

Grameen Financial Services Pvt. Ltd.



Annual Report 2008 – 2009





“The poor themselves can create a poverty-free world all we have to do is to free them from the chains that we have put around them.”

Professor **Muhammad Yunus**

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Milestones

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GF SPL...

December 1996	is visualised after reading <i>Give Us Credit</i> (Alex Counts)
May 1999	starts operations
May 2002	crosses Rs 1 crore in disbursements
March 2004	reaches 10,000 poor households
July 2004	crosses Rs 10 crore in disbursements
November 2004	branches computerized
December 2005	receives Micro Finance Process Excellence Award (MPEA)
March 2006	reaches 50,000 poor households
October 2006	crosses Rs 100 crore in disbursements
February 2007	reaches 1 lakh poor households
March 2007	upgrades to MIFOS
April 2007	covers 2 lakh lives with SSY
June 2007	is felicitated by Canara Bank & RBI at Davengere Dist. for co-enabling 100% financial inclusion
October 2007	converts from NGO MFI to NBFC; receives Micro Finance Pioneer Award
December 2007	is ranked 19th best in the first ever listed of <i>Top 50 Micro Finance Institutions</i> by Forbes magazine
March 2008	completes 1st round of equity raising
May 2008	launches MAARG Financial Services, a division of Grameen Financial Services, for individual lending
June 2008	reaches Rs 100 crore in portfolio outstanding
November 2008	initiates Maharashtra operations; receives Micro Finance Process Excellence Award (MPEA)
January 2009	reaches 2 lakh households

Strategies

- To cover remaining districts of Karnataka and Maharashtra by 2010
- Conduct market research to support expansion to other states
- 10% of our portfolio should be individual loans
- Create HR policies that make GFS a preferred employer
- Constantly work on reducing cost and increasing efficiency
- Establish long term partnership with lending institutions, investors & donors
- Enhance institutional capacity to reach these goals

Our Vision and Mission

Vision

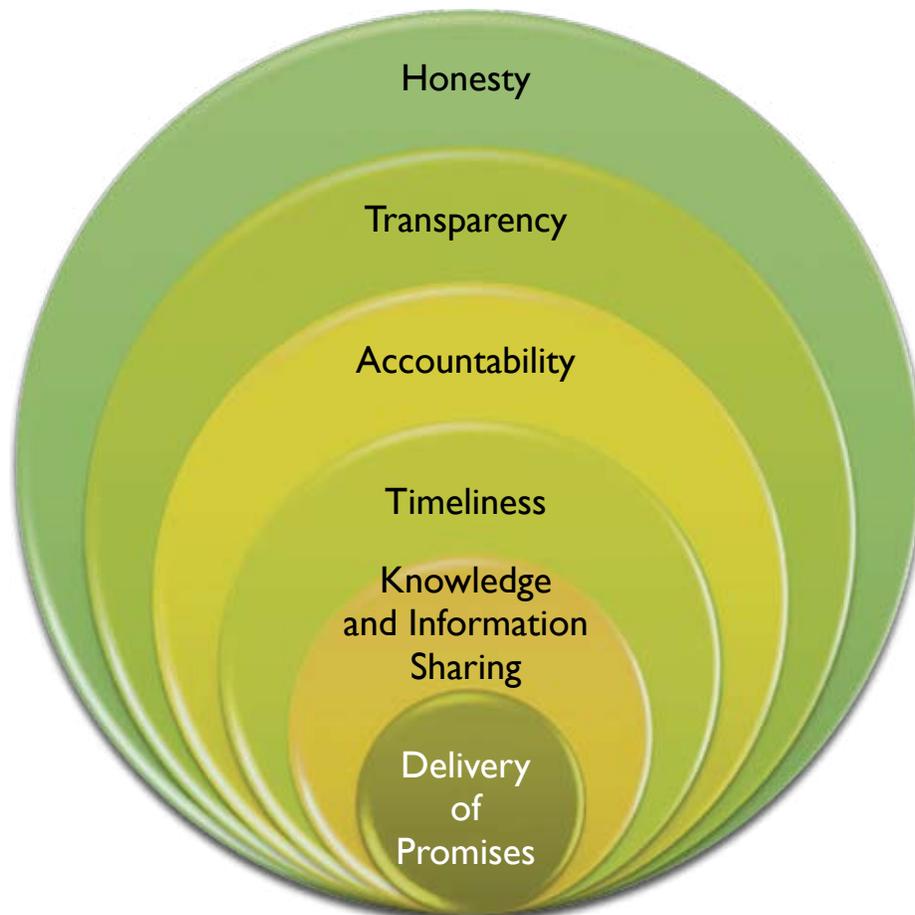
By 2012, we will enable economic and social changes in 20 lakh households, in 7 states, through financial products and development services.

Mission

To help poor women in rural and urban areas with micro credit, to get themselves and thereby their families, out of poverty.

To constantly deliver need-based financial services in a cost-effective manner and to become a financially sustainable microfinance institution for the poor.

Core Values



Message from the Chairman



Grameen Koota has been successfully working through an exceptionally challenging year for both the financial sector and global economy. Grameen Koota was able to meet the challenges posed by such a scenario and continued working without any disruptions, due to its financial strength and strong strategies that have been built over the last 10 years.

With a committed vision to enable social and economic change through the provision of financial products and development services to excluded sections of society, Grameen Koota is poised for greater achievements and impact. With an appropriate Board, a professional management team ably assisted by multiple levels of staff and a strong field force, Grameen Koota has prepared itself for the work ahead.

Grameen Koota stands proud to be part of the global momentum that uses microfinance as a powerful tool to provide millions of poor a dignified route out of poverty. Grameen Koota is humbled to serve the unorganised and financially excluded sections of society (whose vibrancy is legendary). Our clients now have immense opportunity to access better incomes and better lives and become part of the India growth story. We continue to be aware of the direct impact that our work has on India achieving the Millennium Development Goals of halving poverty by 2015.

Apart from being a major player in the microfinance sector, Grameen Koota also sees the need to lead in guiding its orderly growth. As a sector, microfinance needs to grow in strength and character in order to play a vital role in India's inclusive growth story. Being conscious of dealing with a borrowing class of the underprivileged, Grameen Koota will push for better governance practices across the sector. It is only with great governance that we can grow, keeping our mission and reputation in tact.

Grameen Koota will continue to focus energy on partnering with every client's growth by creating social benefits and promoting financial inclusion, while simultaneously creating value for all stakeholders.

We look forward to the continued support and goodwill of all our stakeholders in our endeavour to extend timely and cost-effective microfinance services to poor households in a beneficial, fair and transparent manner, which empower them to create better futures of their own.

Vinatha H. Reddy

Founder Chairman

Message from the Managing Director



This financial year, Grameen Financial Services Pvt. Ltd (GFS Pvt. Ltd) has done well to maintain its momentum towards achieving financial inclusion despite the year being fraught with economic challenges. The global credit crunch did act as a dampener on profit margins and growth pace, but the company's clients were kept largely insulated from the effects of the slowdown. The company recorded a revenue increase of 64% with an 84% increase in its client base and a 119% increase in the portfolio outstanding. We are proud to note that our association with both private and public sector banks has strengthened with the addition of more lenders.

In May 2008, the company set up an individual lending branch – Maarg. Individual lending, touted as the future of microfinance, is a new venture for the company and we are working determinedly to develop it. Simultaneously, the group lending program, through Grameen Koota, expanded into Maharashtra in November 2008. In the coming year, Grameen Koota will expand further in this state apart from others.

Through this year, our efforts towards excellence in practice and impact have been recognised by external entities. We received a special award for process excellence by Planet Finance and ABN AMRO Bank in November 2008. The Microfinance Information Exchange (MIX)'s annual rankings for 2008 placed Grameen Koota at number 87 on the list of the best 100 microfinance companies worldwide.

GFS Pvt. Ltd has been known for its innovations in operations and methodology. Technologically, we have ensured that we are up to date with the latest advancements, incorporating them into our practice. Maintaining this strength, we plan to upgrade the MIS software in order to integrate it with accounting, human resources and portfolio management systems.

In the coming year, we have laid down strategies for further growth and social development. Several new initiatives will be piloted and introduced during the course of the coming year. We expect that these non-credit products and services will enhance the livelihood of our clients thereby increasing the impact that our work has on communities at large.

GFS Pvt. Ltd will continue to use microfinance responsibly as an instrument of social change. We thank all our stakeholders for their constant support and look forward to forging new partnerships and associations in the near future.



Managing Director

About Grameen Financial Services Pvt. Ltd (GFSPL)

Microfinance Sector Overview

The huge unmet demand for microfinance services acts as a growth driver for the Indian microfinance sector. According to an Intelicap report, the microfinance industry is expected to reach a 4 crore client base in 2013 with an outstanding portfolio of Rs 36,820 crore. Even with these highly expected figures, a majority of poor Indians will remain out of the reach of microfinance. This provides an opportunity for the microfinance sector to grow in areas that have traditionally faced financial apartheid.

In the near future, the microfinance industry is expected to grow at an impressive rate of 40% to 50%, as compared to the 60% growth rate seen in the past few years, indicating the growing maturity in the microfinance market.

The previous financial year was marred by a global financial crisis and as a result, the Indian financial sector faced some liquidity pressures. The growth of the sector was threatened by the liquidity crunch, which challenged already-thin profit margins.

With the financial environment set to improve, the Indian microfinance sector will work more strongly towards the larger mandate of financial and social inclusion in the next year.

Business Overview

The Financial Year 2008-09 started for GFS with the opening of many new wings; for the first time the company expanded its operations outside the state of Karnataka in accordance with the vision of serving 20 lakh households in 7 states by 2012; the company adopted the Progress out of Poverty Index™ (PPI™) to measure the social impact of its financial services. Individual lending products for the matured micro entrepreneurs were introduced through the division MAARG.

GFS ended the last financial year with operations through 82 branches, as compared to 51 branches last year, in two states, showing a year-on-year growth of 61%.

GFS started its operation in Maharashtra in November 2008 with a branch in Kolhapur district. By the end of the FY 08-09, there were 5 branches across 3 districts viz., Kolhapur, Satara and Sangli.

By the end of the FY 2008-09, the individual lending product was offered through two branches namely: Chamarajpet (Bangalore) and Tumkur (Tumkur District).

“The organization’s endeavor to constantly deliver need-based financial services in a cost-effective manner and to become a financially sustainable microfinance institution for the poor is significant.”

T.Y. Prabhu, Executive Director
Union Bank of India (Mumbai)

As compared to the last fiscal year, the amount of loan disbursed increased by 121%, from Rs 168.85 crore to Rs 372.62 crore and the loan portfolio outstanding stands at 181.3 crore with a year-on-year growth of 119% (FY 07 – 08: Rs. 82.65 crore).

The number of GFS members is 2,56,371, accounting for a 184% increase over the last year.

To meet the demand of human resources for rapid expansion, GFS has increased its employee strength to 770 from 480 in the last fiscal year.

Of all the members of GFS, 32.3% belong to backward classes, 9.7% belong to Scheduled Castes, 7% belong to Scheduled Tribes, 9.5% from Other Backward Classes, 4.45% from Forward Castes, and 36.22% GFS members are Muslims and 0.83% are Christians.

Glimpses

Operating States	Maharashtra, Karnataka
Number of Districts	23
Number of Division	2 (Grameen Koota for Group Lending, MAARG for Individual Lending)
Offices	83 (80 Group Lending, 2 Individual Lending, 1 Head Office)
Number of Members	2,56,371
Human Resources	770
Loan Products	<p>Group Loans Products: General Loan Supplementary Loan Consumption Loan Solar Loan</p> <p>Individual Loan Product: Individual Loan</p>
Insurance Products	Life Insurance, Cattle Insurance, Heath Insurance

About Group Lending (Grameen Koota)

In 1999, **Grameen Koota (GK)** began as part of the T. Muniswamappa Trust, a registered Public Charitable Trust. Grameen Koota operated on the concept propounded in Give Us Credit by Alex Counts (now President & CEO, Grameen Foundation USA). The trustees of the T. Muniswamappa Trust were inspired by the impact of the Grameen Bank and the impact of Professor Muhammad Yunus's work, that served the poor through micro credit, in Bangladesh. Consequently, the trustees replicated the program for the benefit of the poor in Avalahalli (Bangalore, India) and surrounding villages.

Having received its first seed capital funding of US\$ 35,000 from Grameen Trust (Bangladesh) in 1999, GK began its micro-credit program in Karnataka that same year, as a Grameen Bank Replication Program with context-specific modifications.



Over the past ten years, the organisation has developed from a seed-funded pilot phase to a major player in the microfinance sector. In 2007, GK transformed from an institution under the T. Muniswamappa Trust to a well governed and regulated Non Banking Financial Company (NBFC-NDSI). It is widely recognized as one of India's leading Micro Finance Institutions (MFIs).

Moving continuously to achieve the best, GK, through its holding company GFS, has taken many intra-organizational initiatives to further strengthen and streamline its operations and processes. Process mapping for the HR, Finance and Operations department has begun. The company is also streamlining its internal and external communications by developing a communication strategy. An internal communications department is being structured for the same.



GK has initiated several other activities to improve its products and services to clients. It completed 10 years of financial inclusion as of May 30, 2009, through micro-credit services to poor and low-income households.

About Individual Lending (Maarg Financial Services)

Maarg - Financial Services is the individual lending arm of Grameen Financial Services Pvt. Ltd. The division was established to meet the financial requirements of micro entrepreneurs in semi-urban and urban areas and also support clients whose credit requirements had outgrown the group lending program. Maarg was set up with support from M/s ACCION Technical Advisors India (Consultancy Agency) as a pilot project in May 2008 in Chamarajpet (Bangalore). In December 2008, a second Maarg branch was inaugurated at Tumkur.



Products and Services

The loan products, loan tenures and the frequency of repayments are tailored to the individual needs of Maarg clients who are micro entrepreneurs.

In its first year of operations, Maarg disbursed 961 loans amounting to Rs 259.94 lakh. As of March 2009, Maarg catered to the microfinancial needs of 961 clients with an outstanding portfolio of Rs 133.36 lakh.

Loan Size	No	%
Up to Rs 19999	349	36.32
Rs 20000 to Rs 39999	476	49.53
Rs 40000 to Rs 50000	136	14.15
Total	961	100

Loan Repayment Frequency	No	%
Weekly	832	86.58
Bi-Weekly	97	10.09
Monthly	32	3.33
Total	961	100

“The dignity of the individual will flourish when the decisions concerning his life are in his own hands, when he has the means to seek self-improvement.”

Martin Luther King Jr

Target Clientele

Maarg is dedicated to supporting local communities by encouraging micro entrepreneurship, financial independence and also providing employment opportunities to members of the locality.

Gender	No	%
Male	799	83.14
Female	162	16.86
Total	961	100

Portfolio at Risk (PAR)

Maarg is careful to ensure the highest quality of portfolio is maintained. Loan appraisal, utilisation checks and close monitoring are part of the analysis cycle followed at Maarg. At present, 59 loan accounts amounting to Rs 6.63 lakh constitute a 4.99% PAR.

Customer Feedback

Two-way communication exists between Maarg clients and staff. This serves the dual purpose of understanding clients and also improving service. The field staff actively seeks suggestions and feedback from clients whose progress is constantly monitored.

A customer meet was organised in January 2009. Fifty customers shared their experiences with Maarg and offered valuable feedback. Such events help Maarg maintain transparency and relevance in its operations by helping it continuously refining products and services.

Personnel

Maarg has a total staff strength of 31. Almost all staff members have been trained in credit evaluation, KYC-compliance, delinquency management, accounting etc.

Future Plans

A successful pilot run has formed the basis of an expansion plan to include 3 new branches and an additional 2,069 clients. By the end of March 2010, Maarg will operate through 5 branches.

Board of Directors

The company's Board of Directors comprises experts with considerable experience in the field of micro-finance. With the presence of such eminent individuals on the Board, the company is assured of invaluable guidance towards growth in the right direction.

Ms. Vinatha M. Reddy

Ms. Reddy has been in the developmental field since 1995. She is a trained Montessori teacher and manages a school for rural and semi-urban children called Gurukul.



Since 1996, Ms. Reddy has focused on microcredit, studying the Grameen Bank model.

Additionally, she has also studied ASA (Activists for Social Alternatives) and SHARE (Society for Helping, Awakening Rural Poor through Education), the

two leading Grameen replicators in India. In 1998, she attended the Grameen International Dialogue Program (Dhaka), a two-week immersion training course on the Grameen methodology. Thereafter, she submitted to the Grameen Trust, a pilot-phase project proposal which was immediately accepted for seed capital funding.

After guiding Grameen Koota through a successful pilot growth phase, Ms. Reddy is exploring strategies that will enable the company to expand its outreach beyond Karnataka. She has attended the Microcredit Summit Conferences in New York City, Delhi, and Dhaka.

Mr. Suresh K. Krishna



Mr. Suresh has been at the helm of activities at Grameen Financial Services Pvt. Ltd since its inception in 1999. He has a background in teaching and entered the field of development in 1997. Previously, he worked in an NGO

that focused on micro enterprise development, non-formal education and also on the promotion of women self-help groups. He has also founded and run small business enterprises in computer education, industrial safety products and consultation in local area networks in companies.

He has studied and observed the nuances of microcredit at various leading international microfinance institutions and has been able to make effective contributions to the development of the Grameen Koota microfinance model. He has actively studied international microfinance models and strategies from several reputed establishments including Grameen Bank, Bankakademie (Germany) and Harvard Business School, USA. He has been a panelist in several national and international microfinance conferences.

Mr. Suresh has guided the company through a very successful growth phase, playing an integral role in Grameen Koota's transformation from an NGO to an NBFC. Under the guidance of Mr. Suresh, the organisation was the first MFI to introduce automation using the open-source technology, MIFOS. He was instrumental in raising the first round of equity (US\$ 4 million) and debt of nearly US\$ 100 million. His knowledge and understanding now leads the business towards expanding its country outreach to 2 million poor households by 2012.

Led by Mr. Suresh's focussed efforts, the organisation initiated the setting up of The Association of Karnataka Microfinance Institutions (AKMI). He is also the Chairman of Microfinance Focus, an online portal and monthly publication with the latest micro finance news and trends.

Apart from microfinance, Mr. Suresh takes a keen interest in micro housing, financial literacy, client education, alternative energies, waste management, livelihoods for the poor, organic and modern farming.

Ms. Daksha Niranjana Shah



Mrs. Shah has been in the field of development since 1998. Prior to this, she worked as the Production and Finance Manager in a cotton textile mill in Ahmedabad and Managing Director in an Intermediate Dye manufacturing unit.

She has attended various workshops and seminars on microcredit, including a training program, conducted

in Mauritius, on Delinquency Management as a representative of FWVB at Women's World Banking in New York, a microfinance course conducted by Economic Institute at Colorado, USA and workshops by NABARD and SIDBI.

Mrs. Shah's resourcefulness and deep understanding of development has not only helped her in evaluating microfinance organizations but also in guiding them on a growth scale.

Mr. Sriram Iyer



Mr. Iyer has thirteen years of work experience in the Banking and Financial services industry. He held various leadership positions in sales and business development across multiple geographies. He has experience in managing large teams of people across diverse

functions including sales, underwriting, service and

operations. He plays instrumental roles in moulding businesses and propelling them to new heights and at the same time, he keeps the reins of portfolio and cost under control.

He has also delivered lectures at management institutes on contemporary issues in management. He is an avid reader with particular interest in books with historical references.

Dr. Manjunath L. H.

Dr. Manjunath is a qualified Veterinary Doctor. He has been in this field of Banking & Development since 1978. He completed his MVSC in Bareilly in the year



1977 and he has obtained fellowships under ICAR. In his 27 years of experience, he handled various functions such as banking, management of a veterinary hospital and credit appraisal designing.

Currently, Dr. Manjunath is the Executive Director of

SKDRDP, which is the largest MFI in Karnataka. Prior to this he worked with Syndicate Bank from 1980 to 2001. Additionally, he has worked as a Veterinary Surgeon (Kuknur, Raichur) and he was in-charge of the veterinary hospital for the Animal Husbandry & Veterinary Department. He is member of several boards and committees including the Academic Advisory Committee, NABARD in Mangalore and the Dairy Technology Mission. He has been invited regularly by All India Radio to deliver talks related to dairy, micro credit, rural development etc.

Pradeep Pathiyamveetil



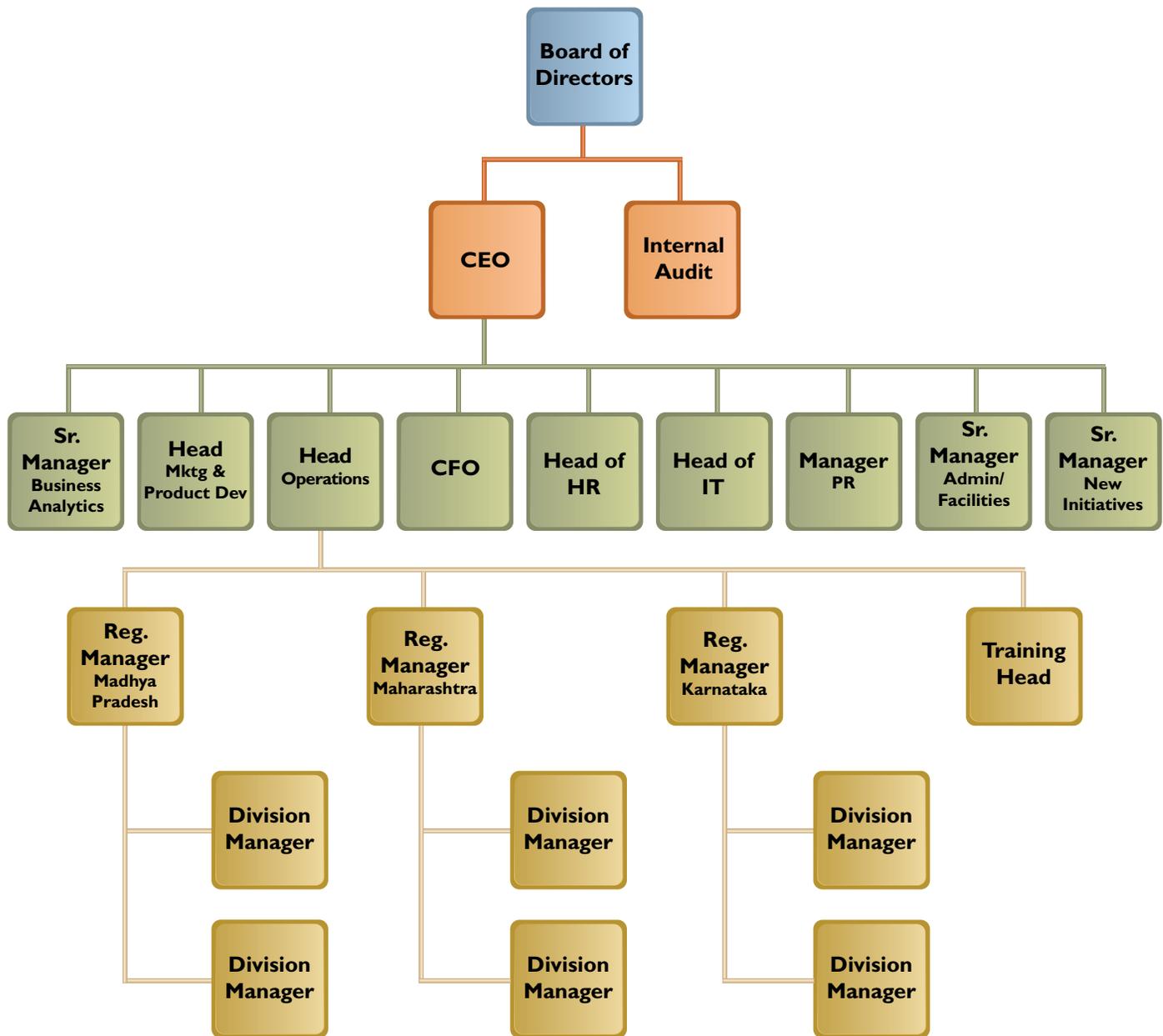
Pradeep is the Chief Investment Officer of Aavishkaar Venture Management Services. He has over 12 years of operational and investment experience in sectors including farming and allied activities, agro-

processing, ICT, renewable energy, manure and fertilizers. He has been associated with Aavishkaar since its inception in early 2002.

Prior to it, Pradeep worked for a period of 6 years with Rajshree Sugars & Chemicals Ltd, where he had been closely involved in the financial structuring for new greenfield sugar projects, valuations and takeovers as well as a VC-funded refined sugar project in Vietnam. Pradeep started his career at Apple Credit Corp Ltd., that focused on hire-purchase and leasing of automobiles.

He holds an MBA (Finance) from TAPMI (Manipal) and is a Bachelor in Applied Sciences (Engineering) from PSG College of Technology (Coimbatore).

Organizational Structure



Staff Capacity Building

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Human Resource Development

Recognizing that microfinance is an upcoming and evolving industry that requires specialized training, GK has detailed and structured training programs for its staff. Over the year, in an effort to build staff capacity, a number of training programs were held for various levels of management as well as the field staff.

Refresher trainings were held for Kendra Managers to assess, review and upgrade their existing skills. New recruits were given intensive training for over one month. These trainings had inputs in the form of classroom sessions and field/branch visits.

MIFOS-end user training was conducted for the field staff. This focused mainly on the working and implementation of the software.

Some members of the senior staff from the Head Office also attended external training programs and short-term courses from reputed institutions such as Indian School of Microfinance for Women (ISMW, Ahmedabad), Intellectap (Hyderabad) and Microsave, as shown below.

Training

External Training				
SL. No.	Name Of the Participant	Designation	Programme	Training Institute
1	Mr. Anand D.	MIS Manager	Process Mapping	(Hyderabad)
2	Ms. Asharani C. M.	Manager (New Products)	Financial Literacy	Ujjivan (Bangalore)
			Fundamentals of Livelihood Promotion	(Tamilnadu)
			Dialogue on Business (Master Facilitator Training)	GFS & ACCION International
3	Mr. Balasubramanya M. L.	Assistant Manager (Training)	Dialogue on Business (Master Facilitator Training)	GFS & ACCION International
4	Mr. Gopal Reddy A. R.	Assistant General Manager (Operations)	Managerial Effectiveness	I.R.M.A. - Ahmedabad (Gujarat)
			Islamic Finance and Investment	Sensage Financial Services Pvt Ltd (Hyderabad)
5	Mr. Madhusudhan K. C.	Chief Financial Officer	Risk Management for MFI's	Hyderabad (Andhra Pradesh)
6	Mr. Shivakumar M. S.	Divisional Manager	Financial Literacy	Ujjivan (Bangalore)

“What I see today is the flowering of a vibrant young NBFC which is perhaps the biggest in Karnataka providing quality services at affordable rates.”

Dr. L. H. Manjunath, Executive Director
SKDRDP

External Training (continued)

7	Mr. Srivatsa H. N.	Assistant General Manager (Operations)	Islamic Finance and Investment	Sensage Financial Services Pvt.Ltd (Hyderabad)
8	Mr. Suresh K. Krishna	Managing Director	Asia-Pacific Regional Microcredit Summit 2008	Microcredit Summit Campaign (Indonesia)
			Financial Inclusion Policy Retreat	IFMR (New Delhi)
			CEO's Workshop	Microsave (Nepal)
			Microfinance India Summit	Access Development Services (New Delhi)
9	Mr.Venkatnaik S.	Divisional Manager	Financial Literacy	Ujjivan (Bangalore)
10	Mr.Vikash Kumar	Manager (New Products)	Livelihoods Strategic Business Plannings and Study Tour	Hyderabad (Ranchi)
11	Ms. Mukta B. Prasad	Assistant General Manager (Training)	Financial Literacy	ACCION International
			Dialogue on Business (Master Facilitators Training)	GFS & ACCION International
12	Ms.Veena Sujay	Manager (Training)	Financial Literacy	Ujjivan-Bangalore
			Dialogue on Business (Master Facilitators Training)	GFS & ACCION International
13	Ms.Vinatha M. Reddy	Founder - Chairman	National Financial Literacy: Drive to Reach One Million Poor Woman	I. S. M.W.Ahmedabad (Gujarat)
14	Mr. Pravachan Jain	Assistant (Human Resources)	Process Mapping	Micro Save (Hyderabad)
15	Mr. Raghavan Kadambi S.	Head (Human Resources)	Comparative Study of Compensation to Employees Across MFIs	Vasanthnagar (Bangalore)
			Process Mapping	Hyderabad
			Managing HR challenges under current economic environment	Hotel Royal Orchid
16	Tanuja	Secretary (Managing Director)	Workshop on Enhancing Effectiveness of Executive Secretaries	Institute of HRD (Bangalore)

“We remain convinced that Grameen Koota will continue to do us proud, not just with its growth story but through several interesting innovations that demonstrate its constant endeavor to serve its clients even better.”

Moumita Sen Sharma, Vice President
ABN-AMRO Bank

Internal Training

SL. No.	Subject	No. of Batches	No. of Participants
1	Accounts and MIFOS (Maarg staff)	1	8
2	Branch Managerial Skills	1	21
3	Client Education (Dialogue on Business)	2	28
4	mChek	1	21
5	MIFOS	11	221
6	Progress out of Poverty Index (PPI)	76	658
7	Refresher Training	12	135
8	Support Staff Training	1	13
9	Kendra Manager Basic Training	22	710
10	Credit Officer Basic Training	2	40

Process Mapping

A Process Mapping exercise was carried out with the support of MicroSave; the exercise aimed to streamline and standardise the work flow at the Head Office. As a first step towards this, critical functional areas of the Finance department and Human Resource department were identified for preparing 'As Is' (current status) process maps. After this, 'As Is' maps of four critical processes under the HR department and five processes under the Finance department were developed by the staff. The analysis of the 'As Is' maps acted as a platform to re-engineer the processes rendering them more efficient and with reduced risks. As a result 'Could Be' (optimal state) process maps were developed. All nine 'Could be' processes were adopted and put into practice to strengthen internal processes. In addition, GFS is working with MicroSave to develop a compliance checklist for these processes. This will help in process adherence and mitigation of risks identified in the optimal state of the process.

Communications Department

GFS is in the process of streamlining its internal and external communication requirements. The process will also involve developing a communication strategy and structuring a communications department. Initial focus will be concentrated on strengthening the internal communication framework. This will lead to the appointment of a Public Relations Consultancy to manage the company's external communication requirements. The entire project will involve fact finding, data collation, internal audit, message development and training.



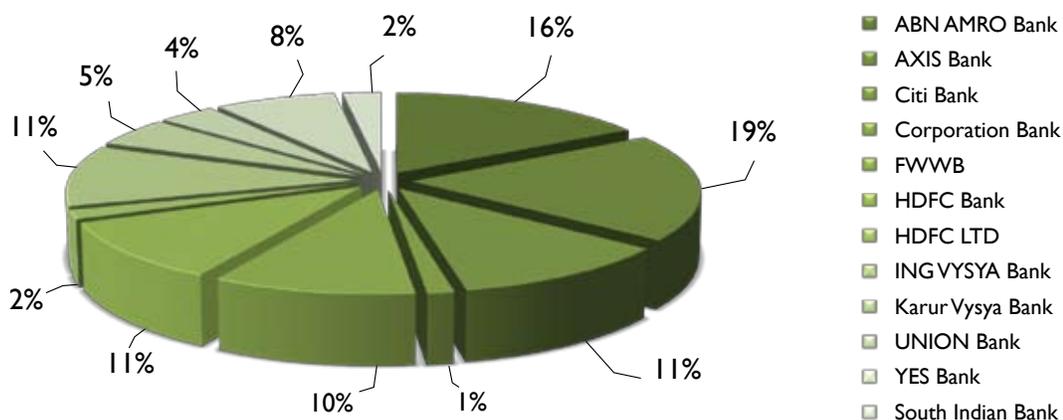
Grameen Koota is one of the most innovative microfinance institutions in the world today and its story will encourage many others to do what they can to have microfinance reach its full potential as a force for poverty reduction.

Alex Counts, President & CEO
Grameen Foundation (Washington DC)

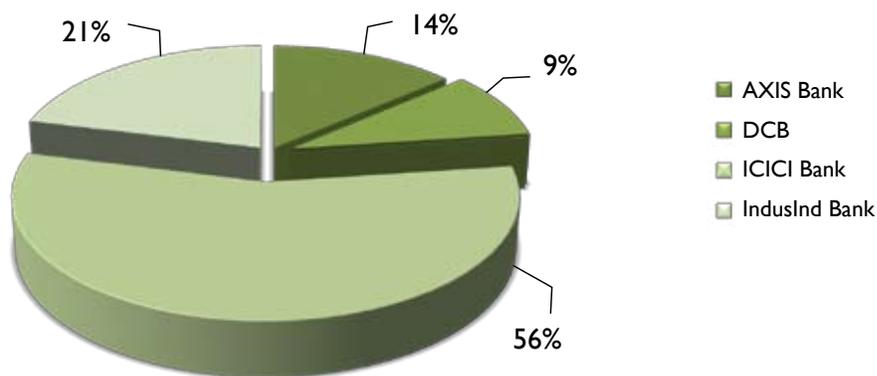
Achievements

Term Loans

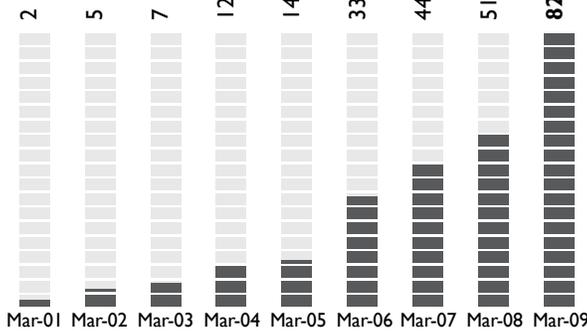
Break-Up (as on 31 Mar 09)



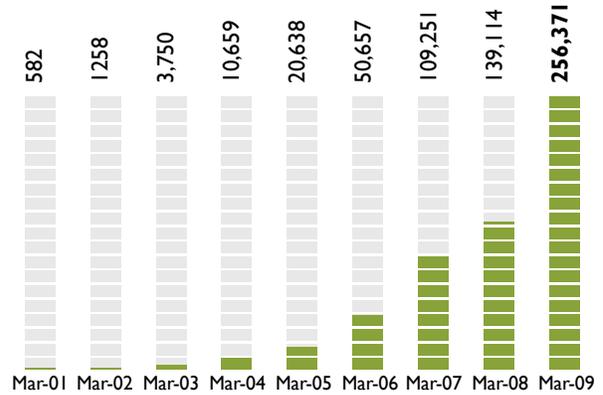
Buyout Loans (Break-up of Buyouts)



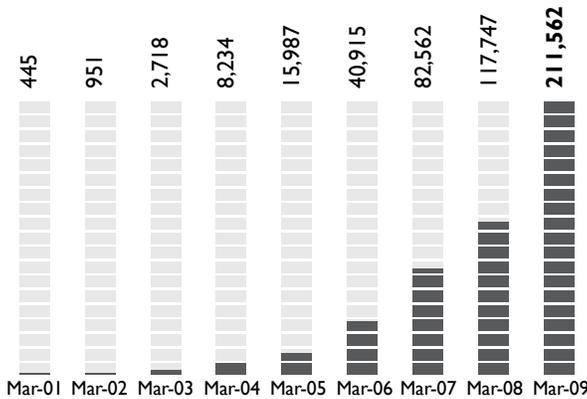
Branches



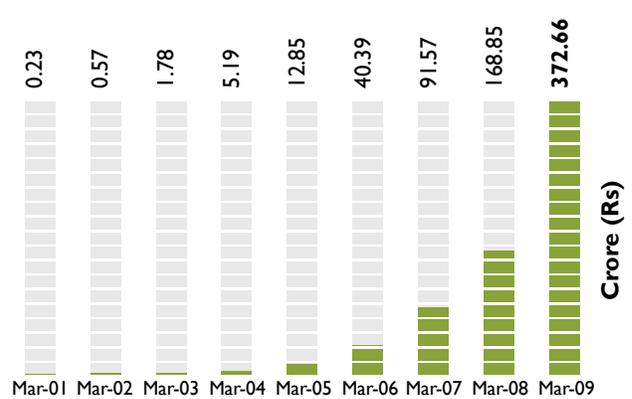
Members



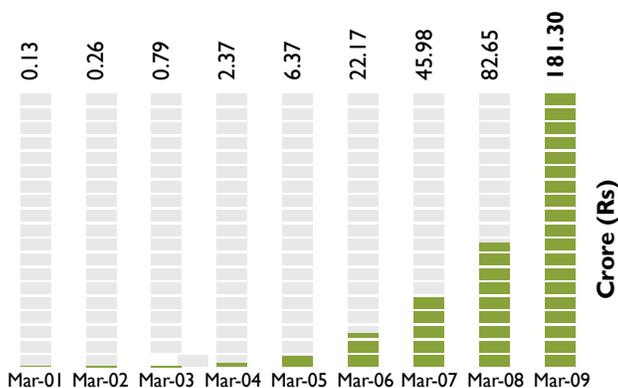
Active Borrowers



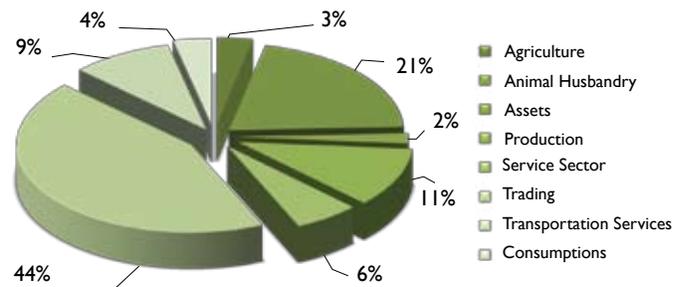
Loan Disbursed during the FY



Portfolio at the end of the FY

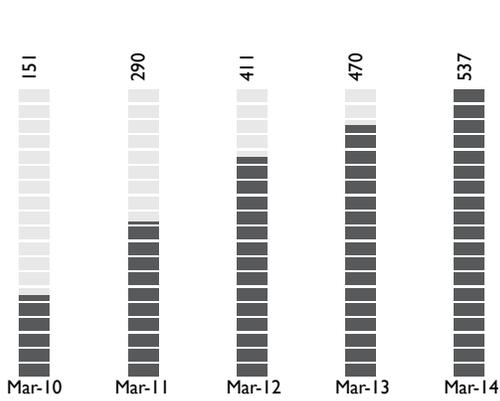


Classification of Loans by Activity (as on 31 Mar 09)

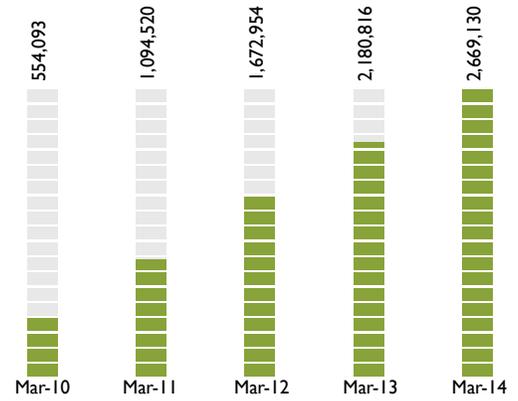


Targets

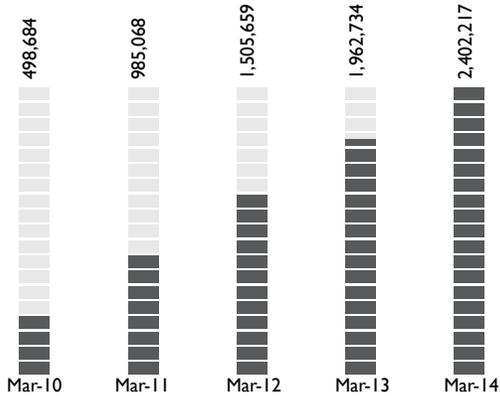
Branches



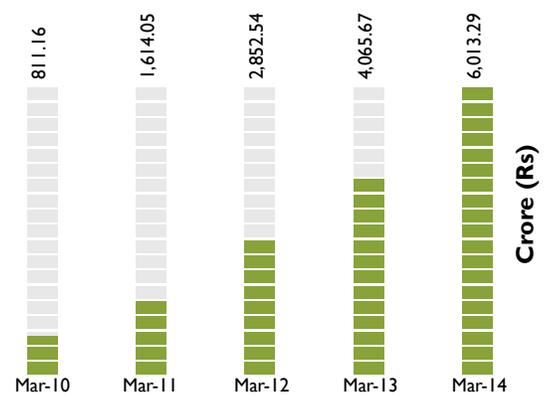
Members



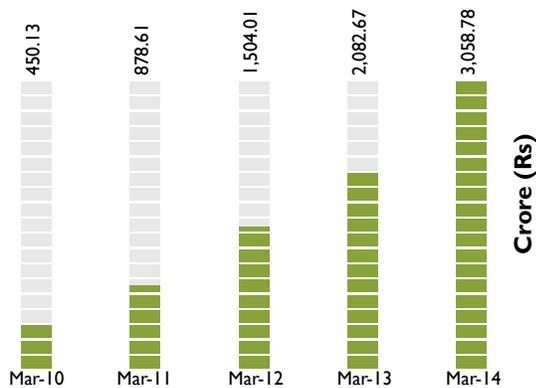
Active Borrowers



Loan Disbursed during the FY

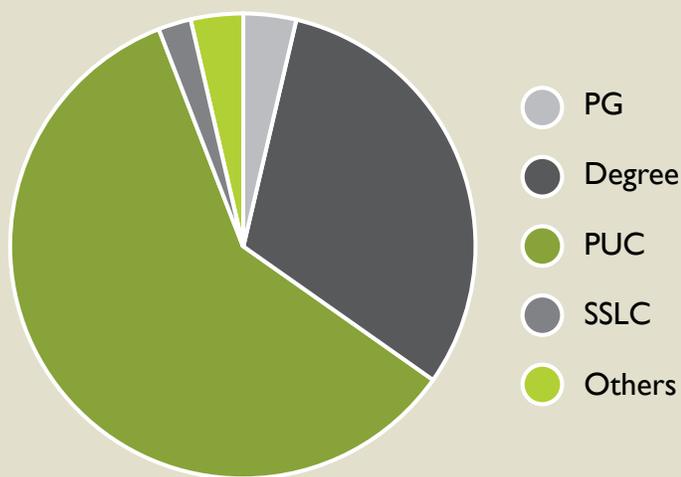


Portfolio at the end of the FY

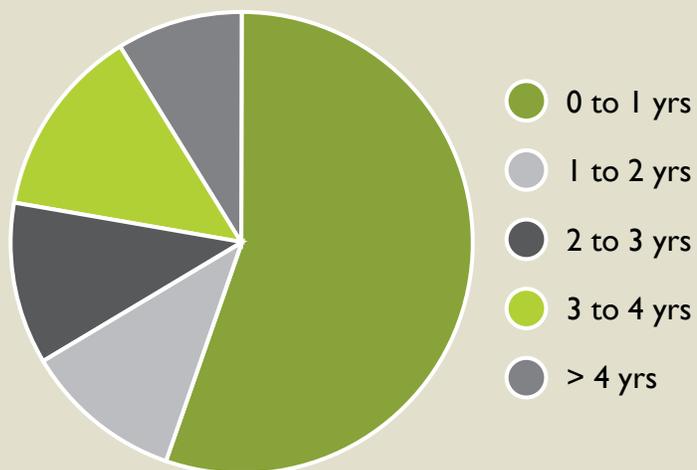


Staff Analysis

Educational Qualification	
PG	28
Degree	240
PUC	456
SSLC	18
Others	28



Experience in GFS	
0 to 1 yrs	426
1 to 2 yrs	86
2 to 3 yrs	87
3 to 4 yrs	103
> 4 yrs	68



Credit Plus

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With a strong belief that a combination of both financial and social development programs will improve the condition of the poor, GFS's micro-credit program is integrated with various social development programs. The company conducts periodic Socio-Economic Development (SED) workshops for members; these workshops cover topics like health, sanitation, marketing, HIV/AIDS awareness, nutrition, family planning, income generation activities, enterprise development, law and financial literacy. Links are also being developed with other institutions so that members can benefit from products and services like group insurance, personal insurance, health insurance, pension schemes, cottage industries, group enterprises, training in Panchayati Raj and other developmental programs at the government level.

During the last fiscal year, GK conducted 59 SED workshops across the state of Karnataka, educating thousands of clients and their husbands.

	No. of SED Workshops	No. of Participants
Women (Clients)	44	7564
Men (Client's Husband)	15	1995
Total	59	9559

Financial Literacy Campaign for Women (Tumkur)

Financial Literacy is a powerful tool that widens an individual's capacity to manage both money and her life through the building of financial knowledge and skills.

A two-day training/workshop (Sept. 16-17, 2008) was hosted by AKMI (Association of Karnataka Microfinance Institutions) in partnership with GFS, Ujjivan and IDF (Initiative for Development Foundation). Senior trainers/functionaries at MFIs and NGOs were trained to effectively deliver the message of financial literacy to their clients. The workshop was followed by a campaign at Tumkur on Sept. 18, 2008.



Citigroup Centre for Financial Literacy and the Indian School of Microfinance for Women (Ahmedabad) were resource organizations.

Through the campaign, microfinance clients were taught to effectively set economic goals, plan finances, manage the household cash flow, minimise debt and plan for the future.

New Initiatives

Progress out of Poverty Index (PPI)

Implementing the PPI across our operations will help measure the extent to which social goals have been reached. With this data, GK will be able to enhance its products and services.

This project is being conducted with support from Grameen Foundation USA, a leader in the fight against poverty in Sub-Saharan Africa, Asia, the Arab World, and the Americas. Since it began in 1997, Grameen Foundation USA has helped improve the lives of over 45 million poor through its programs, resources and fresh ideas.

The Progress out of Poverty Index (PPI™) is a simple and accurate tool that measures poverty levels of groups and individuals. Using the PPI, MFIs can better determine their clients' needs, assess the programs that are most effective, measure how quickly clients get out of poverty and what helps them to achieve the goal.



PPI measures

- Level of poverty among members
- Change in the poverty levels through association with GFS and microfinance
- Outreach
- Effectiveness of products and services
- Achievement of social goals (as stated in the mission statement)

PPI Information (as on 10th June, 09)

Region	Above 1\$/day	Below 1\$/day	Grand Total
Rural	11,021	37,615	48,636
Urban	4,003	23,439	27,442
Grand Total	15,024	61,054	76,078

“More countries have understood that women’s equality is a prerequisite for development.”

Kofi Annan

Dialogue on Business

In association with Accion International, a not-for-profit organization, GK is conducting Dialogue on Business, a training program that educates clients to understand and manage micro enterprises. The program includes modules on financial planning, marketing and sustenance of business. The training modules are participatory and are designed specifically for people with little formal education who may not learn effectively in traditional classroom settings. Five hundred women entrepreneurs will be trained through this program by December 2009.



Dialogue on Business is a set of award-winning modules, which focus on building the skills of micro-entrepreneurs. It seeks to deliver an integral educational program and strengthen the process of microfinance: “credit maintains, but training consolidates”.

In this context, providing financial education to the client assumes greater importance. The clients can make informed choices if they are provided with familiarity and understanding of financial market products, especially rewards and risks. The MFI can provide debt/credit counselling which can be both preventive and curative.

Objectives

- To educate clients and enhance their micro entrepreneurial skills.
- To help low-income consumers understand basic financial planning services including savings, budget, loans, remittances and insurance.

Activities Planned

- Four-day interactive learning of different components of Dialogue on Business.
- Two-day pilot test of Dialogue on Business for women entrepreneurs.
- One day training for women entrepreneurs in Avalahalli (Bangalore).
- 500 women entrepreneurs to be trained by Dec. 2009.

Water and Sanitation

GFS and WaterPartners International are set to promote the sanitary use of water. This association will ensure that beneficiaries are trained in sanitation and the safe use of water. Further, efforts will be made to create systems that allow villagers to access water connections and sanitation through the Gram Panchayat. In this regard, GFS is developing a credit facility that will enable villagers to construct toilets and also make payments towards water connections.

WaterPartners International is a US-based organisation that works to promote access to water and sanitation. The organisation works in South Asia.

“I would have remained a poor housewife and struggled to make both ends meet. Now I am aware of my capacity to earn to fulfil my own needs. Why dream small when GK is there to provide support?”

Doddathayamma
Hoskote

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Remittance Services

GK has partnered with MoneyGram International Inc. (MoneyGram) to offer remittance services to both clients and non-clients in rural and semi-urban areas. The target is to have these services operational in all branches.

MoneyGram International Inc. is a leading global payment services company, ranked No. 2 in the category worldwide.

Mobile Banking

Grameen Koota, in association with mChek, launched a mobile banking pilot project in the last financial year. The program is being tested by 100 members from the Eijipura (Bangalore) branch. This initiative allows cashless transactions, a feature that diminishes the risks of fraud and theft. Members are provided with ordinary cell phones that contain a special mobile banking feature. Each cell phone is fitted with a specially-designed SIM card which has a unique PIN code. Steps have been taken to ensure the highest level of privacy protection and safety, all this in a user-friendly process.

Deposits, withdrawals and weekly repayments can be made through these cell phones.

Cash Security

Members, through bank accounts, are able to save larger amounts of money and earn interest on those savings. The security provided through such accounts ensures that the cash is not stolen or misused by family members.

Remote Payments Boost Repayment Rates

Under unavoidable circumstances, members are sometimes forced to miss weekly repayment meetings. The mobile banking facility allows these members to make payments, which they would otherwise miss, even from remote locations.

Transaction Authenticity

The transactions made are always authorised by the parties involved, here, the centre leader and the members. Each member's SIM is fitted with a unique PIN code that is known to the member alone. Users are advised not to divulge this 6-digit code to anyone. Through PIN authentication, transactions are completed.



Products

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GFS extends its various loan products through two divisions: Grameen Koota and Maarg. Grameen Koota specialises in group lending, while Maarg deals in individual lending.

The company's products (primarily collateral-free microfinance) and services are simple and easily understood by clients who belong to economically weaker sections of society. Clients may access a range of loan products for emergency household needs and/or income generating (or entrepreneurial) activities. These products and services are also subject to periodic modifications based on feedback from clients and input from staff.

Grameen Koota

Loans

General Loan (GL)

This is an unsecured loan made available to economically active women of poor or low-income households, both from rural and urban areas. The loans are for investment in their income generating activities. After four loan cycles, the women may direct the loan amount towards expenses incurred due to asset acquisition, ceremonies (marriage), repayment of high interest debt, renovation/ construction of houses, mortgage and education.



At present, the Income Generating Loan product comprises Rs 166.38 crore of the Rs 181.30 crore loan outstanding. This translates into 91.77% of the total loan portfolio outstanding.



Supplementary Loan (SPL)

These loans assist beneficiaries in enhancing business projects. This type of loan is made available to those who have utilised the IGL appropriately. Even those members who have incurred business losses but demonstrate trustworthiness and regularity in attendance to group meetings (for at least 25 weeks) have access to the SPL.

The Supplementary Loan product had an outstanding of Rs 7.15 crore, approximately 4% of the total loan portfolio outstanding in FY 2008-09.

“Thanks to GK, we are able to use the credit facility and increase the work and earn more money.”

Saraswati
Thamasandra

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Consumption Loan (EL)

This consumption loan is primarily used for Grameen Koota members to meet emergency expenses (hospitalisation, illness, school fees, death etc). Members are eligible for this loan after one month of their association with Grameen Koota. The Emergency Loan had an outstanding of Rs 6.44 crore, 3.55% of the total loan portfolio.

Solar Loan

This is a consumption loan provided to members for the purchase of solar lighting equipment. This loan is currently channeled through one branch in the Shivamoga District. The loan amount depends upon the choice of solar lighting system (2 lights: Rs 8,000, 3 lights: Rs 11,500 or 4 lights: Rs 15,000) to be installed. This loan had an outstanding of Rs 0.01 crore in the last fiscal year.

Insurance

Life Insurance

GK has covered all borrowers and their spouses with life insurance in collaboration with SBI Life Insurance and MAX New York Life Insurance. The claim arises in the event of the death of the client. The coverage of Rs 30,000 includes the disbursed amount and Rs 1,000 for funeral expenses.

Health Insurance

Grameen Koota has partnered with Shree Kshetra Dharmasthala Rural Development Project (SKDRDP, Sampoorna Suraksha Yojane) to provide family health insurance and ICICI Lombard GIC Ltd. to provide a customised family health insurance scheme covering hospitalisation and other necessary health-related expenses.

Livestock insurance

This scheme is being offered in partnership with United India Insurance Co. Ltd and TATA AIG GIC Ltd.



“Wars of nations are fought to change maps. But wars of poverty are fought to map change.”

Muhammad Ali

Maarg

These loans cater to the needs of micro-entrepreneurs who have been managing their businesses for a minimum period of one year. The individual loans are currently channeled through the Tumkur branch and meet the working capital needs of micro enterprises. The loan portfolio outstanding at the end of the FY 2008-09 was Rs 1.33 crore.

GF SPL Loan Products

Loan Products	Loan Term	Repayment	Loan Amount	Interest Rate	Processing Fees
General Loan (Group Lending)	50 Weeks	Weekly	Rs 10,000- Rs 30,000	12% Flat	3% upfront for 1st Cycle & 1.00% upfront from 2nd cycle onwards
Supplementary Loan (Group Lending)	25 Weeks	Weekly	Rs 4,000	12 % Flat	3% upfront
Emergency Loan (Group Lending)	10 Weeks	Weekly	Rs 1,000	NIL	Rs 25 for Rs 500 loan and Rs 50 for Rs 1000 Loan
Solar Loan (Group Lending)	100 Weeks	Weekly	Rs 8000 – Rs 15000	12 % Flat	3% upfront
Individual Loan (Individual Lending)	25 – 100 Weeks	Monthly, Bimonthly, Weekly	Rs 10,000 – Rs 1,00,000	15%	3%

Our Impact

Case Studies

Several microfinance providers, networks and associations, and donors and investors endorse the 6 Principles of Client Protection. Grameen Koota is one of these organisations. We have always been committed to policies and practices that benefit our members.

- | | |
|--|---|
| <i>1. Avoidance of Over-Indebtedness</i> | <i>4. Ethical Staff Behaviour</i> |
| <i>2. Transparent Pricing</i> | <i>5. Mechanism for Redressal of Grievances</i> |
| <i>3. Appropriate Collection Practices</i> | <i>6. Privacy of Client Data</i> |



Sudamani

Holenarasipura Branch

Sudamani was married to Dinesh, a wiring worker, in 1990 and has been residing in Holenarasipura with her two children for the last 19 years. Hailing from a modest family herself, Sudamani did not really feel the pinch of inadequate facilities even after she was married.

Her First Success

In 2006, she joined the Grameen Koota's group lending program and borrowed Rs 7,000 to set up a shop. Dinesh continued his work in wiring while Sudamani managed the shop. The two drew strength from one another during this time and successfully recorded a profit and had no trouble in repaying the loan.

Year 2: Now an Entrepreneur

During her second year as a borrower with Grameen Koota, Sudamani used her Rs 10,000 loan primarily on helping her husband set up his own wiring enterprise. The fraction of the loan that remained, after investing in Dinesh's wiring equipment, was used to supplement the shop. Again, their efforts reaped generous rewards: Dinesh showed a far higher profit now under his own enterprise.

Diversifying Ventures

In the following year, more credit was invested in the wiring enterprise. A portion of the Rs 20,000 loan was also used to purchase basic audio and lighting equipment that could be hired for special occasions. Part of the loan amount also went towards setting up an ironing shop.

With the next loan of Rs 10,000, Sudamani and Dinesh invested in their shop and also installed a pay-phone there.

Growth in 3 Years

Sudamani and Dinesh recall the hardship endured in the years prior to 2006. They presently own a house and proudly say that their children will receive full education. "When I joined Grameen Koota, my husband objected at first. Once he saw me making profits in the first year, he too gained the courage to invest in his own venture." Dinesh currently manages a successful wiring enterprise and provides employment to four others.



Manjula

Channrayapattana Branch

Soon after her marriage, Manjula lost her father. Concerned that her mother would be unable to cope with it on her own, Manjula invited her to stay with her family. Supporting themselves and their two sons was already a strain on the household finances, but Manjula and her husband Venkatesh were determined to make ends meet.

4 Years, 4 Loans and 3 Different Activities

Manjula was intrigued by the promise of microfinance soon after representatives from Grameen Koota visited her village. Initially hesitant, she summoned enough courage to attend the week-long Grameen Koota Compulsory Group Training (CGT) program. Her life has changed since then.

With her first Rs 7,000, she bought an audio equipment that was to give on hire. With the next loan of Rs 10,000, Manjula established a cable operating service. She went on to invest a further Rs 13,000 in the cable service that brought her family considerable profits. Manjula used her fourth loan of Rs 25,000 to buy a cow.

“Grameen Koota is responsible.”

The community openly admires Manjula’s grit and her husband’s support. “At first, he was a coolie. Then he too invested in businesses with Manjula and now they are able to support their family and educate their children. They say that Grameen Koota is responsible for all this,” say other members of the community.



“Grameen Koota has chosen its growth path in a sustained manner, serving identified poor clients and providing them with comprehensive financial services.”

Mr Muralidharan, Programme Officer
HIVOS

Manjula

Banashankari Branch

Orphaned, Deserted but not Defeated

Raised in a slum, Manjula was unable to receive an education because her parents could not afford it. Soon after her father's death, Manjula was sent to an orphanage. At 14, an education was still out of her reach and she began to work at a garments factory for a minimum wage. Four years later, she married Muniyappa. Within 2 years after the marriage, Manjula was deserted for a second time as her husband chose to marry another girl. Manjula knew that she had to make a living and work for the sake of her young daughter.

Sewing a New Life for Herself

Manjula was able to provide for her daughter with the wages she received from the garment factory. But she enrolled with Grameen Koota to accelerate her growth and development. In 2006, she availed Rs 10,000 and purchased a sewing machine. Her day was now packed with activity: during the day she worked at the garment factory and in the night she was at her sewing machine, stitching clothes that she could sell for an additional income.

Another loan of Rs 15,000 helped her purchase a zig-zag machine and enhance the artistry on her clothes. She began taking orders from shops. Soon, she was able to employ personnel and further build the capacity of her tailoring unit.

“My daughter will never have to wonder what it is like to be educated”

She can now afford to send her daughter to school and tend to the needs of the home. But the dream does not end here. “I am going to improve my business even more in the future. My daughter will never have to wonder what it is like to be educated. I will ensure that she has the bright future that I always wanted for myself.”

“The decision to avail loans from Grameen Koota has been a good one as it has saved time because of the speedy disbursal. We have also got the loan at lesser interest rates than the local moneylenders or other sources.”

Hasina Ayaz Mulla
Bangalore

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Nahira

Channarayapattana Branch

The First Experience of Loss

Nahira had to face loss at a very tender age. When she was 10 years old, her mother fell seriously ill. Unable to cope with his job as a cloth merchant, six children and an ailing wife, Nahira's father decided to focus his attention on his family. Unfortunately, Nahira's mother passed away and her father's business was struggling to stay afloat. When she was 13, her father passed away. Her brothers took over the household responsibilities and she was only able to study until the third standard.

Loss for the Third Time and the Grameen Koota Intervention

Nahira was married by the time she was 20 years old to Pasha Saab, a silk merchant. They moved into a new house within a month after being married. Expenses were not planned and their investments were few and far apart. Nahira began rolling beedis to supplement the family income as they were soon raising 6 children. Misfortune struck once more and took her husband. Alone, she now had to manage the house and educate her children. A friend advised that she seek the services of Grameen Koota.

Nahira: Flying Solo with the Cloth Business

With her first loan of Rs 7,000, Nahira set up her own cloth enterprise. By the second year, she used Rs 10,000 to set up a canteen in the locality. With income flowing into the household from both ventures, Nahira confidently invested her next loan of Rs 20,000 in an auto. Further, she gained access to the family health insurance schemes offered by Grameen Koota (Sampoorna Suraksha).

“In the ups and downs of life, Grameen Koota has shown me how to stand on my feet.”

Apart from running a cloth business, a canteen and an auto service, Nahira is also into the artificial jewellery business. “I am very indebted to Grameen Koota. It has stayed by my side through the ups and downs of life. Grameen Koota has shown me how to stand on my feet,” she beams.

“With help from GK, I have built up my own enterprise, making and selling coconut frond mats.”

Namma
Thamasandra

Bhagyalakshmi

Channarayapattana Branch

Educated till PUC

Bhagyalakshmi is one of 9 children. Her father, a *daphedar* in the Police Department, was unable to bring in sufficient income for the family. Even with the additional income from the mother’s flower-stitching work, finances were still low. Despite the odds, Bhagyalakshmi put herself through school and even completed her PUC. Soon after, she was married to a distant relative and sent to live with her in-laws. A difficult life ensued as Bhagyalakshmi settled into a home that could not accommodate the 7 members who lived in it.

Initial Ventures and the GK Intervention

Bhagyalakshmi used her acumen to advise her husband on business ventures and profitable dealings. She encouraged her husband, Swami, to save the money he earned from driving his auto and invest it in supplying materials to stores. The couple made an effective impact on their household finances by ferrying materials to stores.

The demand for material steadily increased and Bhagyalakshmi could see that they would not be able to meet the demand with just one auto. However, they had not yet saved enough to invest in another vehicle. At this time, she sought counsel from a friend who immediately told her about Grameen Koota.

Meeting Market Demands with Better Infrastructure

Bhagyalakshmi took the initiative to thoroughly understand the lending methodology. The first loan of Rs 7,000 was used to purchase a second-hand autorickshaw. They used the next Rs 10,000 as a portion of the payment towards another auto. In the third and fourth year they used loans of Rs 30,000 and Rs 15,000 to add 3 more autos to their system.

Soon after, Bhagyalakshmi and Swami invested Rs 70,000 in the construction of their own home. They are determined to see their children’s education through and build a better life for themselves.

Sultana

Banashankari Branch

She was married to Illyas Khan when she was 18 years old and the couple moved from Ramanagaram to the Yarabnagar Slum (Bangalore), in search of a better life. Her husband was employed as an auto driver and she was previously engaged in beedi rolling. However, at Yarabnagar, Sultana began making agarbathi. With the income they were able to send their two children to a Government school in the locality.

Building a Life out of Scrap Metal

In March 2006, Sultana availed a Rs 10,000 loan which was used with other sources of fund to purchase an auto. They were able to clear all their debts by 2009. The next loan of Rs 25,000 was used to start a utensils shop while the auto was given out on rent.

“We want to build a home.”

With a total investment of Rs 50,000 in the utensils store and income flowing into the house steadily from the auto business, the couple feels confident about being able to build a house soon. “We want to build a home with our own earnings. Grameen Koota will surely help us,” Sultana states.



Shahum Taj

Banashankari Branch

When Shahum Taj married Jaffar, they lived with Jaffer's family. The house could not accommodate all the members within it and Jaffer's parents were unable to bear the economic burden of helping to raise grandchildren. Shahum Taj and Jaffer had to find their own house to bring up their two children.

The GK Intervention: Finances for 6 Enterprises

Shahum Taj used the loans from Grameen Koota to enter into an assortment of activities: selling meat, fruit and wood, making bricks and also purchasing cows. Jaffer manages the wood business which has been started with an investment of Rs 30,000.

“They are an inspiration for us all.”

Community members are all praise for this couple as they recall Shahum Taj's daughter's wedding. Rs 3,00,000 was spent on the festivities. Shahum Taj is also a well-respected group leader who manages the responsibilities efficiently. “They are an inspiration to all of us in the area. They show us how we should also come up in life,” say other members of the community.



Directors' Report

Dear Stakeholders

The Board of Directors of Grameen Financial Services Private Limited (GFSPL) is pleased to present the shareholders of GFSPL this Annual Report for the year ended 31st March 2009.

Financial Highlights			
Financial Highlights			
Sl. No.	Particulars	Current year (INR)	Previous Year (INR)
1	Total Income	340,497,396	103,871,136
2	Total Expenses	331,488,866	91,387,592
3	Profit Before Tax	9,008,529	12,483,544
4	Provision for tax	4,164,516	8,030,876
5	Profit after tax	4,844,013	4,452,668
6	Transferred to statutory reserves	968,803	891,436

Your company has made a net profit of Rs 48.44 lakhs with an EPS of Re. 0.46 in the current year. The company has raised loans from various public, private and multinational banks in the country for onlending to the women SHG members. The profit of the company would have been higher if not for the increase in the cost of borrowings during the last 3 quarters of this year by almost 3%. The increased cost was partially passed on to the clients only from the last quarter. Operational cost dropped from 12.7% last year to 11.9% this year and is expected to drop below 10% during the year 2009-10. Foreign Exchange Earnings and outgo of the company are nil.

Dividends

The board does not propose to declare any dividend due to insufficiency of profits and with a view to conserve the accruals for capital adequacy and expansion.

Deposits

The company has not accepted any deposits from the public during the year under review.

Auditors

The auditors of the Company M/s M.S. Kamath & Associates, Bangalore have held the office till date since their appointment on 31st October, 2007 and are eligible for re appointment.

Conservation of Energy

The auditors of the Company M/s M.S. Kamath & Associates, Bangalore have held the office till date since their appointment on 31st October, 2007 and are eligible for re appointment.

Information Pursuant to Section 217 (2A) of the companies Act., 1956.

There are no employees drawing remuneration beyond monetary ceilings prescribed under Section 217 (2A) of the Companies Act, 1956 and rules framed thereunder.

Operations

The financial year ending March 2009 has been a high growth year for your company. Your company started a new division under the brand name “MAARG Financial Services”, which provided microfinance to the clients using the individual lending model unlike “Grameen Koota” which provides microfinance to clients using the Grameen Bank, Bangladesh JLG model. The table below describes performance of both the divisions.

Your company also expanded its reach into Maharashtra with 5 branches in Kolapur, Sangli, Sattara districts. Training modules were translated into Marathi as it recruited personnel from Maharashtra.

Division Wise Distribution of the Business			
Particulars	Grameen Koota	MAARG	Total
Branches	80	2	82
Members	255,410	961	256,371
Active Borrowers	210,601	961	211,562

This year your company has increased its client base by 84% and portfolio outstanding by 119%. The revenue increased by 64%.

The growth of your company was affected during the 2nd and 3rd quarter of the year, due to global financial meltdown. Banks that were lending to the company delayed disbursements and fresh sanctions of much-needed

onlending funds, which resulted in slowing the growth of the company and its profitability. The economic downturn in India also resulted in increase in lending rates by the banks during the year. If the global economy continues to be in recession, it is likely to affect the performance and growth of your company during the coming year.

The table below shows the growth of the company during the year 2009.

Performance Highlights for the FY 08-09				
Sl. No.	Particulars	31st March 2008	31st March 2009	Y on Y Growth (%age)
1	Branches	51	82	61%
2	Kendras	4,700	8,902	89%
3	Members	139,114	256,370	84%
4	Active Borrowers	117,747	211,559	80%
5	Loan Disbursed during the FY(in Crore, INR)	168.85	372.66	121%
6	Loan Recovery during the FY(in Crore, INR)	132.18	273.97	107%
7	Outstanding Portfolio	82.65	181.30	119%
8	Amount in arrears(in Crore, INR)	-	0.11	
9	Repayment Rate	100.00%	99.96%	0%
10	Portfolio at risk >30 days	0.00%	0.13%	
11	Kendra managers(Loan officers)	240	440	83%
12	Total staff	480	769	60%

During this year, public sector banks / financial institutions such as Corporation Bank, Union Bank, SIDBI, private sector banks such as Yes Bank, South Indian Bank and Karur Vysya Bank and MNC Banks such as Citi Bank have started providing onlending funds to your company. During this year, your company also has executed portfolio sale to the tune of Rs 82 crore with ICICI Bank, Development Credit Bank, Indus Ind Bank, Axis Bank and Fullerton India.

Awards

Your company received a special award for process excellence by Planet Finance and ABN AMRO Bank in November 2008.

The Microfinance Information Exchange (MIX)'s annual rankings for 2008 ranked your company as the 87th best microfinance company amongst 100 institutions across the globe.

Ratings & Evaluations

During this year, your company has obtained Grading 'Mfr3' from Credit Rating Information Services of India Limited (CRISIL) on a Grading Scale of Mfr1 to Mfr8). The Grading Observations of CRISIL are as given below:

CRISIL Rating Observations	
Strengths	Weaknesses
Long track record in Microfinance	Moderate earnings Profile
Well-experiences senior management	Moderate capitalisation as against business plans
Adequate process and control system	
Improved productivity and efficiency	
Good asset quality	

Equity Investments

During this year, the authorized capital of the company increased from Rs 18 crore to Rs 21 crore. In order to meet its business plans for the coming year and maintain the prescribed capital adequacy, as per the Guidelines of the Reserve Bank of India, your company proposes to raise fresh capital from both national and international investors. The Board of the Directors and the Management of your company are actively pursuing to close the second round of capital raising during the current year (2009 -10). The Convertible Preference Share of Rs 9.20 crore invested by Aavishkar Goodwell India was converted into Equity Shares in November 2008.

Technology

Your company plans to upgrade the MIS software it is using in the coming year, which will integrate with the accounts, HR and portfolio management software and also plans to hire a CIO to manage the technology initiatives.

Employees

There was no employee in the company who was in receipt of a remuneration in excess of Rs 24 lakh p.a. or Rs 2 lakh p.m. employed during any part of the year. The relations with the employees are cordial throughout the year. The Directors place on record their appreciation of the efforts, dedication, commendable team work and exemplary contribution of the employees in various initiatives of the company and contributing to the high growth and performance of the Company during the year under review.

Frauds & Misappropriations

There were no major frauds reported during this financial year.

Board of Directors

The Board consists of Shareholder, Independent and Nominee Directors. The Board of Directors are experienced professionals in areas of banking, development, finance and microfinance. The statement below shows the participation of the Directors at the Meetings held during the year.

Ms. Bharathi Jacob, Nominee Director of Aavishkaar Goodwell resigned and Mr. Pradeep P. replaced her in February 2009. Mr. Ram Gopal Soni, a Director on the Board also resigned from the company in November 2008.

Name of Director	Position	No. Mtgs. Held	No. Mtgs. Attended
Vinatha M. Reddy	Executive Chairman	4	4
Suresh K. Krishna	Managing Director	4	4
Daksha Niranjana Shah	Independent Director	4	3
Dr. Manjunath L. H.	Independent Director	4	4
Sriram Iyer	Independent Director	4	4
Bharati Jacob *	Independent Director	2	1
Pradeep P.**	Nominee Director	1	0
Ramgopal Soni***	Independent Director	2	0

* Resigned on 2nd February 09

** Appointed on 2nd February 09

***Resigned on November 08

Various Committees of the Directors have been formed in line with the best corporate governance practices as stipulated by the Reserve Bank of India.

Audit Committee	ALM Committee
Vinatha M. Reddy	Suresh K. Krishna
Dr. Manjunath L. H.	Dr. Manjunath L. H.
Daksha Niranjana Shah	Sriram Iyer
Executive & Compensation & Remuneration Committee	Nomination & Grievance Committee
Vinatha M. Reddy	Dr. Manjunath L. H.
Suresh K. Krishna	Sriram Iyer
Sriram Iyer	Daksha Niranjana Shah

Future Outlook

Your company has put in strong operational systems and procedures in place and is adapting the best corporate governance practices to ensure stronger and profitable growth in the coming years. Your company will recruit more professionals in HR, finance, operations, marketing, PR, technology and risk management to strengthen the management team along with increasing the field level manpower to expand the operations within the state of Karnataka, Maharashtra, Andhra Pradesh, Tamil Nadu and Madhya Pradesh during this year.

Directors Responsibility statement in relation to accounting standards and policies

Pursuant to the provisions of Sec. 217 (2AA) of the Companies Act, 1956, the Directors of the company herewith state as follows:

- I. That in the preparation of the annual accounts of the company for the period 1.4.2008 to 31.3.2009, applicable accounting standards have been followed. There has been no material departure from the said standards.

2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to present a true and fair view of the state of affairs of the company at the end of financial year viz., 31.3.2009 and the profit and loss account for the period.
3. That the Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies act 1956 for safeguarding the assets of the company for preventing and detecting fraud and other irregularities.
4. That the Directors have prepared the annual accounts of the company for the period 1.4.2008 to 31.3.2009 on an ongoing concern basis.

Acknowledgements

Your directors thank all the shareholders, customers, vendors, lending banks and financial institutions for their continued support throughout the year and look forward to their continued support in future.

Your Directors also wish to place on record the appreciation for the contribution made by the company's employees at all levels as without their hard work, solidarity and support your company's consistent growth would not have ever been possible.

for & on behalf of the Board



Managing Director

Place: Bangalore

Date: 25th May, 2009

Audit Report

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M.S. KAMATH & ASSOCIATES
CHARTERED ACCOUNTANTS

REPORT OF THE AUDITORS' TO THE MEMBERS
OF
GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED.

We have audited the attached Balance Sheet of **GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED** as at 31st March, 2009 and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on 31st March, 2009 annexed thereto and report that:

1. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditors' report) Order, 2003 (as amended) issued by the Central Government of India in terms of subsection 4A of section 227 of the Companies Act, 1956, and on the basis of such checks as we consider appropriate, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent they are applicable to the Company.



203, 2nd Floor, 'Lucky Paradise' 8th 'F' Main, 22nd Cross, (Opp. ICICI Bank Ltd.,)
IIIrd Block, Jayanagar, BANGALORE – 560 011. Ph: 080-22446668, 26630772, Fax: 080-26531448
e-mail: m_s_kamath@vsnl.com • m.s.kamath.ca@gmail.com

M.S. KAMATH & ASSOCIATES,

Chartered Accountants

4. Further to our comments in the Annexure referred to in paragraph I above, we state that:

- (a) We have obtained all the information and explanation to the best of our knowledge and belief which were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by the law have been kept by the Company so far as appears from our examination of those books.
- (c) The Balance Sheet, Profit and Loss Account and Cash Flow statement dealt with by this report are in agreement with books of account.
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection 3 (c) of section 211 of the companies Act, 1956.
- (e) On the basis of written representations received from the Directors as on March 31st, 2009, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2009 from being appointed as a Director as per the terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
- (f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For, **M.S. KAMATH & ASSOCIATES,**
Chartered Accountants,



M.S. KAMATH, F.C.A.
Proprietor
Membership No. 022529

BANGALORE
25.05.2009



M.S. KAMATH & ASSOCIATES
CHARTERED ACCOUNTANTS

ANNEXURE TO THE AUDITORS' REPORT.

Annexure referred to in paragraph 3 of the Auditors' Report on the Accounts of GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED.

- i. In respect of its fixed assets:
 - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) In our opinion, most of the fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off substantial part of fixed assets during the year.
- ii. The nature of the Company's operations does not require it to hold inventories. Consequently clause 4(ii) of the order is not applicable to the Company.
- iii. In our opinion and according to the information and explanations given to us, the company has not granted or taken any loan secured or unsecured to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.



M.S. KAMATH & ASSOCIATES,

Chartered Accountants

- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business for purchase of fixed assets and for the sale of services. Activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- v. According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- vi. The Company has not accepted any deposits from the public.
- vii. In our opinion, the internal audit system of the company is commensurate with its size and nature of its business.
- viii. To the best of our knowledge and as explained the Central Government has not prescribed maintenance of cost records under clause (d) of subsection (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- ix. (a) The company has been generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, and other material statutory dues as applicable.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund service tax, and other undisputed statutory dues were outstanding, at the year end for a period of more than six months from the date they became payable.



M.S. KAMATH & ASSOCIATES,

Chartered Accountants

- (c) According to the information and explanation given to us, there are no dues of provident fund, professional tax and service tax as on March 31, 2009, which have not been deposited with the respective authorities, on account of any disputes.
- x. The Company has no accumulated losses as at 31st March, 2009 and it has not incurred any cash losses in the financial year ended on that date and in the immediately preceding financial year.
- xi. In our opinion, the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities other than companies own shares.
- xiii. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4 (xiii) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.
- xiv. In our opinion, the Company has not dealt or traded in shares, securities, debentures and other investments during the financial year ending 31st March, 2009. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions. Accordingly the provisions of clause 4 (xv) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.



M.S. KAMATH & ASSOCIATES,

Chartered Accountants

- xvi. To the best of our knowledge and belief and according to the information and explanations given to us, the term loans have been applied for the purpose for which the loans were obtained.
- xvii. According to the information and explanations given to us, and on overall examination of the Balance Sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investment and vice versa.
- xviii. The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- xix. The Company did not have any outstanding debentures during the year.
- xx. The Company has not raised any money by public issue. Accordingly clause 4 (xx) of the Companies (Auditor's Report) Order 2003 (as amended) is not applicable to the Company.
- xxi. To the best of our knowledge and belief and according to the information and explanation given to us, no material fraud on the company in the nature of misappropriation by staff was noticed/reported during the year under audit.

For, **M.S. KAMATH & ASSOCIATES,**
Chartered Accountants,



M.S. KAMATH, F.C.A.
Proprietor
Membership No. 022529

BANGALORE
25.05.2009



M.S. KAMATH & ASSOCIATES
CHARTERED ACCOUNTANTS

Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 1998

In addition to the report made by us under Section 227 of the Companies Act, 1956, on the attached Balance Sheet of **GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED** as at 31st March, 2009 and also the Profit and Loss Account of the Company for the year ended on 31st March, 2009 annexed thereto, we report to the Board of Directors on the matters specified in paragraph 3 and 4 in the 'Non-banking financial Companies Auditor's Report (Reserve Bank) Directions, 1998, that

In our opinion and according to the information and explanations given to us,

1. In the case of all non-banking financial companies (as per paragraph 3 (A) of the order)

The Company has received certificate of registration no.05.01311 dt. 30-03-1998 from Reserve Bank of India as provided in Section 45-1A of the Reserve Bank of India Act, 1934 (2 of 1934).

2. In the case of a non-banking financial company not accepting public deposits (as per paragraph 3 (C) of the order)

- (i) Board of directors has passed a resolution for the non acceptance of any public deposit.
- (ii) The Company has not accepted any public deposits during the financial year ending 31st March, 2009.
- (iii) The Company has complied with prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts as applicable to it during the financial year ending 31st March, 2009.

For, **M.S. KAMATH & ASSOCIATES,**
Chartered Accountants,

BANGALORE
25.05.2009




M.S. KAMATH, F.C.A.
Proprietor
Membership No. 022529

GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

BALANCE SHEET AS AT 31,		<i>All figures in Indian Rupees</i>		
		Sch	Mar-09	Mar-08
SOURCES OF FUNDS:				
SHAREHOLDERS FUNDS				
Equity Share Capital	1	164,805,790	71,672,130	
Reserve & Surplus	2	53,167,533	4,457,180	
		217,973,323	76,129,310	
SHARE APPLICATION MONEY				
		-	92,000,000	
LOAN FUNDS				
Less: Managed Loan Obligations	3	1,892,426,659	768,450,224	
		659,180,531	-	
NET LOAN FUNDS		1,233,246,128	768,450,224	
DEFERRED TAX LIABILITY		257,897	220,876	
	TOTAL	1,451,477,348	936,800,410	
APPLICATION OF FUNDS:				
FIXED ASSETS (At cost less depreciation)				
	4	15,228,515	8,618,104	
CURRENT ASSETS, LOANS & ADVANCES				
Cash and Bank Balances	5	238,404,645	180,789,558	
Microfinance Loans	6	1,813,053,408	826,461,854	
Less: Managed Portfolio		659,180,531	-	
Net Microfinance Loans		1,153,872,877	826,461,854	
Interest Accrued on Microfinance Loans		5,182,638	1,500,194	
Advances Recoverable and Other Current Assets	7	56,557,279	15,081,603	
		1,454,017,438	1,023,833,210	
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	8	53,223,502	137,859,925	
Provisions	9	4,317,338	10,189,362	
		57,540,840	148,049,287	
NET CURRENT ASSETS				
		1,396,476,598	875,783,922	
MISCELLANEOUS EXPENDITURE (to the extent not written off)				
	10	39,772,235	52,398,384	
	TOTAL	1,451,477,348	936,800,410	
Significant Accounting Policies	19			
Notes On Accounts	20			

As per our report of even date
for **M.S. KAMATH & ASSOCIATES**
Chartered Accountants

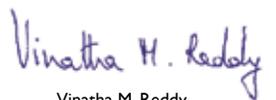


M.S. KAMATH
M.No. 022529
Proprietor



Place: Bangalore
Date: May 25, 2009

for **GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED**



Vinatha M. Reddy
Chairman



Suresh K. Krishna
Managing Director



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED
All figures in Indian Rupees

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED ON 31,	Sch	Mar-09	Mar-08
INCOME			
Income from Operations	11	334,815,866	94,721,529
Income from Term Deposits & Other Investments (TDS Rs 1,44,056/- P.Y. Rs 28,066/-)	12	2,584,710	307,714
Other Income	13	718,460	391,936
Excess Charge on Valuation written back		2,378,359	8,449,957
Total		340,497,396	103,871,136
EXPENDITURE			
Financial Charges On Borrowings & Portfolio Sale	14	168,092,247	36,322,157
Salaries, Allowances and Benefits to Staff	15	73,596,541	23,330,166
Remuneration to Directors	16	4,003,860	1,707,978
Other Operating Expenses	17	78,550,124	29,624,729
Non Cash Charge			
Depreciation		3,032,483	402,561
Loans of Deceased Members Written Off		4,213,611	
Total		331,488,866	91,387,592
Profit Before Tax		9,008,529	12,483,544
Provision for Taxation	18	4,164,516	8,030,876
Profit After Tax		4,844,013	4,452,668
APPROPRIATIONS:			
Transfer to Statutory Reserve @ 20%		968,803	891,436
Balance Carried Forward		3,875,210	3,561,232
<i>Earning Per Share:</i>		0.46	5.40

Significant Accounting Policies

19

Notes On Accounts

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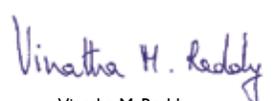
As per our report of even date
for **M.S. KAMATH & ASSOCIATES**
Chartered Accountants


M.S. KAMATH
M.No. 022529
Proprietor



Place: Bangalore
Date: May 25, 2009

 for **GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED**


Vinatha M. Reddy
Chairman


Suresh K. Krishna
Managing Director



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

All figures in Indian Rupees

SCHEDULES FORMING PART OF BALANCE SHEET:**I SHARE CAPITAL:**

Particulars	31-Mar-09	31-Mar-08
Authorized:		
Equity Shares	180,000,000	180,000,000
18,000,000 Equity Shares of Rs 10/- each (Previous Year: 18000000 @ Rs 10/- each)		
Preference shares	30,000,000	-
3,000,000 Preference shares of Rs 10/- each (Previous year: Nil)		
	210,000,000	180,000,000
Issued Subscribed and Paid up:		
Equity Shares	164,805,790	71,672,130
16480579 Equity shares of Rs10/- each fully paid up in Cash (Previous Year: 7167213 Shares @ Rs 10/- each) including 1,750,000 shares issued against consideration other than cash (Previous Year: Nil)		
Preference shares	-	-
Nil Preference shares of Rs 10/- each (Previous year: Nil)		
Total	164,805,790	71,672,130

2 RESERVES AND SURPLUS:

	31-Mar-09	31-Mar-08
a. Share Premium	43,866,340	-
b. Statutory Reserve 20% as per Reserve Bank of India Directions		
Opening Balance	891,436	-
Transfer during the year	968,803	891,436
Closing Balance	1,860,239	891,436
c. Profit and Loss Account:		
Opening Balance	3,565,744	4,512
Addition during the year	3,875,210	3,561,232
Closing Balance	7,440,954	3,565,744
Total	53,167,533	4,457,180

3 LOAN FUNDS

SL. No.	Name of Bank/Financial Institution	Total Amount availed as on March 31, 2009	Balance Outstanding as on		Rate of Interest %	Repayment period	Type of security
		Rupees	31-Mar-09	31-Mar-08			
Term Loans							
1	ABN Amro Bank N.V.	300,000,000	202,890,000	195,750,000	12% to 13.25%	36 Months	100 % Hypothecation of Book debts
2	AXIS Bank Limited	340,000,000	233,888,889	190,000,000	11.5% to 12.25%	30 Months	100 % Hypothecation of Book debts
3	Corporation Bank	50,000,000	16,666,664	-	11.75%	12 Months	105 % Hypothecation of Book debts
4	Karur Vysya Bank Limited	100,000,000	62,500,000	-	12.00%	27 Months	105 % Hypothecation of Book debts
5	Citi Bank	140,000,000	140,000,000	-	14.50%	36 Months	100 % Hypothecation of Book debts
6	Union Bank	50,000,000	44,444,444	-	11.75%	36 Months	100 % Hypothecation of Book debts + 10% Margin
7	South Indian Bank Limited	30,000,000	30,000,000	-	12.00%	24 Months	100 % Hypothecation of Book debts
8	YES Bank Limited	100,000,000	94,736,842	-	13.50%	24 Months	110 % Hypothecation of Book debts
9	Friends of Women's World Banking	300,000,000	124,999,973	110,555,554	11.5% to 13.5%	18 Months	100 % Hypothecation of Book debts
10	HDFC Bank Limited	228,400,000	130,866,667	48,125,000	12% to 14%	36 Months	100 % Hypothecation of Book debts + 5% Margin
11	HDFC Limited	82,500,000	20,000,000	62,500,000	11.5% to 13%	36 Months	100 % Hypothecation of Book debts
12	ING VYSYA Bank Limited	150,000,000	132,222,217	-	11.25% to 12.5%	36 Months	105 % Hypothecation of Book debts
13	INDIAN Bank	100,000,000	-	91,666,666	12% to 13.25%	14 Months	100 % Hypothecation of Book debts + 5% Margin
	Sub-total	1,970,900,000	1,233,215,696	698,597,220			
Managed Loan Obligations							
1	ICICI Bank Limited	438,154,793	362,612,815	-	12.50%	12 Months	Sale of Receivables+Cash Collateral
2	IndusInd Bank Limited	150,000,000	143,821,684	-	10.00%	12 Months	Sale of Receivables+Cash Collateral
3	Axis Bank Limited	100,000,000	87,715,691	-	12.00%	12 Months	Sale of Receivables
4	Development Credit Bank Limited	100,000,000	65,030,341	-	13.25%	12 Months	Sale of Receivables+Cash Collateral
5	Fullerton India Credit Company Limited	70,000,000	-	50,000,000	13.25%	12 Months	Sale of Receivables+Cash Collateral
	Sub-total	858,154,793	659,180,531	50,000,000			
Cash Credit Limits							
1	AXIS Bank Limited	20,000,000	30,432	19,853,004	12.25%	12 Months	100 % Hypothecation of Book debts
	Total	2,849,054,793	1,892,426,659	768,450,224			



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED
4 FIXED ASSETS:

Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.08	Additions during the year	Deletions During the year	As on 31.03.09	As on 01.04.08	Additions during the year	Deletions During the year	As on 31.03.09	As on 31.03.09	As on 31.03.08
Furniture and Fixture	395,847	1,765,979	-	2,161,826	11,173	1,228,766	-	1,239,940	921,886	384,674
Vehicles	6,227,247	2,447,825	315,450	8,359,622	271,669	691,244	145,597	817,316	7,542,306	5,955,578
Office Equipment	211,814	1,886,402	-	2,098,216	5,031	190,757	-	195,787	1,902,429	206,783
Electrical Equipment	564,695	1,367,501	-	1,932,196	9,616	193,830	-	203,447	1,728,749	555,079
Buildings	-	772,800	-	772,800	-	1,553	-	1,553	771,247	-
Computers & Printers	1,621,062	1,572,241	-	3,193,303	105,073	726,333	-	831,406	2,361,897	1,515,989
Total	9,020,665	9,812,748	15,450	18,517,963	402,562	3,032,483	145,597	3,289,448	5,228,514.68	8,618,104
As on 31.03.2008	-	9,020,665	-	9,020,665	-	402,562	-	402,562	8,618,104	-

5 CASH AND BANK BALANCES:

	31-Mar-09	31-Mar-08
Cash on hand	42,229,746	32,248,933
Balances with Scheduled Banks in:		
Current Accounts	127,014,795	140,790,625
Term Deposits	-	-
Unencumbered	-	-
Encumbered	69,160,104	7,750,000
Total	238,404,645	180,789,558

6 MICRO FINANCE LOANS :

Particulars	31-Mar-09		31-Mar-08	
	No of A/cs	Loan Outstanding	No of A/cs	Loan Outstanding
Animal Husbandry	54,817	380,775,025	26,517	150,047,784
Trading	111,719	792,472,437	33,827	198,800,680
Production	29,490	200,273,637	24,957	144,960,820
Transportation	23,054	170,403,338	13,224	81,746,421
Agriculture	8,097	60,380,783	3,171	20,171,648
Others	18,282	144,320,947	30,100	188,705,406
Emergency Loan	113,227	64,427,241	77,044	42,029,095
Total	358,686	1,813,053,408	208,840	826,461,854

7 ADVANCES RECOVERABLE AND OTHER CURRENT ASSETS:

	31-Mar-09	31.03.08
<i>(Unsecured - Considered Good)</i>		
Advances and other amounts recoverable in cash or kind or value to be received		
Group-A		
Staff Loans & Advances	6,122,926	6,144,908
Interest Receivable on Term Deposits and Other Investments	1,107,545	91,451
Advance Against Purchases & Other Advances	24,921,814	510,303
Sundry Deposits (Rent, Telephone, Electricity & Others)	7,676,581	2,984,610
Security Deposit - Managed Portfolio	5,022,227	2,750,000
Loan to T. Muniswamappa Trust	3,000,000	-
Interest Accrued on Loan to T. Muniswamappa Trust	-	-
Cash point credit line	50,000	-
Unexpired Broken Interest	642,061	-
GK digital cash	259,784	-
Prepaid Expenses	2,359,819	-
Insurance Claim Receivable	117,219	1,253,666
Group-B		
Advance Tax	3,741,875	600,000
TDS Recoverable	235,023	90,968
Advance Tax - FBT	1,239,851	330,768
CENVAT Credit	55,622	324,929
Total	56,557,279	15,081,603



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

8	CURRENT LIABILITIES:	31-Mar-09	31.03.08
	<i>Statutory Dues:</i>		
	Provident Fund Payable	-	508,089
	Employee State Insurance Payable	-	8,376
	Professional Tax Payable	640	30,780
	TDS Payable	4,907,719	2,782,088
	Interest on Fringe Benefit Tax Payable	-	60,687
	<i>Staff Dues:</i>		
	Bonus Payable	3,575,980	1,600,000
	Gratuity Payable	251,646	1,662,095
	Other Dues	1,202,796	1,397,637
	GK Digital Cash Payable	300,000	-
	Amounts Payable Under Portfolio Sale	40,187,290	-
	Insurance and Other Amounts Payable	1,041,574	870,305
	<i>Payable to T. Muniswamappa Trust on a/c of Business Transfer:</i>		
	Borrowings from Financial Institutions	-	74,762,652
	Client Creation Cost, Intellectual Property Rights and Software	-	25,000,000
	Business value acquired	-	8,273,133
	Interest payable on loans	-	17,416,752
	Provision for Expenses	1,127,957	2,977,031
	Audit Fee Payable	627,900	510,300
	Total	53,223,502	137,859,925
	9 PROVISIONS:	31-Mar-09	31.03.08
	Provision for Taxation (Income Tax)	3,080,107	1,501,003
	Provision for Taxation (Fringe Benefit)	1,237,231	6,310,000
	Provision for Loan loss	-	2,378,359
	Total	4,317,338	10,189,362
	10 MISCELLANEOUS EXPENDITURE (to the extent not written off):	31-Mar-09	31.03.08
	Software Development	3,291,696	4,388,928
	Cost of acquisition of Intellectual property right account	24,000,000	32,000,000
	Sweat Equity to Chairman and Managing Director to be written Off	10,500,000	14,000,000
	Other Expenses (Capital Issue related)	1,980,539	2,009,456
	Total	39,772,235	52,398,384
	SCHEDULES FORMING PART OF PROFIT AND LOSS		
	11 INCOME FROM OPERATIONS:	31-Mar-09	31.03.08
	Interest on Microfinance loans	240,031,441	73,791,146
	Income from Sale of Portfolio	13,544,459	-
	Loan Processing Fee (net of Service Tax Rs 97,60,983/- , P.Y. Rs 25,66,446/-)	80,973,482	20,799,844
	Fines and Penalties	266,484	130,539
	Total	334,815,866	94,721,529
	12 INCOME FROM TERM DEPOSITS/ OTHER INVESTMENTS	31-Mar-09	31.03.08
	Interest on Term Deposits and Other Investments	2,584,710	307,714
	Total	2,584,710	307,714
	13 OTHER INCOME:	31-Mar-09	31.03.08
	Interest on Staff Loans	306,576	43,000
	Interest on Other Loans	4,932	-
	Cattle Tagging Charges	16,004	-
	Interest on Advances (VA/TA)	95	-
	Rent Recovered from Staff	89,401	168,294
	Interest on Income Tax Refund	-	2,634
	Facilitation Charges (telephone connectivity services)	120,200	-
	Miscellaneous income	181,252	178,008
	Total	718,460	391,936



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

	31-Mar-09	31.03.08
14 FINANCIAL CHARGES ON BORROWINGS AND PORTFOLIO SALE:		
Interest On Secured Loans from Banks and Financial Institutions	139,924,809	15,316,809.29
Loan Processing fee	1,287,085	1,185,395.00
Broken Period Interest on Portfolio Sale	2,042,438	-
Discount Charges on Portfolio Sale	11,005,279	-
Interest on borrowings from T. Muniswamappa Trust	13,832,636	19,819,953.00
Total	168,092,247	36,322,157
15 SALARIES, ALLOWANCES AND BENEFIT TO STAFF:		
Salaries, Incentives and Trainees stipend Expenses	62,779,820	18,098,422
Annual Performance Bonus	3,051,181	1,600,000
SSY Insurance Employer Contribution	86,282	-
Contributions to Provident Fund	3,369,498	911,381
ESI Employer Contribution	2,221,143	448,717
SAF Employer Contribution	298,236	50,355
PF Administrative Charges	436,288	122,251
Insurance Exp. Staff	526,756	149,945
Leave Encashment Allowance	121,903	41,635
Leave Travel Allowance	491,792	261,959
Gratuity	213,642	1,645,501
Total	73,596,541	23,330,166
16 REMUNERATION TO DIRECTORS:		
Managing Director:		
Salary	1,925,400	962,700
Annual Performance Bonus	360,000	-
Contributions to Provident Fund	144,000	72,100
Contributions to Superannuation Fund	12,000	6,000
Admin. Charges on Provident Fund	19,320	9,660
Gratuity	24,206	4,810
Total (a)	2,484,926	1,055,270
Other Directors:		
Salary	1,200,000	600,000
Annual Performance Bonus	205,200	-
Contributions to Provident Fund	82,080	41,040
Contributions to Superannuation Fund	6,840	3,420
Admin. Charges on Provident Fund	11,016	5,506
Gratuity	13,798	2,742
Total (b)	1,518,934	652,708
Total (a+b)	4,003,860	1,707,978
17 OTHER OPERATING EXPENSES:		
Travelling and Conveyance:		
- Directors	316,145	329,300
- Staff, Advisors and Others:	14,698,642	3,592,453
Training expenses	655,912	-
Professional & Consultancy charges	5,667,575	2,339,304
Rates & Taxes	402,630	939,465
Postage & Telecommunication	3,630,050	1,152,389
Office Building Rent	6,990,301	2,083,822
Office & Guest House Maintenance	3,496,115	1,209,315
Staff Welfare Expenses	330,278	-
Repair & Maintenance	2,179,580	798,430
Insurance - Company Assets	640,231	117,105
Insurance & Death Relief Expenses-Borrowers	54,521	300,179
Auditors Remuneration and Expenses	794,227	516,256
Printing & Stationery	4,669,479	1,044,254
Board Meeting Expenses	135,830	57,939
Credit Rating Expenses	225,000	-
Membership/Subscription	218,012	259,972
Other Administrative Expenses	33,445,597	14,884,546
Total	78,550,124	29,624,729



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

18 PROVISION FOR TAXES:	31-Mar-09	31.03.08
Tax on Income (Current year)	3,079,104	1,500,000
Deferred Tax	37,021	220,876
Fringe Benefit Tax	1,048,391	6,310,000
Total	4,164,516	8,030,876

SCHEDULES FORMING PART OF BALANCE SHEET AND PROFIT AND LOSS
19 SIGNIFICANT ACCOUNTING POLICIES:
i Basis of Preparation of Financial Statements

The financial statements are prepared under historical cost convention, on accrual basis of accounting and in accordance with the provisions of Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICA) to the extent applicable, except otherwise stated and stipulated in the directions issued by Reserve Bank of India (RBI) for Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 from time to time.

ii Revenue Recognition:

- a Interest on loans is recognized on accrual basis, calculated on weekly reducing balance method on the loans disbursed and outstanding.
 b Income on non performing assets is recognized only when realized and no interest, which has remained overdue for more than six months at the end of the accounting period, is treated as income.

iii Fixed Assets:

- a These are stated at cost.
 b Depreciation is provided on the straight-line method at the following rates as prescribed under the Companies Act, 1956:

Category of Asset	Rate of Depreciation
Furniture and Fixtures	6.33%
Office Equipments (including Electrical Equipments)	4.75%
Vehicles	9.50%
Buildings	1.63%
Computers	16.21%

- c In respect of additions the depreciation is provided prorata from the date the assets are put into use.
 d Depreciation on Assets, whose actual cost does not exceed Rs 5000/-, is provided at the rate of 100%.

iv Investments:

- a Classification of Investments: Current (less than 12 months at time of investing) and any investment beyond this period is classified as long term.
 b Valuation of Investments:

Type of investments	Method of valuation
Quoted Investments	At cost or market value which is lower
Unquoted investments	At cost or break up value which ever is lower
Mutual fund investments	Net Asset Value declared by the Fund
Unquoted Government securities or Government guaranteed bonds and commercial papers	At carrying cost

v Loans and Advances:

Loans and advances are classified as standard assets, sub-standard assets, doubtful assets and loss assets in terms of the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.

Classification of Assets	Criteria for Classification	Minimum Provisioning required as per Directions
Standard Assets	The asset in respect of which, no default in repayment of principal or payment of interest is perceived	Nil
Sub Standard Assets	An asset which has been classified as non-performing asset (NPA) for a period not exceeding 24 months.	10% of the loan outstanding
Doubtful Debts	An asset which remained as sub-standard assets for a period of 24 months after becoming NPA	100% of unsecured portion of the loan outstanding and an increasing % over a period of three years on secured portion as follows:
	Doubtful up to 1 Year (secured portion)	20%
	Doubtful from 1 to 3 Year (secured portion)	30%
	Doubtful more than 3 Year (secured portion)	50%
	Doubtful not covered by realizable security	100%
Loss Assets	As identified by the management, auditors and RBI at any point of time.	To be written off or provided at 100%

* NPA is an asset in respect of which interest has remained overdue for a period of six months or more.



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

- vi Write-Off Policy:**
The write off of the Non-Performing assets is depending upon the management identification of such loans for which every possible step for recovery of principal and interest on the loan have been taken and if it is not recoverable, identified as Loss Assets.
- vii Employee Benefits:**
- Provident Fund: Contribution is accounted on actual liability basis and paid to the government managed Employees' Provident Fund Organization.
 - Employee State Insurance Scheme: Contribution is accounted on actual liability basis and paid to the government managed Employees' State Insurance Corporation.
 - Gratuity is computed and provided in accounts as per the Scheme framed under the Payment of Gratuity Act, 1972.
- viii Accounting for Taxes on Income:**
Taxes on income have been accounted in accordance with Accounting Standards-22 of the ICAI. Deferred tax liability and asset are recognized subject to consideration of prudence and timing difference.
- ix Foreign Exchange Transactions:**
Foreign currency current assets and current liabilities outstanding at the Balance Sheet date are translated at the exchange rates prevailing on that date and the net gain or loss is recognized in the Income and Expenditure Account. All other currency gains and losses are recognized in the Income and Expenditure Account.
- x Intangible Assets:**
The amount related to allotment of sweat equity and the acquisition of copyrights, technical know-how, software, intellectual proprietary rights in the field of Micro finance and Livelihood Promotion, and expenditure incurred in connection with fresh capital infusion has been accounted for as intangible assets valued at the cost of acquisition of these assets and are amortized over a period of 5 years in equal installments, based on expected future economic benefits accruing to the Company from the year of acquisition.
- xi Accounting for transactions relating to Portfolio Sale:**
Micro finance Loans outstanding, interest earned on loans, finance costs relating to receivables sold under portfolio sale to banks and financial institutions are shown separately as Managed Portfolio. The difference between the net present value of future receivables (at the agreed discount rate) and the total value of future receivables is shown as unexpired discount. Proportionate discounting charges at the end of each accounting period are credited to the unexpired discount account. While the discount charges are charged off to be profit and loss account, the balance in the unexpired discount account is shown under current assets. The interest earned on the receivables under portfolio is shown separately as income from Managed Portfolio. The book value of Managed Portfolio is netted off from the gross portfolio. Income earned and discount charged are on accrual basis.

20 NOTES ON ACCOUNTS:

- The Company is engaged in micro finance activities (loan to each borrower being less than Rs 50,000).
- The operations of the Company are in the States of Karnataka & Maharashtra.
- In the case of group lending, all loans are collateral free and provided to Women JLGs in rural, semi-urban and urban areas and in the case of individual lending, loans are given to individuals (men and women) in the urban area.
- The Company has not rescheduled any repayment of loan funds during the year.
- Provisioning: Based on the quality of portfolio, no provision is required as per the prudential norms of the RBI. Provision for loan loss acquired along with Portfolio as part of Business Transfer from T. Muniswamappa Trust is reversed to the extent of Rs 2378359/- (P.Y. Rs 84,49,957/-).
- No lending has been made to any sensitive sectors like, Capital Market, Investment in Shares (other than company's own shares) and Real Estate.
- All loans are Rupee denominated and carry no exchange risk. No payment is overdue as on March 31, 2009.
- Depreciation has been provided on straight line method at the rates stated in Policies. Additions in respect of Buildings relates to Office Premises constructed on a leasehold property.
- Portfolio Quality Classification:

Quality Classification	Loan Outstanding						Provision		
	As on 31.03.09			As on 31.03.08			Up to 31.03.09	During the Year	Up to 31.03.08
Assets	A/cs	Amount	%	A/cs	Amount	%	Amount	Amount	Amount
Standard	358,686	1,813,053,408	100%	208,840	826,461,854	100.0%	-	-	-
Sub-Standard	-	-	0%	-	-	0.0%	-	-	-
Doubtful	-	-	0%	-	-	0.0%	-	-	-
Loss Asset	-	-	0%	-	-	0.0%	-	-	-
Sub-Total	358,686	1,813,053,408	100%	208,840	826,461,854	100%	-	-	-

As per the norms prescribed for classification by the Reserve Bank of India through Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

x Analysis of Portfolio At Risk:

Period of payment delayed	31-Mar-09		31.03.08	
	%	Amount	%	Amount
Current	99.68%	1,807,288,786	100.00%	826,461,854
1-30 days late	0.20%	3,602,239	0.00%	-
31-60 days late	0.11%	1,945,390	0.00%	-
61-90 days late	0.00%	75,134	0.00%	-
Sub-Total	99.99%	1,812,911,549	100.00%	826,461,854
91-180 days late	0.01%	141,859	0.00%	-
181-365 days late	0.00%	-	0.00%	-
> 365 days late	0.00%	-	0.00%	-
Total	100%	1,813,053,408	100%	826,461,854



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED**xi On-Time repayment rate/Delinquency Rate:**

Particulars	31-Mar-09	31.03.08
1st quarter	100.00%	NA
2nd quarter	100.00%	NA
3rd quarter	99.98%	100.00%
4th quarter	99.87%	100.00%

OTRR (On time Repayment Rate) is computed as follows:

$$\text{OTRR} = \frac{(\text{Recovery} - \text{Prepayment})}{\text{Demand}} \times 100$$

Demand = Due (amount due as per repayment schedule) + Over Due Amount

xii Auditors' Remuneration:

Particulars	31-Mar-09	31.03.08
Audit Fees	700,000	500,000
Certification Fee	40,219	8,000
Auditors Traveling & Other Expenses	19,008	8,256
Tax Audit Fee	35,000	-
Total	794,227	508,256

xiii Deferred Tax Liability: As per the Accounting Standard (AS 22) issued by the ICAI, Deferred Tax Liability has been calculated on timing differences between Accounting Income and Taxable Income (loss) as follows:

Particulars	Amount (Rs)
Calculation of Deferred Tax:	
Depreciation as per Books of Accounts	3,032,483
Less: Depreciation as per Income Tax Act	3,141,401
Difference is recognised as (timing difference) under Deferred Tax Liability	(108,918)
Deferred Tax Liability @ 33.99% thereon	(37,021)

xiv Related Party Transactions:As per the Accounting Standard on "Related Party Disclosures" (AS-18) issued by the ICAI, the details are given here under:
T. Muniswamappa Trust' ('TMT')

Particulars	Amount (Rs)
Payments:	
Repayment of Advances (Interest bearing)	74,762,652
Interest Payment on Advances	13,832,636
Loan	3,000,000
Rental Advances	1,000,000
Receipts:	
Reimbursement of Expenses	2,156,457

Managing Trustee & Chief Operating Officer of 'TMT'

Particulars	Amount (Rs)
Payments:	
Rent Payment to Chairman (net of TDS Rs 50,058/-)	273,942

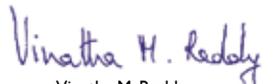
The Advances (Interest bearing) from 'TMT' are availed on the same condition, as the 'TMT' has availed from Bankers and Financial Institutions as part of Business Transfer Agreement between both Organisations.

xv Others:

- No amount is due to any small-scale industrial undertaking by the Company.
- Earnings and Outgo in Foreign Currency: NIL
- Balance sheet abstract and Company's general business profile, pursuant to Part IV to Schedule VI is separately attached.
- Additional information pursuant to paragraph 4-C and 4-D of Part B to Schedule VI of the Companies Act, 1956 – None other than stated above.
- All loans are rupee denominated and no currency mismatches are expected out of any transaction.
- Previous Year figures have been regrouped and rearranged wherever necessary.

As per our report of even date
for **M.S. KAMATH & ASSOCIATES**
Chartered Accountants


M.S. KAMATH
M.No. 022529
Proprietor

for **GRAMEEN FINANCIAL SERVICES PVT. LTD**


Vinatha H. Reddy
Chairman




Suresh K. Krishna
Managing Director

Place: Bangalore
Date: March 25, 2009

GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

All figures in Indian Rupees

CASH FLOW STATEMENT FOR THE YEAR ENDED ON MARCH 31,	2009	2008
A. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Profit/(Loss) before Tax	9,008,529	12,483,544
Add/(Less): Non Cash Expenditure/(Income):		
Provision on Loan Losses written back	(2,378,359)	(8,449,957)
Depreciation	3,032,483	402,561
Loss on Sale of Asset + Sale Proceeds	17,404	-
Miscellaneous Expenditure written off	13,217,958	13,179,596
<i>Operating Profit before Working Capital Changes:</i>	<i>22,898,015</i>	<i>17,615,744</i>
Adjustments for:		
(Increase) / Decrease in Other Current Assets (Other than loan disbursed under Microfinance programme and tax payments)	(41,232,413)	(15,532,442)
(Decrease) / Increase in Current Liabilities (other than Business Acquired)	(84,636,423)	29,796,050
Other Deferred Revenue Expenditure	(591,808)	-
Income Tax & Fringe benefit tax paid	(11,546,866)	(930,768)
Net Cash Flow from Operating Activities	(115,109,495)	30,948,585
B. CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed Assets Acquired (net of fixed assets sold)	(9,660,299)	(9,020,665)
Loan Disbursed to Women under Microfinance Programme (Net of Recovery)	(986,591,554)	(826,461,854)
Payable for Business Acquired	-	108,035,785
<i>Deferred Revenue Expenditure:</i>		
Software Development	-	(5,486,160)
Cost of acquisition of Intellectual property right account	-	(40,000,000)
Capital Issue related expenditure (deferred revenue)	-	(2,511,820)
Loan Loss Reserve accounted for (non-cash item at the time of business transfer) (Rs 10,833,278/-adjusted with Rs 4,962/- reversed during the year)	-	10,828,316
Net Cash Flow from Investing Activities	(996,251,853)	(764,616,397)
C. CASH FLOWS FROM FINANCING ACTIVITIES:		
Secured Loan Availed	1,123,976,435	768,450,224
Increase / (Decrease) in Share Capital (without effect of Sweat Equity allotted Rs 1.75 crores)	93,133,660	47,173,130
Share Premium	43,866,340	-
Share Application Money	(92,000,000)	92,000,000
Net Cash Flow from Financing Activities	1,168,976,435	907,623,354
Net Increase or Decrease in Cash or Cash Equivalents (A+B+C)	57,615,086	173,955,541
Add: Opening Cash and Cash Equivalents	180,789,558	6,834,017
Closing Cash and Cash Equivalents at the end of the year	238,404,645	180,789,558
Net increase / (Decrease)	57,615,086	173,955,541

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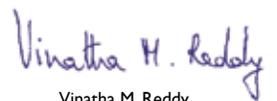
As per our report of even date
for **M.S. KAMATH & ASSOCIATES**
Chartered Accountants



M.S. KAMATH
M.No. 022529
Proprietor



for **GRAMEEN FINANCIAL SERVICES PVT. LTD**



Vinatha M. Reddy
Chairman



Suresh K. Krishna
Managing Director



Place: Bangalore
Date: March 25, 2009

GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED**Annexure to Notes Forming Part of Balance Sheet and Profit and Loss**

The Information Relating to the Balance Sheet abstract and the Company's General Business Profile.
As per Part IV of Schedule VI to the Companies Act, 1956 as under:

I. Registration Details

Registration No.					0	5	2	0	3	0
Balance Sheet Date	3	1		0	3		2	0	0	8

State Code

2	1
---	---

II. Capital Raised During the Period (Amount in Rs Thousands)

Public Issue	0
Bonus Issue	0

Right Issue	0
Private Placement	93,134

III. Position of Mobilization and deployment of Funds (Amount in Rs Thousands)

Total Liabilities	1,451,477
-------------------	-----------

Total Assets	1,451,477
--------------	-----------

Sources of Funds

Paid up Capital	164,806
Secured Loans	1,233,246
Deferred Taxation	258

Reserves and Surplus	53,167
Unsecured Loans	0

Application of Funds

Net Fixed Assets	15,229
Net Current Assets	1,396,477
Accumulated Losses	-

Investments	0
Miscellaneous Expenditure	39,772

IV. Performance of Company (Amount in Rs Thousands)

Total Receipts	340,497
+ -	
Profit/Loss before Tax	9,009
Earning Per Share Rs	0.46

Total Expenditure	331,489
+ -	
Profit/Loss after Tax	4,844
Dividend	

V. Generic Name of Three Principal Products/Services of the Company.

Item Code No. (ITC Code):	N . A .
Product Description	FINANCIAL SERVICES

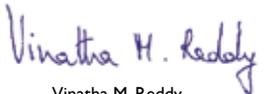
As per our report of even date
for **M.S. KAMATH & ASSOCIATES**
Chartered Accountants

Bangalore
July 15, 2008


(M.S. KAMATH)
Proprietor
Membership No. 022529



for **GRAMEEN FINANCIAL SERVICES PVT. LTD**


Vinatha M. Reddy
Chairman

Vinatha M. Reddy
Chairman




Suresh K. Krishna
Managing Director

Suresh K. Krishna
Managing Director

GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

SCHEDULE

As required in terms of Paragraph 9BB of NBFC prudential Norms (Reserve Bank) Directions, 1998 as on 31st March, 2009.

Rs in '000s

Particulars	Amount Outstanding	Amount Overdue
Liabilities side:		
I Loans and advances availed by the NBFCs*		
a Debentures : Secured		-
: Unsecured		-
(other than falling within the meaning of public deposits)		
b Deferred Credits	-	
c Term Loans	1,233,216	
d Inter-corporate loans and borrowings	-	
e Commercial paper	-	
f Public Deposits	-	
g Other loans (specify nature)		
Managed Loan Obligation	-	
- Bank Borrowing (Cash Credit)	30	
II Breakup of I(f) above (outstanding public deposits) #		
a In the form of Unsecured debentures	-	
b In the form of partly secured debentures i.e., debentures where there is a shortfall in the value of security	-	
c Other public deposits	-	

*Interest accrued but not paid - Nil

#Represents unrenewed deposits

Particulars	Amount Outstanding
Assets side:	
III Break-up of Loans and Advances including bills receivables (other than those included in (4) below):	
a Secured	238,405
b Unsecured (including Advance for Business Assets)	1,215,613
IV Break-up of Leased Assets and Stock on hire and hypothecation loans counting towards EL/HP activities:	
(i) Lease assets including lease rentals under sundry debtors	-
a Financial Lease	-
b Operating Lease	-
(ii) Net stock on hire including hire charges under sundry debtors	
a Assets on hire	-
b Repossessed Assets	-
(iii) hypothecation loans counting towards EL/HP activities:	
a Loans where assets have been repossessed	-
b Loans other than (a) above	-

Particulars	Cost	Market value*
(V) Break-up of Investments:		
Current Investments:		
1 Quoted	-	-
2 Unquoted		
(i) Preference Shares		
(ii) Units of mutual funds		



GRAMEEN FINANCIAL SERVICES PRIVATE LIMITED

Long Term Investments		
1	Quoted:	
(i)	Equity Shares	
(ii)	Debentures and Bonds	
(iii)	Government Securities	
2	Unquoted:	
(i)	Equity Shares	
(ii)	Government Securities	
(iii)	Units of mutual funds	
	Total	

*Unquoted Investments disclosed at break up / fair value / NAV

(Vi) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances:				
(Rs In 000s)				
	Category	Amount net of provisions		
		Secured	Unsecured	Total
1	Related Parties**	-	-	-
a	Subsidiaries	-	-	-
b	Companies in the same group	-	-	-
c	Other related parties	-	3,000	3,000
2	Other than related parties	-	1,153,873	1,153,873
	Total	-	1,156,873	1,156,873

(Vii) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)			
	Category	Market Value Break up or fair value or NAV	Book Value (Net of provisions)
1	Related parties **		
a	Subsidiaries		
b	Companies in the same group		
c	Other related parties		
2	Other than related parties	-	-
	Total		

** As per Accounting Standard

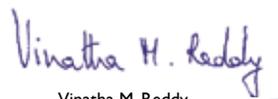
(VII) Other Information		
Particulars		Amount
(i) Gross Non-Performing Assets		-
a Related Parties		-
b Other than related parties		-
(ii) Net Non-Performing Assets		-
a Related Parties		-
b Other than related parties		-
(iii) Assets acquired in satisfaction of debt (during the year)		-

As per our report of even date
for **M.S. KAMATH & ASSOCIATES**
Chartered Accountants


M.S. KAMATH
M.No. 022529
Proprietor



for GRAMEEN FINANCIAL SERVICES PVT. LTD


Vinatha M. Reddy
Chairman

Vinatha M. Reddy
Chairman




Suresh K. Krishna
Managing Director

Suresh K. Krishna
Managing Director

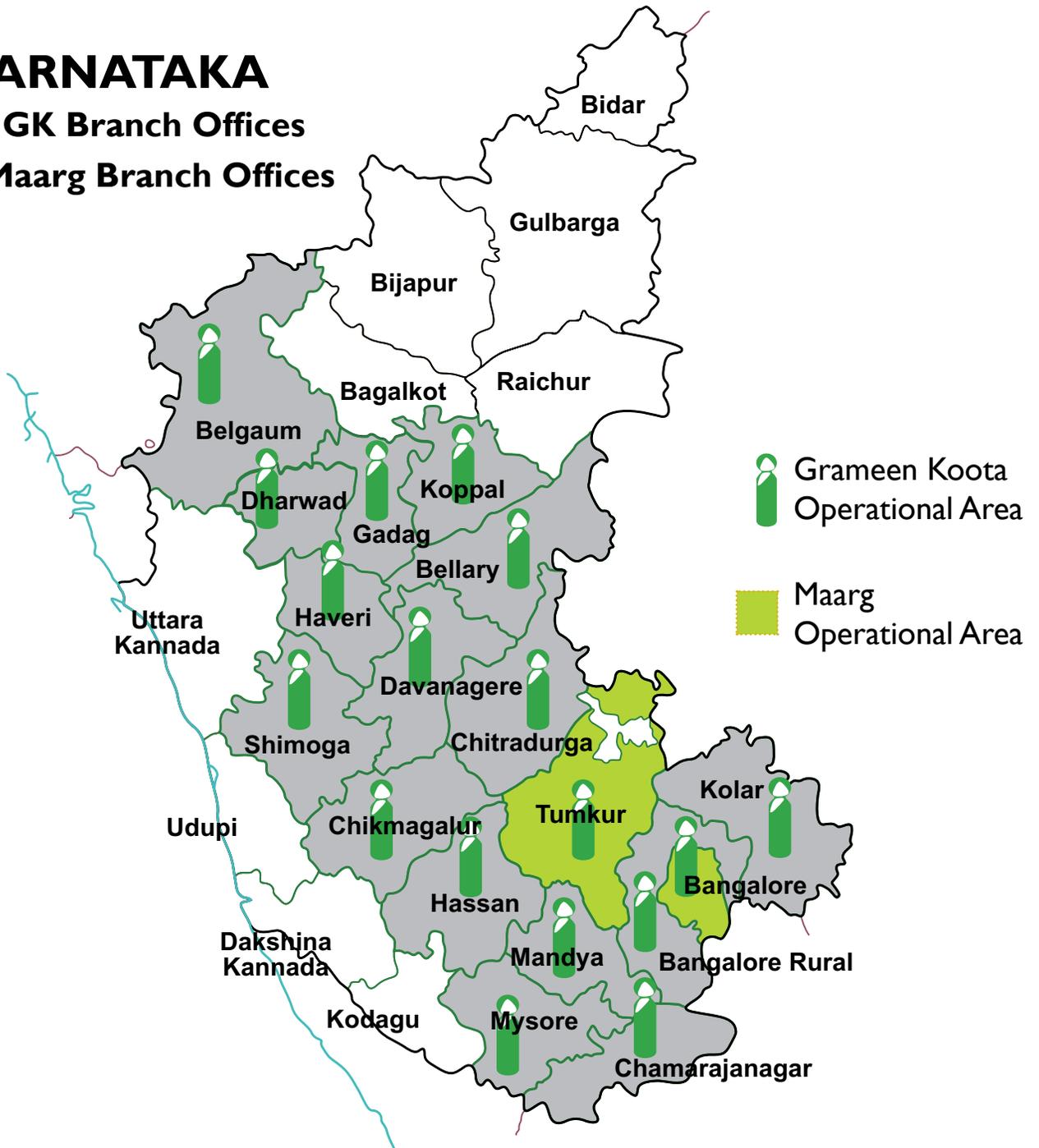
Place: Bangalore
Date: July 15, 2008

Operational Areas

KARNATAKA

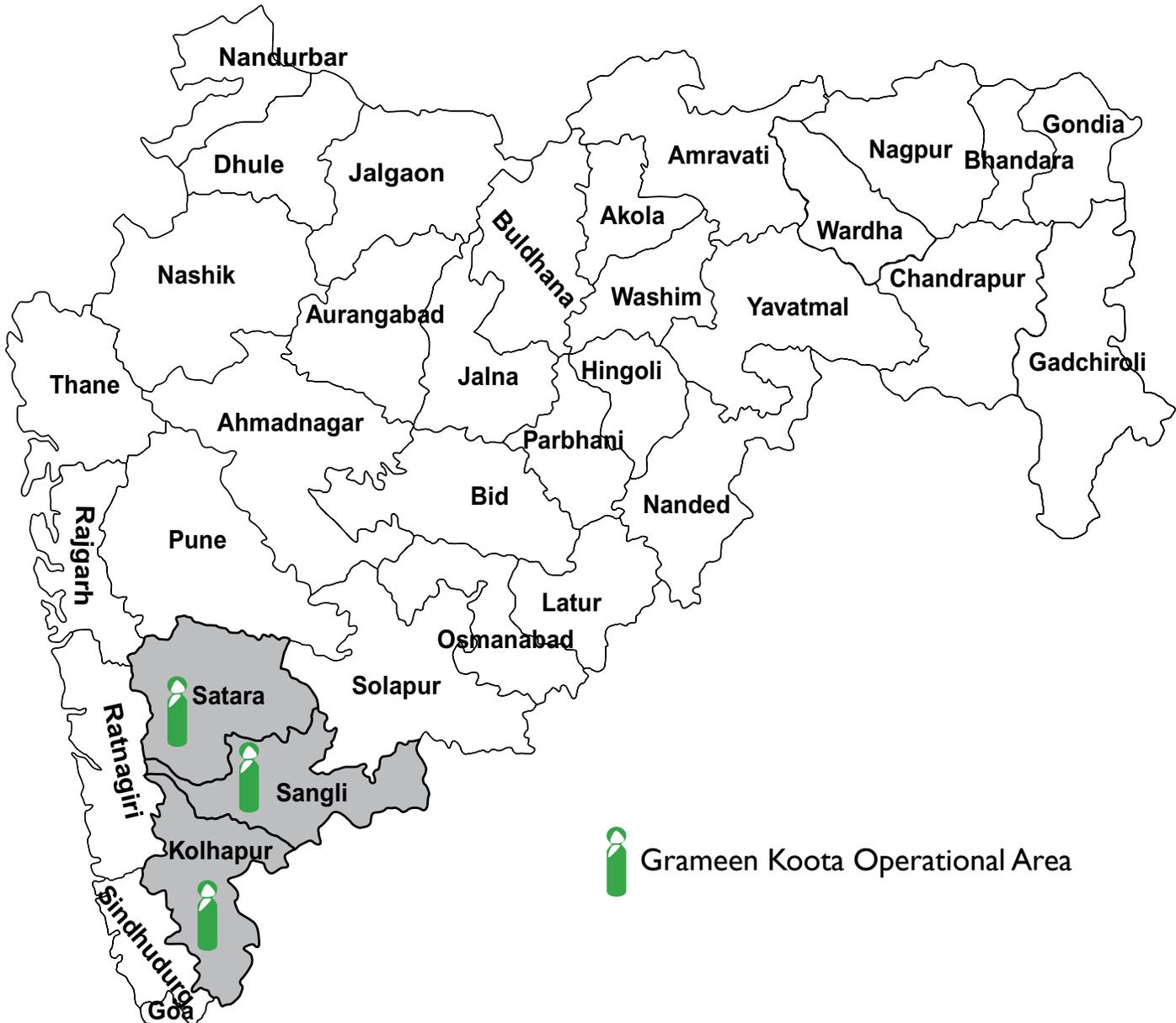
75 GK Branch Offices

2 Maarg Branch Offices



MAHARASHTRA

5 GK Branch Offices



Several microfinance providers, networks and associations, and donors and investors endorse the 6 Principles of Client Protection. Grameen Koota is one of these organisations. We have always been committed to policies and practices that benefit our members.

1. Avoidance of Over-Indebtedness
2. Transparent Pricing
3. Appropriate Collection Practices

4. Ethical Staff Behaviour
5. Mechanism for Redressal of Grievances
6. Privacy of Client Data

Grameen Financial Services Pvt. Ltd.

Corporate Office

JP Nagar 9th Phase, Avalahalli
Anjanapura Post, Bangalore - 560 062, Karnataka, India.

Registered Office

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