder and hence its processes and systems are designed to ensure employee satisfaction, development and high morale.

➤ Transparency

Arohan's products and processes are transparent to its clients such that the information communicated to them is clear, sufficient and timely in a manner and language clients can understand so that clients can make informed decisions. It is also transparent in its communication to, and transactions with all other stakeholders, and employees.

➤ Honesty and Integrity

Led by exemplary governance, Arohan maintains high integrity in its delivery, products and processes. Arohan has zero tolerance for unethical practices. It strives to behave with honesty and integrity in all its internal and external communication, and dealings with all stakeholders.

➤ Innovation

Arohan strives to maintain a creative culture in the organisation, where employees are encouraged to learn and innovate in their day to day work, while adhering to Arohan's standards of business and conduct. Also, product, process and business model innovation are integral to Arohan.

➤ Customer Centricity

Since customers are considered important stakeholders, Arohan's products and processes are designed keeping customer needs and realities in mind. Arohan strives to serve customer needs in an effective and efficient manner and behave in a dignified and respectful manner with its customers at all times.

➤ Shareholder Value Focus

Arohan recognizes its shareholders to be an important stakeholder whose interests it strives to protect, and to whom it seeks to deliver value by focusing on sustainability, profitability and growth of the business.