

ANNUAL REPORT

2011-2012



Our Vision

By 2020, we wish to enable economic and social change in over two million poor and low income households through financial products and development services.



Contents

■ Message from the Chairperson	3
■ Message from the Managing Director	4
■ Message from the CEO	5
■ Board of Directors	6
■ Financial and Operational Highlights	7
■ Social Initiatives	11
■ Directors' Report	22
■ Auditors' Report	34



Our Mission

We exist:

To transform and uplift the lives of poor and low-income families with micro-finance and other development services.

To be a sustainable, friendly and trusted provider of affordable and need-based services.

Mrs Vinatha M Reddy Chairperson



After the turbulence of last year due to the impact of the Andhra Pradesh ordinance, it has been relatively stable this year for the microfinance sector in general and for Grameen Financial Services Pvt. Ltd. in particular. The December 2nd RBI circular and the introduction of the Micro Finance Bill in Parliament has brought us clarity and a stamp of recognition.

It has been both challenging and a fulfilling

year at GFSPL. It has been a year of consolidation with the operations continuing to remain robust in terms of outreach, human resource, processes, technology, credit bureau compliances, client protection measures and corporate social responsibility initiatives.

Grameen Financial Services Pvt. Ltd. is a unique company, a corporate entity having its roots in a NGO! With this special characteristic nature we believe in running the company in a professional business-like manner with a firm social purpose – with no compromise on either of the two goals. We continue to strongly believe in microfinance as being an incredible tool for change when combined with fair & ethical access to credit and other holistic services. We are humbled to be serving the asset class of the underprivileged and to do work of critical National importance of “Financial Inclusion”.

Going forward, we will continue to work responsibly and use microfinance as an instrument of economic and social change. With the focus and discipline of the new regulations, continued support and goodwill of all our stakeholders, GFSPL will rise and move ahead in the coming year with assured quality of

service and better outreach. What lies ahead are good times, working in an era of regulation, credit bureaus, “Aadhar”, New Pension Scheme, Raasthriya Swasthya Bhima Yojna, micro-housing and Banking Correspondent.

We continue to contribute as a matter of responsibility, to the orderly growth of the sector and are proud to be associated with and contributing to the microfinance sector through Sa-dhan, MFIN, AKMI, FKCCI, ASSOCHAM and the BC network.

We appreciate the hardwork and dedication of all our staff during this year.

It is said that a healthy life, access to entitlements (like, education, healthcare, credit etc.) and an assured livelihood are necessary for improving the quality of human life. Once these are assured, other opportunities for growth and happiness will follow. With this philosophy in place, as always, we reiterate that the primary objective of our work is serving the client.

Mr Suresh K Krishna Managing Director



We have completed one more year as an NBFC-MFI after we converted from an NGO-MFI in October 2007. Despite the tough business environment in the sector, we have stood strong and have been able to maintain healthy operational & portfolio quality. Thousands of success stories of our borrowers who have benefited from our services, keeps us inspired. Our belief that microfinance sup-

ports livelihoods of low income and poor households remains intact.

We have already forayed into the new financial year with key emphasis on re-engineering the processes to increase the productivity and efficiency of our operations. The current product offerings include loans for water, sanitation, education, medical needs, emergency needs, and term life insurance. Along with our current products we plan to move a step ahead in supporting our clients to build assets and secure their old age. We will be introducing a few new products during this year such as NPS Lite, loans for home improvements & repairs.

GFSPL has been built on the foundation of high transparency and ethics. Educating clients so that they take informed decisions has been the key to building good and long standing relationships. We have been conducting trainings and awareness programs for our customers on the new regulations, credit bureau and financial literacy. Customers now have a better understanding of the processes and procedures followed by MFIs.

GFSPL has been offering many non-financial ser-

vices in partnerships with various NGOs and other development organizations. Our flagship programs have been in building awareness on water, sanitation, indoor air pollution, providing primary and secondary health care. As a pilot program last year we had started kindergarten centers, learning centers for primary school children and the 10th standard children. An important point to note is that all these non-financial services were designed to be financially self sustaining.

Majority of our clients have been associated with us for more than three years. An internal study using Progress out of Poverty Index, developed by Grameen Foundation-USA shows that there is an increase in the income levels of our clients' year on year. As the income levels increase, our clients' needs change. We must provide them with higher loans for income generating activities and also for asset building.

We have received tremendous support from the employees when things looked gray and they have helped in maintaining good relationships with our clients and thereby maintaining good portfolio quality. I would like to thank each and every one of our employees whose commitments and efforts made 2011-12 yet another successful year for the company and we look forward to their continued support.

Bankers have been our backbone. They have imposed great trust in our company and continue to provide us on-lending funds. International organizations have supported us with Non Convertible Debentures (NCD). Here, I am happy to inform you that we have three NCDs of which two are outstanding.

My special thanks to all the stake holders, and well wishers for their continued support to GFSPL's progress.

I express my gratitude to our supporters at Sa-Dhan, MFIN and AKMI who have been tirelessly working to put the sector back on track.

Mr Udaya Kumar Chief Executive Officer



Year 2011-12 has been a challenging period continuation from previous year on issues of funding & clarity on regulations. We have decided to scale down our non-operative branches so that total branches reduced from 215 as on 31 March 2011 to 168. These 47 branches were opened prior to October 2010 based on our earlier expansion plan. Some amount of clarity

was given by RBI by May'11 and GFSPL was quick in adapting the new regulations. This was possible due to our well trained employees, adaptable technology, transparent processes, reasonable pricing & ethical practices we have been nurtured over years. We were among first to integrate our technology for Credit Bureau process and able to automate loan sanction process based on bureau report.

We were able to get sufficient funding from banks and institutions from October 2011, but portfolio continue to be around INR 200 Cr till Jan'12 against required level of INR 250 Cr to meet the costs of infrastructure & manpower we maintained. We have scaled up the disbursements during Q4 and reached all time high of 381 Cr as at Mar'12. This was possible only with the help of all stake holders in general and generous support by Banks & Institutions in particular.

Though our income has been below our costs for first 10 months of the year, we have changed the trend in February & March and reduced our losses substantially to restrict negative PBT to 1.70 Cr. However momentum of monthly profits started from February 2012 and we can maintain healthy

PBT hereafter by maintaining the portfolio. This momentum will help us to build a strong financials for coming years.

We have implemented all the regulatory changes required for NBFC-MFI category in our operations for last one year. Accordingly, we have already applied with RBI for change in category from NBFC to NBFC-MFI which is mandatory as per regulation now.

During the year we have continued our several initiatives in support of customers and reached substantial numbers in Education, Sanitation, Water, Energy Efficient Cook Stoves, Life Insurance and Health Care Services. These initiatives will reach next level during FY 2012-13 and will be significant part of our portfolio with additions like Water Purifier and Solar Lights.

We have initiated strong Customer Grievances Redressal mechanism with toll free numbers for our customers and actively working with AKMI in implementing district level grievance cell initiated by AKMI. We have implemented all the Customer Protection Principles by endorsing 'Smart Campaign' and scheduled for certification during FY 2012-13.

At GFSPL, we owe a lot to our esteemed customers who have been prompt in properly using our funds and repaying on time and Banks and Institutions who have been supporting us regularly.

Our Board of Directors, Managing Directors & Chairperson has been a great support in shaping the company and their guidance has been invaluable.

Strength of our employees remain the backbone of GFSPL and my sincere appreciation to them in this difficult times

Looking forward for continued support in coming years

Board of Directors



From the top left :

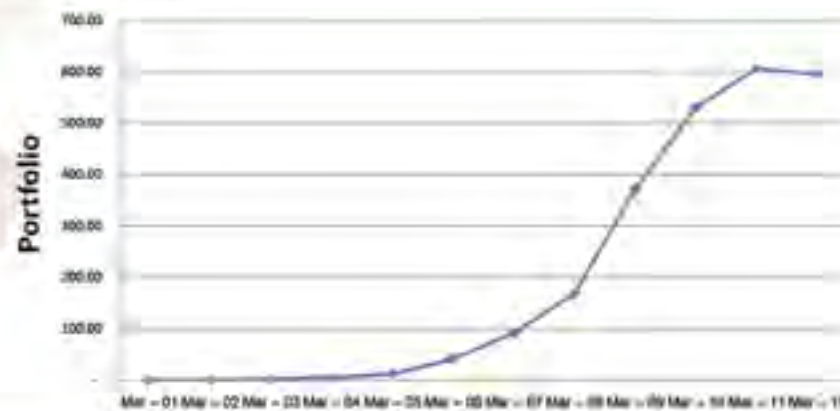
1st raw : Mrs Niranjana Sha, Mr R Prabha, Mr Suresh K Krishna(MD), Mrs Vinatha M Reddy (Chairperson), Mr Anal Jain along with CEO Mr Udaya Kumar

2nd raw : Mr Aditya Bhandari, Mr Christian Banno, Mr Pradeep Pathiyamveetil.

Financial and Operational Highlights

Loan Disbursed during the FY

When bank's funding dried up Grameen Koota managed reasonable funding through alternative funding channels such as NCD and Securitization of Portfolio. We have been able to manage our loan disbursement reasonably well.



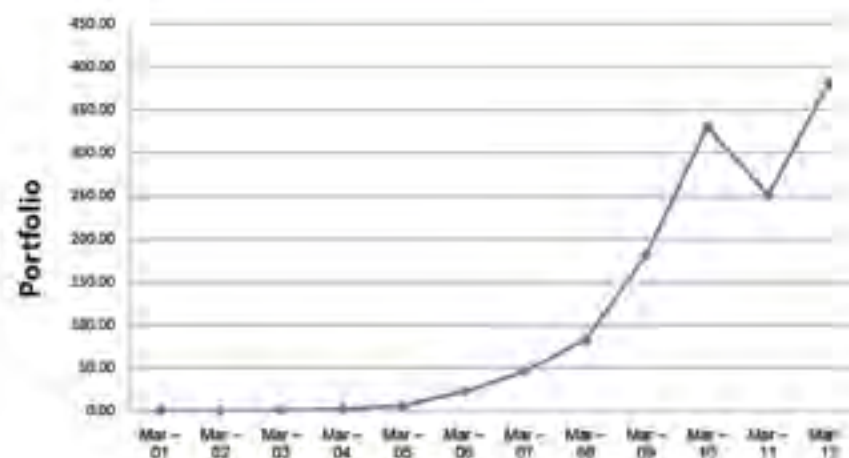
Members & Active Borrowers, Year Wise

After the start of Microfinance Crisis in 2010, the industry plunged and funding dried up. Last couple of years was most volatile period for the industry. With meager funding, we witnessed decline in the client's growth. This also resulted in widened gap between waiting and active borrowers.

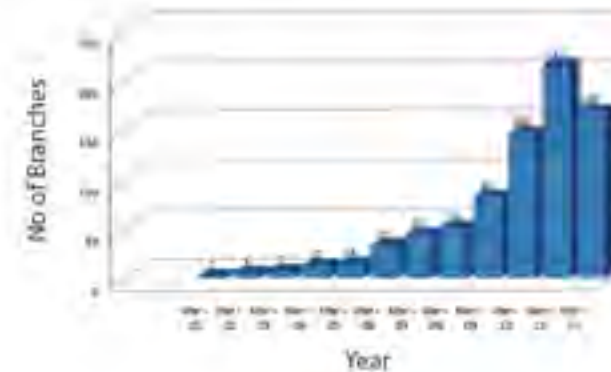


Portfolio at the end of the FY

After RBI's guidelines on Microfinance, Bankers started to respond positively. Amidst the sign of recovery in the market, in last few months of this financial year, we have seen accelerated vertical growth.



Branches, Year wise

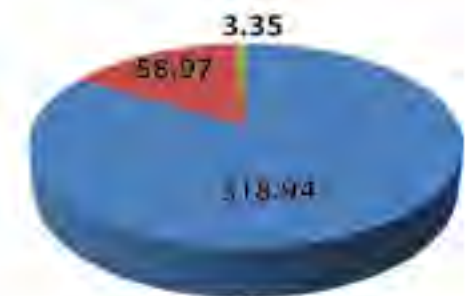


After the crisis and changed market environment, we took a strategic approach to consolidate operations, improve productivity and reduce costs. In line with this approach, we have closed many non performing branches.

State wise Portfolio

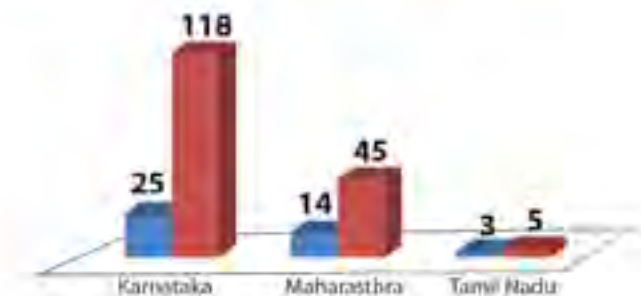
Karnataka Maharashtra Tamil Nadu

Grameen Koota, a pioneer in microfinance in the south Indian space has deep operational roots in Karnataka. Thus Karnataka contributes major part in overall portfolio.



State Wise No. of Districts & Branches

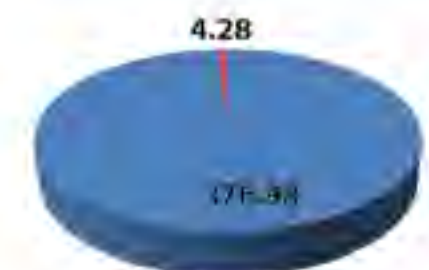
No of Districts No of Branches



Unit wise Portfolio

Grameen Koota Maarg

Group lending is niche for Grameen Koota. However, at Grameen Koota we constantly innovate and implement financial and non financial services. In the urban space, GK provides loans for small enterprises as individual microlending under the brand name of Maarg.



Product wise Portfolio

- Income Generating Loan

Emergency Loan

Watsan Loan

Cook Sotve Loan

PEC Loan

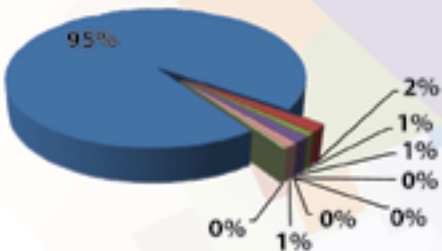
Individual Loan-Maarg

Supplementary Loan

MEL- Monthly

Others

Since it's inception Grameen Koota has emphasized on using microcredit for productive purposes, hence majority of the loans go for Income generation purpose. We also believe in constant innovations and improvement in our product line to meet the client's needs. We have designed products like Water & Sanitation loans, cook stove loans etc which directly impact their lifestyle and improve health conditions.



Loan activity wise Portfolio as on 31 Mar 2012

- Agriculture

Animal Husbandry

Production

Service Sector

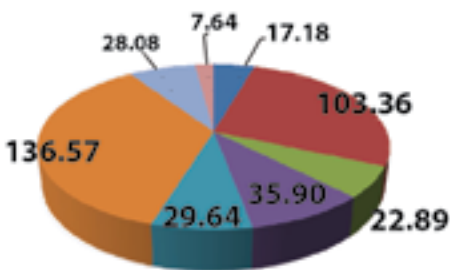
Transportation Services

Consumptions

Assets

Trading

Almost 60 percent of the loans have been distributed for the two income generation activities of Trading and Animal Husbandry. Clients in rural areas have taken loan majorly for Animal Husbandry, Agriculture and trading purpose whereas clients in urban areas have taken took loans for Trading, Service and Production. Loan for paying educational fees and purchasing grocery were among the two popular loans in the consumption category.

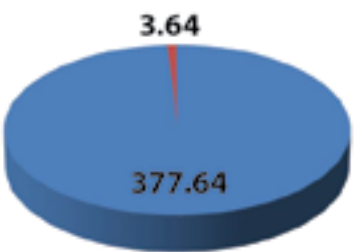


Gender wise Portfolio

- Female

Male

Grameen Koota's group lending target primarily women and Maarg, its individual lending comprise a mix of clientele.



Caste & Religion Wise Portfolio distribution

- BC

FC

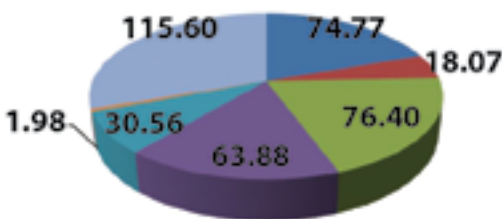
OBC

SC

ST

Christian

Muslim



Staff Experiences

GFSPL has been my haven of learning, developing my skills and imbibing excellent qualities to be a good human being. An employee will deliver his best, when he is satisfied with his work and the company. GFSPL propels me to deliver my best.

It's not just about work, but I have the contentment that my company apart from its services is into social initiatives that will lift the poor from poverty. Very rarely have I seen an employee grieving about his rights. Every level of management is readily accessible and they do everything possible to provide solutions to our grievance. I am truly honored to be a part of GFSPL.

Teja Kumar
Junior officer – HR

My 11 year association with Grameen Koota has been rewarding. I come from a humble back-ground; it was Grameen Koota that provided me an identity. My life has literally changed from what it was 11 years ago. The striking quality of this company is its services. Wide variety of products for different sections of people. Low interest rates that do not burden them are GFSPL's major plus points. The striking quality of my company which I am very proud of is that Grameen Koota is not just business. The social initiatives they have are incredible. There is so much of knowledge shared with members on hygiene, health and education. Grameen Koota is helping the nation by building a better society.

Thimmegowda K
Senior Area Manager
Bagalkot

Some of my best days in life were at Grameena Koota. A company that nurtures and cares for its employees would be anyone's dream. I came to know the joy of serving the underprivileged after joining Grameen Koota. The profound happiness I see when some poor family starts its own venture with Grameen Koota's help is really great. It's a great place to work at, with considerate colleagues and staff members. I don't see competition amongst us. We all have performance in mind, but not at the expense of pulling the other down. This is the best attribute of Grameen Koota

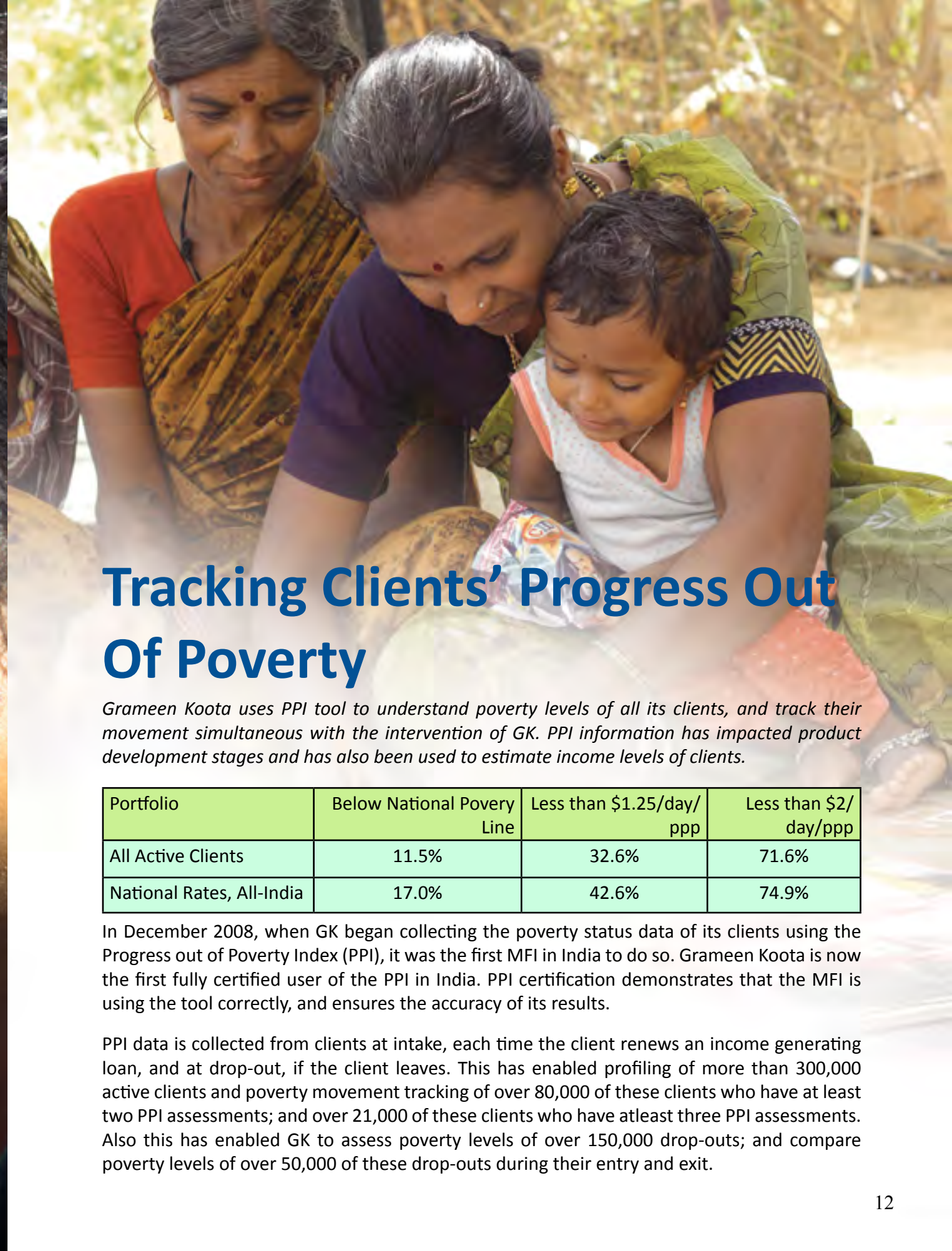
Damodhara M
Hosur

I have been to the rural areas of Aurangabad and I have seen the hardship put by people for a living. I am filled with pride because many of these people today are leading a good life because of Grameen Koota and its products. This is an amazing company to work with, because, the company lets us bring joy to other people's life. Personally I have grown. My skills have gone from good to best. I know GFSPL cares for its employees and this is visible in my interaction with the top management and the staff. I am truly happy here and I am sure I will grow here to greater heights.

Male Kapil Rajendra
Assistant branch manager
Aurangabad



Social initiatives



Tracking Clients' Progress Out Of Poverty

Grameen Koota uses PPI tool to understand poverty levels of all its clients, and track their movement simultaneous with the intervention of GK. PPI information has impacted product development stages and has also been used to estimate income levels of clients.

Portfolio	Below National Poverty Line	Less than \$1.25/day/ ppp	Less than \$2/ day/ppp
All Active Clients	11.5%	32.6%	71.6%
National Rates, All-India	17.0%	42.6%	74.9%

In December 2008, when GK began collecting the poverty status data of its clients using the Progress out of Poverty Index (PPI), it was the first MFI in India to do so. Grameen Koota is now the first fully certified user of the PPI in India. PPI certification demonstrates that the MFI is using the tool correctly, and ensures the accuracy of its results.

PPI data is collected from clients at intake, each time the client renews an income generating loan, and at drop-out, if the client leaves. This has enabled profiling of more than 300,000 active clients and poverty movement tracking of over 80,000 of these clients who have at least two PPI assessments; and over 21,000 of these clients who have atleast three PPI assessments. Also this has enabled GK to assess poverty levels of over 150,000 drop-outs; and compare poverty levels of over 50,000 of these drop-outs during their entry and exit.

Demonstrating Progress Out of Poverty:

The poverty likelihoods of GK clients with data from multiple PPI instances have shown consistent improvement. When customers with multiple PPI scores were analysed, improvement in poverty levels of clients were evident.

Net Reduction in Poverty Rate (%)

	Below NPL (%)	\$1.25 a day (%)	\$ 2 a day (%)
2 PPI instance	25	20	7
3 PPI instance	37	31	12
4 PPI instance	45	42	18

Repeat Clients: When PPIs were collected across loan cycles, it was found that poverty rates (poverty likelihood) decreased with the increasing number of loan cycles and that a similar reduction in poverty rate occurred during each loan cycle.

	Below NPL	below \$1.25/ day/PPP (%)	below \$1.25/ day/PPP (%)
Cycle 1&2	12.4%	34.7%	73.6%
Cycle 3	8.0%	26.1%	65.8%
Cycle 4&higher	7.9%	23.4%	63.2%

Other applications of PPI data:

1. Targeting geographies for cook stove product: GK runs a program on Indoor Air Pollution, the objective of which is to create awareness among people on the ill-effects of indoor air pollution and to recommend possible solutions (improved cook stoves) to overcome the crisis.

Geographies prone to use conventional fuel (kerosene, firewood/chips/charcoal, etc.) for cooking face higher risk of indoor air pollution. GK used one of the PPI tool indicators on domestic cooking habit to target those risk prone geographies for the campaign. Geographies with high consumption of conventional fuel were targeted to launch the campaign.

Determination of income levels of clients: PPI was used to determine approximate income levels of clients and their respective households. This data was used to check compliance with respect to income level qualifying assets criteria stipulated by RBI

Case Study:

Targeting geographies for cook stove product: GK runs a program on Indoor Air Pollution, the objective of which is to create awareness among people on the ill-effects of indoor air pollution and to recommend possible solutions (improved cook stoves) to overcome the crisis.



Customer Research

Grameen Koota constantly endeavours to meet the requirements of the clients by offering need based services. In order to meet this objective, GK conducts customer surveys and market research on frequent basis.

Customer Satisfaction Study:

Early this calendar year inputs from a sample of 250 randomly selected active general loan clients were captured and analysed. Results of which are summarised below:

Satisfaction levels in general with respect to GK:

The parameters which were studied include – Products & Services in general, Loan disbursement & recovery process, Kendra Meeting, Staff engagement and joining process. More than 90% of the GK clients reported high satisfaction levels, for all the parameters. Parameters for Products & Services, Kendra Meeting proceedings, and Staff engagement were rated very high with more than 98% of clients expressing high satisfaction.

A key outcome from the inputs analysed were that the emergency loan and festival loans offered by GK underwent fine tuning in line with requirements of clients.

Satisfaction levels of clients for IGL / Preferred

Terms: The parameters which were studied include – loan amount, repayment tenure and instalment. Clients expressed that they needed shorter repayment tenure for loans above Rs. 15,000– which are constrained by qualifying assets criteria. However, around 90% of clients expressed that they are happy about the flexibility in repayment frequency offered by GK and that the instalments were affordable

Requirements in short and medium term: The study also captured information to understand the requirements clients have in the short and medium term. Housing, higher amount of education loan and business loan stood out in the set of requirements clients expressed.

Feedback form Customers:

As a part of the Grievance process, the grievance team on continuous basis collects feedback from different sets of clients. Feedback is collected to understand

a) awareness levels of clients with respect to different loan products offered by GK, terms of loan, grievance redressal system, loan eligibility terms;

b) feedback on loan disbursement process, Kendra meetings, staff engagement, product parameters.

When the findings were analysed – a) it came to light that there was a need to run an intense campaign to educate clients on qualifying assets criteria, mode of interest calculation and different channels for grievance redressal b) many clients expressed a need for shorter repayment tenure of one year for loans above Rs. 15,000, while they were satisfied with the products and services offered by GK.

Navya Disha

Navya Disha Trust works for the well-being of poor the families. They work at empowering the communities by providing adequate and relevant information regarding their rights, roles and responsibilities towards education, health, environment, facilities provided by the government, livelihood opportunities and facilitates them to access the same in the justified way by ensuring gender equality at all levels and environmental sustainability.

Water and Sanitation (Watsan) is a project of Navya Disha. Supported by Water.org, this program creates awareness and inform about the benefits of clean drinking water and toilets in rural areas. GFSPL supports this program by providing loans to members for water connections or to construct toilets in their houses. 5201 houses have benefitted by the Watsan program in 2011-12, with water connections and sanitation facilities.

Highlights

- 831 houses got water connections in 2011-12
- 4370 houses got sanitation facilities in 2011- 12
- Awareness will be created among 1800 villages
- Street plays and workshops conducted on a regular basis to create awareness

Case Study:

Chikkarangappa (39) is physically challenged since he was three years old. Walking without a support stick is next to impossible for him. He lives with his wife Bharathamma (30) in Yaradakatte village, Hiriyur taluk, 90 kms away from Tumkur. For living Bharathamma rolls beedis while her husband is a stamp vendor. The areas in which they live has seen drought 59 times in the past 100 years. There is no lasting water source in this area. But today this family has a toilet and a water connection at home. All this was possible because of Grameen Koota and Navya Disha. "My troubles due to physical disability have been reduced by Grameen Koota's help, and I am very much relieved," smiles Chikkarangappa. Getting water connection at home was next to impossible as there was only a below ground cistern



tank available, and no over head water tank. Due to Navya Disha's intervention they have water connection at home today.



Gravity

Gravity is a vocational training program, aims to help poor and low income households to come out of poverty with at least one job per family. The program specially targets the undergraduate rural youth, equip them with various competencies by providing comprehensive job training, that the industry demands.

Grameen Koota implements Gravity in association with Development Resource Center (DRC), a Dharwad based organization. DRC has designed a vocational program for unemployed undergraduates. Grameen Koota shortlists the candidates who will be later trained by DRC. Grameen Koota also helps in financing the candidates who are finally selected for the training program. Candidates who successfully complete the program will be placed in well known organizations of Retail, BPO, Tele communication, Microfinance, Hospitality sectors.

Highlights:

- Gravity works in collaboration with Development Resource Center (DRC)
- Two month residential training
- Gravity has a track record of 100% placement so far.
- 139 unemployed youth trained and placed in reputed organizations

Case Study

Life has its uncertain moments. It was one such moment for Heena Holdur when her father abandoned their family 10 years ago. Poverty gripped them during this lean period. Meager income was generated by Heena's mother. She worked as a house maid. They stayed in a relative's house. Heena too helped her mother by working as a domestic servant. With all this she was able to score a 66 per cent in the Pre-University Course (PUC) exams. With such poverty, how was Heena to pursue her dreams of making it big in life? Every cloud has a silver lining. Gravity was the silver lining in Heena's life. With training and guidance from Gravity Heena secured

a job as a 'Customer Associate' in 'Café Coffee Day' at Hubli.

Today Heena has a steady income of Rs 4500 per month. She is using it wisely. A vegetable business for her mother, who no longer works as a house maid. Heena also has shouldered the responsibility of her sister's education. They have now moved into a rented house. Within another seven months Heena's career will take a new turn as she has cleared the promotion test for the next level in CCD. Heena has a new perspective to life now. All thanks to Gravity.

Socio Economic Development Workshops



Grameen Koota nurtures the society in a responsible way. It has been conducting Socio economic development workshops for a long time. With an aim to create awareness amongst Grameen Koota members on several aspects like economic growth, education, health services, status of women, nutrition, housing, and access to services and communication, Grameen Koota thereby helps them to improve their standard of living.

Socio-Economic development workshops have been conducted by Grameen Koota across its branches since its foundation. These workshops draw participation from the entire community and typically focus on relevant issues like health, sanitation, HIV/AIDS awareness, nutrition, family planning, income generation activities, enterprise development, law and financial literacy. Experts from Government departments, NGOs, hospitals, police, lawyers and corporate are called in to speak at the SED workshops.

Highlights

- Grameen Koota has conducted about 700 SEDs
- The SEDs are attended by over 70,000 group representatives.
- Links are also being developed with other institutions for members benefit
- Client can improve their standard of living



Jagruthi

Jagruthi spreads awareness on issues like health, education, Insurance, livelihoods and the ways and means of procuring benefits from Government and other service based organizations. Jagruthi is a program aimed at making a measurable and lasting impact on the awareness level of the customer on basic community issues to influence a perceptual shift in their minds.

This program is executed in phases. Jagruthi has been implemented in 82 branches and has 240088 members. Jagruthi has a theme. Sometimes these themes have sub-themes. Using various methods and mediums the messages are delivered to the audiences. Our team plays a crucial role in this program. We train them, and they observe the clients reaction when these programs are conducted.

Highlights

- Information is given on simple topics
- Implemented in 82 branches
- 240088 members have benefited from Jagruthi
- Awareness is being spread on a massive scale
- Clients are being educated on issues on which they have very less knowledge

Hippocampus

The integrated education centres which GFSPL initiated in partnership with Hippocampus cater to different categories of students with three programs, each of which are focused on a specific set of students within the age group of 3 to 15yrs.

GFSPL has rolled out 37 programs across 18 villages of rural Karnataka.

The Kindergarten Centres are intended to reach out to small children in rural Karnataka who do not have an exposure to qualitative pre-school facility. Primary Education Centres (PEC) are designed to help students who are unable to undertake age and grade specific learning. The programs are intended to lay sound foundation for schooling by bridging the gaps in learning through activity based methods. The ultimate objective of the program is to instill the students the same levels of confidence and communication skills as seen in children of the best urban schools. Coaching centres are aimed at helping 10th std students to perform better in the examinations through audio-video based teachings. About 96% of SSLC students who trained in GK Coaching Centres were passed in flying colours.

The education centres are our pride as they mould a younger generation with creativity and confidence.

Highlights:

- Hippocampus has 41 trained teachers
- Covers 18 villages
- Total of 628 children enrolled in this program



Case Study: Kiran L from Kodihalli Kanakapura Road was a very shy student. His parents are farmers and Kiran is their second son. Very rarely did he speak to his peers or elders. He joined Hippocampus CT center, Kodihalli, Kanakapura road in 2011. The teacher, Parvathi was amazed, when she realized that Kiran hardly knew anything. He was a surprise to her and she wondered how he even cleared his ninth standard final exams. CT Center, Kodihalli took Kiran as a challenge. They tutored him regularly. The shy boy started responding to their teaching methods. Concepts were grasped by him. His parents and others did not have any hope that Kiran would clear the SSLC exams. But the teacher was confident and she did not give up on Kiran. When the results of 2011-12 exams were out, everyone was astonished. Kiran who hardly knew to write cleared the exams. He scored 25 marks more than his brother who took the exam the previous year. Today Kiran is pursuing his studies in ITI.

SNDPAP

The Sudhanand Navyadisha Poorna Arogya Program (SNDPAP) was started in 2010 with an aim to facilitate medical consultancy at low cost along with a cashless in-patient treatment in networked hospitals, for Grameen Koota members and their families. With SNDPAP, GFSPL hopes to improve the health of its members.

SNDPAP is associated with SAS Poorna Arogya Healthcare Pvt Ltd Mysore, which helps them in identifying and registering network hospitals, arranging for issue of health cards to members, providing help desk executives, field orientation and claim settlements. This program has been implemented in five phases in several districts of Karnataka

Highlights

- Low cost medical consultancy
- 121018 beneficiaries have enrolled under SNDPAP
- 1532 claims have been settled
- Improved health condition for GFSPL members
- Program executed in phases for wider coverage

Case Study

Forty two year old Sarojamma does coolie work along with her husband for living. They have four daughters of which two are married. Sarojamma's work involves lifting heavy bricks in construction sites. Due to this, her hip bone had slipped. What was a minor pain initially became an unbearable pain over a period of time. On consulting, doctors told her that she has to be operated immediately. Sarojamma did not have enough money to fund this operation. With help of Grameen Koota, under SNDPAP, Sarojamma got monetary help for her operation. She was operated on 8th December. Today Sarojamma is unable to do coolie work, as doctors have advised her not to lift heavy objects. Now she does some small business from home and smiles that she is no more in pain, thanks to SNDPAP.





Health Camps

Grameen Koota has been conducting health camps ardently. Periodic camps for medical check up and diagnosis are hosted by Grameen Koota. Medicines are sold at cheaper rates to benefit the members.

Year 2011-2012 saw various health camps in Maharashtra. In Mondha Road, Jintur a health camp was held on 29th December, 2011. 91 Members from Mondha road, Bhamne, Zakir Hussain colony and Hilal Nagar benefited from this camp. Apart from health consultation members had the opportunity to get medicines at cheaper price.

On 3rd March 2012, a general health camp was organized at the Sholapur branch of Maharashtra. The total number of members who attended the camp was 187. Members from Bharat Nagar, Rishte Nagar, Morarji Peth, Panchshila Nagar,

Kumbhar Galli, Kongade Galli, Bharat Nagar and Shiv Ganga areas attended and benefitted from this camp.

A general medical health check-up camp was organized in Shastri Nagar, Sholapur. The health camp was held on the 3rd of March, 2012. This camp facilitated PAR members from Kumbhar Galli, Kongade Galli, Bharat Nagar and Shiv Ganga Kendras. The total registration was 187 of which the PAR member's attendance was 12.

DIRECTORS' REPORT

To
The Shareholders of Grameen Financial Services Private Limited
Your Directors are pleased to present the Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended March 31, 2012.

(which includes off balance sheet portfolio of Rs. 108.27 crores). However, the average portfolio outstanding which was at Rs. 298 Crores during FY 2010-2011 fell to Rs. 225 Crores duringFY 2011-2012 contributing to reduction in income. Another significant contributor to this drop in revenue has been the decrease in

Year ended 31st March (in Rs. Crore)	2012	2011
Total Revenue	62.18	81.93
Less: Total Expenditure	63.90	78.15
Profit before Tax	(1.71)	3.79
Profit after Tax	(2.90)	3.50
Surplus brought forward	4.19	1.41
Amount available for appropriation		4.91
Appropriation		
Transfer to Statutory Reserve		0.71
Preference Dividend		-
Dividend Tax		0.01
Surplus carried to Balance Sheet		4.19

Your company during the year 2011-12 disbursed Rs. 595 croreswhich is close to the previous financial year's figure of Rs. 606 crores. There has been a drop in revenue during the year from Rs. 81.94 Crores in 2011 to Rs.62.19 crores in 2012, mainly on account of the decrease in average portfolio outstanding during the year. The disbursements during the financial year picked up and peaked during the last quarter, as the inflow of funds also increased during that period, contributing to an all-time high portfolio outstanding of Rs. 381.26 Crores

fee income which was on account of decrease in the rate of loan processing fee which was charged at 2% on loan disbursement in 2011 and which was reduced to 1%, consequent to new regulations.

The company raised funds through term loans, portfolio sale & securitization. Funds were raised from public and private sector banks and domestic institutions. In addition to bank funding, your company executed eleven securitization/portfolio sale transactions totalling close to Rs. 170 crores.

Operational Highlights
For your company, FY 2011-12 was an year of consolidation and the operations have continued to remain robust in terms of operational outreach, processes, technology and human resources.While maintaining a steady and stable operational growth, new operational processes were implemented during the year consequent to the introduction of

Year ended 31st March	2012	2011
Branched	168	215
Districts	42	45
Kendras	17,663	18,520
Members	360,670	429,299
Loan disbursed(in Rs, Crore)	595,3	606,7
Portfolio outstanding (in Rs. Crore)	381,3	250,5
Total Employees	1267	1748

new regulatory guidelinesand synchronised with existing operational processes. Your company has automated the process of routing loan applications through the credit bureau and ensuring that loan sanctions are scrutinized to eliminate multiple-borrowing, over indebtedness and defaulting borrowers. Your company has maintained highasset quality throughout the year. The company's IT system continues to remain strong and supportive in its ability to provide live operational information.

Few of the highlights of the year:

- We had two changes in the management team. Mr. B.R. Diwakar having work experience of around 20 years in Finance field and having worked with an array of organizations like LIC of India, SIDBI, ICICI

Bank, ACCION and IFMR Trust has replaced the earlier Chief Financial Officer. Similarly, Mr. Arun Kumar an engineering and management graduate from IIM Indore and having experience of working with Infosys and Barclays Bank, previously handling projects under new initiatives in the Company has replaced earlier Head of IT.

- As at the end of year the company is fully

compliant with RBI regulations and is in compliance with RBI Circular in respect of NBFC-MFI dated December 2, 2011.

- Conducted extensive training programs for field staff on New Regulations, Code of Conduct, Credit Bureau usage and Soft Skills in addition to the existing training modules.
- GFSPL is the first MFI in India to automate the process of routing loan application through the credit bureau.



“GFSPL is the first MFI in India to automate the process of routing loan application through the credit bureau.”

Your company took cognizance of regulatory constraints and laid focus on internal restructuring, branch wise planning, skill enhancements, and better focus on product design to benefit the customers.

Corporate Social Responsibility

During the year, your company carried out many credit plus activities independently as well as in collaboration with other organizations in various areas such as health, water, sanitation, financial literacy, client awareness etc. These programs have had a strong impact in generating awareness among our customer segment.

Water and sanitation: Your Company has conducted 50 water and sanitation workshops which were attended by 10,000 people during the current Financial Year. About 9000 households were supported to construct sanitation units and about 4000 households were supported to have water connections during the last two years.

Clean Energy: More than 500 Indoor air pollution awareness camps were organised which was attended by 50,000 people across Karnataka state. About 7000 households were supported to procure energy efficient cook stoves during the last year.

Health care support: In partnership with a reputed NGO, your company has enrolled over

one lakh individuals for health care program and provided Rs.68,99,157/- of medical expenses support to families who are borrowers of Grameen Koota. More than 700 people were benefited from health camps conducted in some of the operational area and about 9,634 people got OPD treatment.

Insurance: More than 5,30,000 borrowers and their spouses insured under term insurance plan in partnership with Bajaj Allianz and Shriram life insurance companies and about 739 claims have been settled and Rs.1,58,82,639 were paid to the families of the deceased members.

Financial literacy program: During this year, Financial Literacy training was conducted for over 56,000 borrowers and over 47,000 borrowers in the previous year.

Awareness building: A new program to educate and build awareness of our borrowers on various Government schemes, finance and money management, importance of hand washing, safe drinking water and many other topics was started. During the weekly centre meetings for about 15 minutes, our field officers provide this awareness, through this program called Jagruti.

Education: Your Company trained 127 youth in vocational training and provided placement. In partnership with hippocampus and Swami

Vivekananda Youth Movement 728 children were benefited from the coaching and educational program.

Awards and Recognitions:

- Grameen Financial Services Private Limited is the first fully certified user of the Progress out of Poverty Index in India.
- GFSPL has been recognized as a “Smart Campaign Tool Winner” by the Smart Campaign established by The Center for Financial Inclusion at ACCION International.
- GFSPL has won the Microfinance Information eXchange (MIX) Silver award for the second time in a row.

Microfinance Industry

For the microfinance industry, the FY 2011-12 started with the after-effects of the AP Ordinance which resulted in banks adopting a wait-and-watch approach for considering debt funding to MFIs. For most part of the financial year, this line adopted by the banks resulted in fund flow getting adversely affected and was not in line with expectations / requirements leading to lesser on-field disbursements. Many MFIs faced liquidity crunch during the year and most of the MFIs faced de-growth in the portfolio.

The situation started changing for the better after RBI came out with its circular in May 03, 2011 after submission of recommendations by the Malegam Committee and another circular dated December 02, 2011, wherein regulations specific for a new category of NBFCs doing microfinance business have been stipulated. The regulations for this new category of institutions named NBFC-MFIs have mandated certain norms like qualifying assets, cap on interest rate, reduction in processing fee, income criteria for rural and urban borrowers, ticket-size of the loan, multiple borrowing etc.

The sector is expected to receive further impetus and fillip with the introduction of Micro Finance Bill, which was cleared by the Union Cabinet and placed in Parliament. This Bill further enables healthy growth and development of the sector through specific provisions like making RBI the

sole regulator for MFIs, operational modalities for functioning of MFIs, clauses for provision of thrift and setting up of Development Councils at the State level which will monitor the MFIs and report to RBI on the same. Importantly, MFIs are considered to be extended arms of the banks and the MF business is being envisaged as a para-banking activity. It is widely hoped that the Bill will be duly enacted and would soon become law in the current financial year, thus providing the necessary clarity on the governance and regulation of the industry.

Future Outlook

The current year is also expected to provide further improvements in the working of MFIs, with RBI expected to provide more regulatory clarity on operational aspects such as income criteria of MF clients and qualifying assets. RBI is expected to provide clarity on compliance requirements for reclassification to NBFC-MFI very soon in this Financial Year. The level of compliance of MF industry in respect of the regulatory guidelines is expected to be qualitatively higher, along with improvement in matters of reporting and data submission to Credit Bureau. Your company which stands out in terms of transparency and compliance is well-poised to improve on efficiency in operations and further build its portfolio.

Your company is geared up to tap diversified fund flows for onward lending in a more predictable and smooth manner. With plans to maintain a higher level of average advances right from beginning of the next year, the interest income of the company is expected to be higher. The efforts put in to reduce operational costs during the previous year are expected to result into tangible benefits during the ensuing year, partly offsetting the margin squeeze caused by the peak interest rate cycle. The profitability of your company is expected to be non-fluctuating and continuous. With the product offering from most MFIs including your company's competitors being similar, the company which

Awards and Recognitions:

MIX Silver award for Social Performance

GFSPL has won the MIX Silver award for the second time in a row. Microfinance Information eXchange (MIX) has recently announced its 2011 Social Performance Awards which recognize microfinance institutions committed to transparent social performance monitoring and management.

PPI Certification from Grameen Foundation USA

Grameen Foundation USA awarded GFSPL with the Certificate of Completion for its Basic, Advanced and Tracking Over Time Standards of the use of Progress out of Poverty Index (PPI). Grameen Foundation defines the PPI as "a simple and accurate tool that measures poverty levels of groups and individuals. Using the PPI, MFIs can better determine their clients' needs, which programs are most effective, how quickly clients leave poverty, and what helps them to move out of poverty faster." GFSPL adopted the tool in 2008 and has meticulously collected the PPI data from its clients.

GFSPL honored by Smart Campaign

GFSPL was honored by the Smart Campaign's 'Call for Tools: Training Staff for Ethical Behavior' for its 'Code of Conduct E-learning Module,' which tests employees' knowledge of workplace ethics. The Smart Campaign is a global initiative to incorporate client protection principles across the microfinance industry. Smart Campaign Clients Protection Principles requires that the MFIs must maintain high ethical standards in their interactions with microfinance clients and ensure that adequate safeguards are in place to detect and correct corruption or mistreatment of clients.



MIX Silver award for Social Performance



PPI Certification from Grameen Foundation USA

has built a strong service culture that will be differentiator for your company and thus retaining its edge over others. Apart from this, your company will also offer 'diverse products' and expand its bouquet of offerings to its customers. The products which will be customer-centric and dovetailed to clients' requirements and would be designed in collaboration / partnership with national and international organizations. This would be piloted for acceptance, scalability and profitability before full roll out. In this regard, your company is launching a micro-pension product under the ambit of PFRDA, Govt. of India

and also housing loan product to its clients in partnership with reputed organizations. These initiatives are expected to open new areas for other income. Your company also proposes to strengthen its existing risk management framework by partnering with a respected and reputed institution to develop an appropriate methodology for mitigation of risks.

In the ensuing year, your company plans to consolidate its operations as a strong regional player, work on sustaining profitability, further diversify its funding sources and continue to comply with all due regulations, adopting transparent practices and following the stipulated code of conduct in letter and spirit.

Corporate Governance

Your Company is committed to best practices in corporate governance and recognizes that transparency, ethical behaviour, integrity and protection of the interests of all the Stakeholders form the keystones of the Governance. As per the Guidelines on Corporate Governance for Non-Banking Financial (Non - Deposit Accepting or Holding) issued by the RBI, the Company has had an Audit Committee to ensure strong internal controls and corporate reporting systems including financial reporting in pursuance with Section 292A of the Companies Act, 1956.

Internal Control System:The Company's internal control system comprises audit and compliance by in-house Internal Audit Division. The internal auditors independently evaluate the adequacy of internal controls and concurrently audit the majority of the transactions in value terms of Independence of the audit and compliance is ensured by the direct reporting of Internal Audit Division and Internal Auditors to the Audit Committee of the Board.

Your Company has had various other committees to oversee the critical areas of the Company, namely, Risk Mitigation Committee, a Nomination and Grievance Committee, an Assets and Liability Management Committee, Investment and



GFSPL is launching a micro-pension product under the ambit of PFRDA, Govt. of India and also housing loan product to its clients in partnership with reputed organizations.

Borrowing Committee comprised of independent and nominee directors. The details each committee are provided separately in the Report.

Institutional rating

Your company was rated by CRISIL in September 2011 and the company was awarded an institutional grading of mfr3.

Fixed Deposits

Your Company has not accepted any deposits from the public as specified under Section 58A of the Companies Act, 1956 and complies with the guidelines mentioned related to Fixed deposits.

Increase in Share Capital

The company has reclassified its share capital from 30,00,00,000 comprising of 27,00,00,000 equity shares and 3,00,00,000 CCCPS to 30,00,00,000 equity shares. Subsequently, authorized Share Capital has increased from 30,00,00,000 equity shares to 35,00,00,000 equity shares during the year.

Dividend

Your Directors proposed not to declare any dividends considering the prevalent uncertainty and liquidity constraints in the industry. Accruals will be used to fund expansion, and will be conserved to maintain sufficient levels of Capital Adequacy.

RBI Guidelines

Your company is a non-deposit accepting NBFC registered with the Reserve Bank of India (Section 45-IA of the RBI Act, 1934). The company provided all required information to the RBI during the annual audit conducted during the fiscal year.

Information Relating to Conservation of Energy, Technology Absorption,

Though the company is not engaged in any manufacturing activity, it consistently invests in energy efficient office equipment at all its office locations and strives to promote and provide funds to its borrowers to acquire eco-friendly stoves and lighting equipment.

Foreign Exchange Earnings and Outgo

The foreign exchange inflow and outflow for the Company is Nil during the year.

Auditors

M/s. S.R. Batliboi & Co.(M/s. S.R. Batliboi & Co has changed its name to SRBC & Co, w.e.f April1, 2012), firm has ICAI Registration No 324983E, a statutory Auditors of the Company, retire at the conclusion of ensuing Annual General Meeting and, being eligible, offer themselves for reappointment as statutory auditors.

The Auditors have confirmed that their re-appointment, if made, shall be in accordance with the provisions of Section 224 (IB) of the Companies Act, 1956.

Particulars of Employees

There are no employees drawing salary more than RS. 60,00,000 per annum (rupees sixty lakhs) and hence no statement under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees Rules) 197, as amended from time to time is required to be provided.

Employee Stock Options

The Company has implemented the Employees Stock Option Plan ("ESOP Plan 2011") with pool of 18,31,175 options, in accordance with the applicable laws of the Companies Act, 1956. The Company has Compensation and remuneration Committee in place to administer and monitors the scheme.

The Company has formed GFSPL ESOP Trust and registered the same with Sub registrar to hold the shares on behalf of Employees as a trustee (as registered/ legal shareholders) in the register of the members of the Company for the administrative convenience and stock options will be issued in the current financial year.

Directors

There is no change in the Board of Directors during the year.

The Company convened five Board meetings during the year. The table below shows the participation of the Directors at the meetings held during the year:

Name	Position	Eligible meetings	Meetings Attended
Mrs Vinatha M Reddy	Chairperson	5	5
Mr. Suresh K Krishna	Managing Director	5	5
Mr. Pradeep P	Nominee Director	5	5
Mrs Daksha N Shah	Independent Director	5	3
Mr. Aditya Bhandari	Nominee Director	5	3
Mr. Christian Banno	Nominee Director	5	3
Mr. Anal Kumar Jain	Independent Director	5	5
Mr. R Prabha	Independent Director	5	5

Board Committees

Your Company's Board has eight committees that monitor different aspects of the company's operations ensuring strong oversight and regular monitoring.

i. Audit Committee:

The constitution of Audit Committee is in compliance with the requirement of Section 292A of the Companies Act, 1956 and prudential norms of (Reserve Bank) Direction, 2007.

The Audit Committee comprises of four members - one Independent, one Managing and two Nom-

Name of the Director	Eligible Meetings	Meetings attended
Mr. R Prabha	4	4
Mr. Suresh K Krishna	4	4
Mr Christian Banno	4	4
Mr. Aditya Bhandari	4	3

inee Directors. The Committee is chair by Mr. R Prabha, Independent Director. The names of the directors of the Audit Committee and their attendance during the year are given below:

ii. Nomination and Grievances Committee:

The Nomination and Grievances Committee comprises of three members, including an Independent Director – Mr. R Prabha, who chairs the Committee. The names of the directors of the Nomination and Grievance Committee and their attendance during the year are given below:

Name of the Director	Eligible Meetings	Meetings attended
Mr. R Prabha	3	3
Mr. Suresh K Krishna	3	3
Mrs. Vinatha M Reddy	3	3

iii. Assets and Liability Management Committee (“ALM”)

The constitution of ALM Committee is in compliance with the prudential norms of (Reserve Bank) Direction, 2007. The Committee has two nominee directors and Managing Director – Mr. Suresh K Krishna, who chairs the committee. The names of the directors of the ALM Committee and their attendance during the year are given below:

Name of the Director	Eligible Meetings	Meetings attended
Mr. Suresh K Krishna	3	3
Mr Christian Banno	3	3
Mr Aditya Bandari	3	3

iv. Compensation and Remuneration Committee:

The Compensation and remuneration committee comprises of five members including an Independent Director- Mr. Anal Jain, who chairs the Committee, two Nominee Directors and two Promoter Directors. The names of the directors of the Compensation and Remuneration Committee and their attendance during the year are given below:

Name of the Director	Eligible Meetings	Meetings attended
Mr. Suresh K Krishna	1	1
Mr Christian Banno	1	1
Mr. Pradeep P	1	0
Mrs Vinatha M Reddy	1	1
Mr. Anal Jain	1	1

v. Investment and Borrowing Committee

The Investment and borrowing committee comprises of three Directors including one nominee director, Managing Director and whole time director and Chairman of the Company- Mrs. Vinatha M Reddy, who chairs the Committee. The names of the directors of the Investment and Borrowing committee and their attendance during the year are given below:

Name of the Director	Eligible Meetings	Meetings attended
Mr. Suresh K Krishna	23	23
Mr Christian Banno	23	20
Mrs Vinatha M Reddy	23	22

vi. Executive Committee

The Executive committee comprises of three Directors including one nominee director, Managing Director and whole time director and Chairman of the Company- Mrs Vinatha M Reddy, who chairs the Committee. The names of the directors of the executive Committee and their attendance during the year are given below:

Name of the Director	Eligible Meetings	Meetings attended
Mr. Suresh K Krishna	6	6
Mr Christian Banno	6	2
Mrs Vinatha M Reddy	6	6

vii. Risk Mitigation Committee:

The Committee is comprised of four members, two of whom are Independent Directors and Mrs. Daksha Shah, independent director chairs the Committee. The names of the directors of the Risk Mitigation Committee and their attendance during the year are given below:

Name of the Director	Eligible Meetings	Meetings attended
Mrs Daksha N Shah	2	2
Mr. Suresh K Krishna	2	2
Mr. Anal Jain	2	2
Mr. Pradeep P	2	2

viii. **Share and Debenture Allotment Committee:**

The Committee is comprised of both the promoter Directors, Mrs. Vinatha M Reddy, Whole time Director, who chairs the Committee. The names of the directors of the Share and Debenture Allotment Committee and their attendance during the year are given below:

Name of the Director	Eligible Meetings	Meetings attended
Mrs. Vinatha M Reddy	1	1
Mr. Suresh K Krishna	1	1

Statement

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, with respect to the Directors' responsibility statement, the Board of Directors of the Company hereby confirms:


- That in the preparation of the Annual Accounts for the Financial year ended March 31, 2012, the applicable accounting standards have been followed;
- That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2012 and of Profit and Loss ended on March 31, 2012;
- That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- That the Directors have prepared the Annual Accounts for the Financial Year March 31, 2012 on a going concern basis.

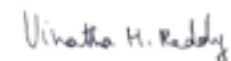
Acknowledgement

The Directors take this opportunity to place on record their sincere thanks to the Banks, Financial Institutions, Insurance Companies, Central and State Government Departments and the Shareholders for their continued support and co-operation extended to the Company. The Directors are pleased to record their apprecia-

tion of the sincere and dedicated services of the employees of the Company.

On behalf of the Board of Directors
For Grameen Financial Services Private Limited


Managing Director


Chairperson

Place: Bangalore
Date: June 23, 2012

Auditors' Report

To

The Members of Grameen Financial Services Private Limited

1. We have audited the attached Balance Sheet of Grameen Financial Services Private Limited ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and Cash Flow Statement for the year ended on that date annexed thereto. 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 misstatement. 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 (Auditor's Report) Order, 2003 (as amended) ('the Order') issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we draw attention to the financial statements. As represented by the management, the Company has made necessary application to the Company Law Board for the compounding of offences for non compliance with the

provisions of section 205(1A), 205(1B) and 205(3) of the Companies Act, 1956 and to the Reserve Bank of India for the compounding of offences under the FEMA Regulations, 2000. Pending the outcome of the Company's applications for the matter indicated above, no adjustment has been made to the accompanying financial statements in this regard.

5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

We have obtained all the information and explanations, which to the best of our knowl

- i edge and belief were necessary for the purposes of our audit;
- ii In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- iv In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
- v On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
- b) in the case of the Statement of Profit and Loss, of the loss for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For S R B C & Co.

Firm Registration number: 324982E

Chartered Accountants



per Shrawan Jalan

Partner

Membership No. 102102

Place: Mumbai

Date: 26/6/2012



Annexure referred to in paragraph 3 of our report of even date

Re: Grameen Financial Services Private Limited ('the Company')

- (i)

(a)

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

(b)

Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c)

There was no disposal of substantial part of fixed assets during the year.
- (ii)

The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of providing loans and does not maintain inventory. Therefore the provisions of clause 4(ii) of the Order are not applicable to the Company.
- (iii)

(a)

According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (iv)

(b)

According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (v)

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 the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.
- (vi)

In our opinion, there are no contracts or arrangements that need to be entered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company and hence not commented upon.
- (vii)

The Company has not accepted any deposits from the public.
- (viii)

In our opinion, the Company has an internal audit system commensurate with the size and nature of its business. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Act for the products of the Company.

- (ix)

(a)

Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty cess and other material statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.
- (b)

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c)

According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- (x)

The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi)

Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institution, bank or debenture holders.
- (xii)

According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (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 Order are not applicable to the Company.
- (xiv)

In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provision of clause 4(xiv) of the Order, are 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.
- (xvi)

Based on the information and explanation given to us by the management, term loans were applied for the purpose for which the loans were obtained, though idle/ surplus funds which were not required for immediate utilization at relevant time were gainfully invested in liquid assets payable on demand.
- (xvii)

According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (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 Act.
- (xix)

The Company has not issued any debentures in the current year. In respect of debentures issued in earlier years, security/charge has been created by the Company.
- (xx)

The Company has not raised money by public issue during the year.

(xxi) We have been informed that during the year there were instances of cash embezzlements by the employees of the Company aggregating Rs.3,442,407. The services of all such employees involved have either been terminated or the employees have been suspended and the Company is in the process of taking legal action. The Company is also adequately covered by fidelity insurance cover. The Company has made a provision of Rs.1,439,277 against the outstanding balance (net of recovery) of Rs.2,591,486, as at the Balance Sheet date.

For S R B C & Co.

Firm Registration number: 324982E

Chartered Accountants



per Shrawan Jalan

Partner

Membership No. 102102

Place: Mumbai

Date: 26/6/2012



Grameen Financial Services Private Limited
Balance sheet as at March 31, 2012

Particulars	Notes	31-Mar-12 (Rupees)	31-Mar-11 (Rupees)
Equity and Liabilities			
Shareholders' funds			
Share capital	3	248,423,210	248,423,210
Reserves and surplus	4	259,901,912	288,928,323
		508,325,122	537,351,533
Non-Current Liabilities			
Long-term borrowings	5	750,360,762	789,373,192
Long-term provisions	6	6,265,271	2,454,780
		756,626,033	791,827,972
Current liabilities			
Short-term borrowings	7	317,500,000	55,107,158
Trade payables	8	3,039,352	2,100,679
Other current liabilities	8	1,596,195,634	1,499,824,549
Short-term provisions	6	9,624,633	28,004,124
		1,926,359,619	1,585,036,510
TOTAL		3,191,310,774	2,914,216,015
Assets			
Non current assets			
Fixed assets			
Tangible assets	9	30,993,102	34,279,068
Intangible assets	10	877,865	10,343,180
Intangible assets under development		862,256	378,000
Non-current investments	11	2,000,000	2,000,000
Deferred tax assets (net)	12	-	10,179,919
Long term loans and advances	13	849,569,193	37,886,502
Other non current assets	14	189,971,996	33,609,830
		1,074,274,412	128,676,499
Current assets			
Current investments	15	-	313,547,240
Cash and bank balances	16	169,082,742	581,361,887
Short term loan and advances	13	1,925,542,012	1,868,235,355
Other current assets	14	22,411,608	22,395,034
		2,117,036,362	2,785,539,516
TOTAL		3,191,310,774	2,914,216,015

Summary of significant accounting policies

2.1

Accompanying notes are an integral part of the financial statements.

As per our report of even date

For S R B C & Co.
Chartered Accountants
Firm Registration Number: 324982E



per Shrawan Jalan

Partner

Membership No.102102

Place: Mumbai

Date: 26/6/2012

For and on behalf of Board of directors of
Grameen Financial Services Private Limited



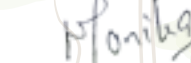
Managing Director



Chief Financial Officer



Chairman



Company Secretary

Grameen Financial Services Private Limited Statement of profit and loss for the year ended March 31, 2012			
Particulars	Notes	31-Mar-12 (Rupees)	31-Mar-11 (Rupees)
Income			
Revenue from operations	17	595,277,342	802,437,701
Other income	18	26,648,250	16,982,925
Total revenue (I)		621,925,592	819,420,626
Expenses			
Employee benefits expenses	19	217,977,520	231,941,310
Finance costs	20	302,754,522	343,165,492
Other expenses	21	119,646,537	137,662,828
Depreciation and amortisation expenses	22	13,103,271	27,372,411
Provision and write-offs	23	(44,481,766)	1,357,390
Total expenses (II)		639,000,084	781,499,431
(Loss) / profit before tax (III)=(I)-(II)		(17,074,492)	37,921,195
Tax expense			
Current tax		-	13,554,536
Deferred tax		10,179,918	(10,735,088)
(Excess)/short provision of tax relating to earlier years		1,772,001	-
Total tax expense (IV)		11,951,912	,819,448
(Loss) / profit for the year (III)-(IV)		(29,026,411)	35,101,747
Earnings per equity share			
[nominal value of share Rs.10 (March 31, 2011: Rs.10)]	33		
Basic (Computed on the basis of total (loss) / profit for the year)		(1.17)	1.41
Diluted (Computed on the basis of total (loss) / profit for the year)		(1.17)	1.41
Summary of significant accounting policies 2.1			
The accompanying notes are an integral part of the financial statements.			
As per our report of even date			
For S R B C & Co. Chartered Accountants Firm Registration Number: 324982E		For and on behalf of Board of directors of Grameen Financial Services Private Limited	
per Shrawan Jalan Partner Membership No.102102 Place: Mumbai Date: 26/6/2012		Managing Director Chairman Chief Financial Officer Company Secretary	

Grameen Financial Services Private Limited Cashflow statement for the year ended March 31, 2012			(Amount in Rupees unless otherwise stated)
Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011	
A. Cash flow from operating activities			
(Loss) / profit before tax	(17,074,492)	37,921,195	
Adjustments for :			
Depreciation and amortization	13,103,271	27,372,411	
Provision for Gratuity	949,876	1,214,368	
Provision for Leave benefits	69,344	2,625,360	
Bad Debts Written Off	-	45,273,321	
Intangible under development written off	378,000	-	
Loss/ (profit) on sale of fixed assets	89,187	135,020	
Provision for non-performing assets	(14,481,763)	(2,825,045)	
Amortisation of ancillary borrowing costs	11,339,827	10,102,071	
Amortisation of arranger fees	-	4,670,507	
Amortisation of employee stock compensation expense	-	7,000,000	
Amortisation of discount on issue of debentures	622,224	103,704	
Amortisation of share issue expenses	881,280	881,520	
Dividend income from mutual funds	(21,928,910)	(13,626,373)	
Other provisions and write offs	1,956,966	3,799,971	
Operating (loss) / profit before working capital changes	(24,095,190)	124,648,030	
Movements in working capital :			
Increase/ (decrease) in other current liabilities	109,730,887	(24,890,899)	
Increase / (decrease) in trade payables	938,673	2,100,679	
Decrease / (increase) in long-term loans and advances	(809,883,738)	(27,386,630)	
Decrease / (increase) in short-term loans and advances	(57,306,657)	458,377,459	
Decrease / (increase) in other current assets	3,667,070	(5,170,625)	
Decrease / (increase) in other non-current assets	(8,047,529)	-	
Cash generated from / (used in) operations	(784,996,484)	527,678,014	
Direct taxes paid (net of refunds)	(6,634,375)	(16,255,957)	
Net cash used in Operating Activities (A)	(791,630,859)	511,422,057	
B. Cash Flows from Investing Activities :			
Purchase of fixed assets, including capital work in progress and capital advances	(1,928,854)	(19,081,471)	
Proceeds from sale of fixed assets	625,430	299,700	
Dividend income from mutual funds	21,928,910	13,626,373	
Purchase of current investments	-	(273,547,240)	
Bank deposits not considered as cash and cash equivalent (net)	(63,091,549)	(43,444,665)	
Proceeds from sale of current investments	313,547,240	-	
Net cash from / (used in) Investing Activities (B)	271,081,176	(322,147,303)	
C. Cash Flows from Financing Activities :			
Long-term borrowings (net)	(68,115,995)	(250,723,681)	
Short-term borrowings (net)	262,392,846	35,037,061	
Net cash from (used in) in Financing Activities (C)	194,276,851	(215,686,620)	
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	(326,272,832)	(26,411,865)	
Cash and cash equivalents as at the beginning of the year	390,813,737	417,225,602	
Cash and cash equivalents as at end of the year (refer note 16)	64,540,905	390,813,737	
Summary of significant accounting policies 2.1			
The accompanying notes are an integral part of the financial statements			
As per our report of even date			
For S R B C & Co. Chartered Accountants Firm Registration Number: 324982E		For and on behalf of Board of directors of Grameen Financial Services Private Limited	
per Shrawan Jalan Partner Membership No.102102 Place: Date:		Managing Director Chairman Chief Financial Officer Company Secretary	

1. Corporate information

Grameen Financial Services Private Limited ('the Company') is a non-deposit accepting nonbanking

financial company or NBFC-ND registered with the Reserve bank of India (RBI). It is engaged in providing micro finance services by way of loans to women who are organized as Joint Liability Groups ('JLG'). These loans are provided through its Grameen Koota division in the rural areas and the Company also provides individual loans through its MAARG division.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended), the relevant provisions of the Companies Act, 1956 and the provisions of the RBI as applicable to a non banking financial company. The financial statements have been prepared on an accrual basis and under the historical cost convention except interest on loans which have been classified as non-performing assets and are accounted for on realisation basis.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2.1 Summary of significant accounting policies

a. Change in accounting policy

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the finan-

cial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

b. Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting-principles requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

c. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i. Interest income on loans given is recognised under the internal rate of return method. Income including interest or discount or any other charges on non-performing asset is recognised only when realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed.

ii. Interest income on deposits with banks is recognised on a time proportion accrual basis taking into account the amount outstanding and the rate applicable.

iii. Loan processing fees and insurance administration charges collected from members are recognized on accrual basis. Collection of insurance administration charges has been discontinued with effect from October 31, 2011.

iv. In accordance with the RBI guidelines for securitisation of standard assets, the Company accounts for any loss arising from assignment / securitisation immediately at the time of sale and the profit/premium arising from securitisation is amortised over the life of the underlying portfo-

lio loans / securities.

v. Dividend income is recognized when the right to receive payment is established by the balance sheet date.

vi. All other income is recognized on an accrual basis.

d. Tangible fixed assets

All fixed assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

e. Intangible assets

The amount relating to acquisition of software, intellectual property rights in the field of Micro Finance and Livelihood Promotion, corporate service cost has been accounted as intangible assets valued at the cost of acquisition of these assets and corporate service cost has been amortized over a period of three years and all other intangible assets are amortized over a period of five years in equal installments, based on expected future economic benefits accruing to the Company from the year of acquisition.

f. Depreciation

Depreciation on tangible fixed assets is provided using the straight line method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV of the Companies Act, 1956 whichever is higher.

Leasehold improvements are amortized over the primary lease period.

Fixed assets costing up to Rs. 5,000 individually are depreciated fully in the year of purchase.

The rate of depreciation for the asset is as under:

Category of Asset	Rate (SLM)
Furniture and Fitting	6.33%
Office equipment	4.75%
Vehicles	9.50%
Buildings	1.63%
Computers	16.21%

g. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

h. Leases

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term.

i. Investments

Investments which are readily realisable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

j. Borrowing costs

Ancillary borrowing costs are amortized over the tenure of the loan on a straight line basis. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

k. Foreign currency translations

i. All transactions in foreign currency are recognised at the exchange rate prevailing on the date of the transaction.

ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.

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

l. Retirement and other employee benefits

i. Retirement benefits in the form of provident fund and superannuation are defined contribution schemes and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to respective funds.

ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

iii. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term com-

pensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

iv. Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

m. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss.

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

future taxable profits.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such writedown is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

n. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as fraction of an equity share to the extent that they were entitled to participate in dividends related to a fully paid equity share during the reporting year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

o. Provisions

A provision is recognised when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obli-

gation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

p. Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

q. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash in hand and cash at bank and short-term investments with an original maturity of three months or less.

r. Classification of loan portfolio

Loans and advances are classified as standard assets, sub-standard assets, doubtful assets and loss assets in accordance with the extant Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time.

s. Provisioning policy for loan portfolio

Loans are provided for as per the management's estimates, subject to the minimum provision required by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to ti

Asset classification	Arrear period	Provision (%)
Standard assets	Overdue for less than 180 days	0.25%
Sub - standard assets	Overdue for 180 - 720 days	10%
Loss assets	Overdue over 720 days	Write off

“Overdue” refers to interest and / or installment remaining unpaid from the day it became receivable.

Grameen Financial Services Private Limited Notes to financial statements for the year ended March 31, 2012 <i>(Amount in Rupees unless otherwise stated)</i>		
3. Share capital	31-Mar-12	31-Mar-11
Authorised shares 35,000,000 (March 31, 2011: 27,000,000) equity shares Rs. 10 each Nil (March 31, 2011: 3,000,000), Cumulative preference shares of Rs. 10 each	350,000,000 -	270,000,000 30,000,000
Issued, subscribed and fully paid up shares: 24,842,321 (March 31, 2011: 24,842,321) Equity shares of Rs.10/- each fully paid	248,423,210	248,423,210
Total issued, subscribed and fully paid up shares	248,423,210	248,423,210
(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year		
Equity shares	31-Mar-12	31-Mar-11
	No. of Shares Amount	No. of Shares Amount
At the beginning of the year	24,842,321 248,423,210	4,842,321 248,423,210
Issued during the year	- -	- -
Bought back during the year	- -	- -
Outstanding at the end of the year	24,842,321 248,423,210	4,842,321 248,423,210
(b) Terms/Rights attached to Equity shares		
The Company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividends proposed by the Board of directors is subject to the approval of shareholders in the ensuing Annual General Meeting. In the event of liquidation of Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.		
(c) Details of shareholders holding more than 5% shares in the Company		
Equity shares of Rs.10 each fully paid	31-Mar-12	31-Mar-11
	No. of Shares % holding in the class	No. of Shares % holding in the class
Mrs.Vinatha M Reddy	2,241,100 9.02%	2,241,100 9.02%
TMT Community Trust	4,500,000 18.11%	4,500,000 18.11%
Aavishkaar Goodwell India Microfinance Development Company AGIMDC	5,599,351 22.54%	5,599,351 22.54%
MVH SPA, Italy	2,272,727 9.15%	2,272,727 9.15%
MicroVentures Investments SCA SICAR, Luxembourg	2,272,727 9.15%	2,272,727 9.15%
IIM – Impulse 2, Mauritius	3,030,303 12.20%	3,030,303 12.20%
As per the records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares		
(d) Aggregate number of shares issued for consideration other than cash during the period of five years immediately preceding the reporting date:		
	31-Mar-12	31-Mar-11
	No. of shares	No. of shares
Class of shares (Equity)		
No of equity shares allotted as fully paid-up pursuant to contract(s) for consideration other than cash	4,500,000	4,500,000
No of equity shares allotted as fully paid-up under sweat equity scheme for consideration other than cash	1,750,000	1,750,000

Grameen Financial Services Private Limited		(Amount in Rupees unless otherwise stated)			
Notes to financial statements for the year ended March 31, 2012					
4. Reserves and Surplus			31-Mar-12		31-Mar-11
Securities Premium Account					
Balance as per last financial statements			236,186,425		236,186,425
Add : Amount transferred			-		-
Less: Amount utilized			-		-
Securities Premium Account			236,186,425		236,186,425
Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)					
Balance as per last financial statements			10,771,881		3,751,532
Add : Amount transferred from the surplus balance of profit and loss*			902		7,020,349
Closing Balance			10,772,783		10,771,881
Surplus balance in the statement of profit and loss					
Balance as per last financial statements			41,970,017		14,068,619
Add: (Loss)/ Profit for the year			(29,026,411)		35,101,747
Less:Tax on preference dividends for earlier years			-		(180,000)
Less:Transfer to statutory reserve as required by Sec 45-IC of Reserve Bank of India Act, 1934*			(902)		(7,020,349)
Net surplus in the statement of profit or loss			12,942,704		41,970,017
Total reserves and surplus			259,901,912		288,928,323
* The amount represents transfer to statutory reserve in respect of earlier financial year pursuant to RBI report dated October 14, 2011.					
In the absence of profits in the current year, no transfer has been made to the statutory reserve.					
		Non-current portion		Current maturities	
5. Long-term borrowings		31-Mar-12		31-Mar-11	
Debentures				31-Mar-12	
35 (March 31, 2011: 35) 11.25% Secured Redeemable Non-Convertible Debentures of Rs.1,00,00,000/- each.		116,666,667		350,000,000	
Nature of security				233,333,333	
The above debentures are secured by hypothecation of book debts.					
Terms of Repayment					
Redeemable at par at the end of two years and three months from the date of allotment viz., February 15, 2011 or at the option of the Company earliest at par, but not before the end of two years and three months from the date of allotment, in part or full.					
Term loans					
Indian rupee loan from banks		586,634,432		211,018,649	
Indian rupee loan from financial institutions		7,240,000		111,165,000	
Indian rupee loan from non banking finance companies		39,546,892		116,944,952	
Indian rupee loan from society		272,771		-	
Other Facilities from banks		-		244,591	
		750,360,762		789,373,192	
The above amount includes					
Secured borrowings*		750,087,991		789,373,192	
Unsecured Borrowings		272,771		-	
Amount disclosed under the head "other current liabilities" (Note 8)		-		(1,402,948,494)	
Net amount		750,360,762		789,373,192	
* The Indian rupee loans are secured by hypothecation of book debts and margin money deposits..					

Grameen Financial Services Private Limited

Notes to financial statements for the year ended March 31, 2012

5. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings as on March 31, 2012

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Total
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	
Monthly repayment schedule	7.00% - 7.50%	12	271,292	-	-	-	-	271,292
		12	674,900	5	272,771	-	-	947,671
		12	1,510,054	5	666,380	-	-	2,176,434
		12	92,307,692	1	7,692,308	-	-	100,000,000
	12.50% -13.00%	9	75,005,000	-	-	-	-	75,005,000
		12	125,000,000	11	114,583,333	-	-	239,583,333
		12	22,599,767	-	-	-	-	22,599,767
		12	22,222,222	5	9,259,258	-	-	31,481,480
	13.50% -14.00%	12	22,222,222	5	9,259,258	-	-	31,481,480
		12	25,200,000	11	22,700,000	-	-	47,900,000
1-3 Yrs	14.00% -14.50%	9	17,033,297	-	-	-	-	17,033,297
		5	29,941,147	-	-	-	-	29,941,147
		5	10,458,733	-	-	-	-	10,458,733
		12	120,000,000	12	120,000,000	1	10,000,000	250,000,000
	14.50%-15.00%	12	31,863,924	3	8,136,076	-	-	40,000,000
		11	7,638,892	-	-	-	-	7,638,892
		12	6,666,672	5	2,777,772	-	-	9,444,444
		2	1,674,000	-	-	-	-	1,674,000
	9.00% -9.50%	10	246,634	-	-	-	-	246,634
		10	12,871,997	-	-	-	-	12,871,997
Quarterly repayment schedule	07.50%-08.00%	-	-	-	-	-	-	-
		2	700,000	1	300,000	-	-	1,000,000
		4	28,571,429	3	21,428,571	-	-	50,000,000
	13.00% -13.50%	3	64,285,715	4	85,711,705	-	-	149,997,420
		4	125,000,000	2	62,500,000	-	-	187,500,000
		4	125,200,000	3	93,500,000	-	-	218,700,000
		1	30,900,000	-	-	-	-	30,900,000
	15.50%-16.00%	4	28,920,000	1	7,240,000	-	-	36,160,000
		4	33,333,336	2	16,666,664	-	-	50,000,000
	14.50% - 15.00%	4	40,000,000	3	30,000,000	-	-	70,000,000
		4	15,296,236	-	-	-	-	15,296,236
Half Yearly repayment schedule	15.00% - 15.50%	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
	13.50%-14.00%	2	52,000,000	1	11,000,000	-	-	63,000,000
Total		241	1,169,615,161	83	623,694,096	1	10,000,000	1,803,309,257
			-		-		-	-
			-		-		-	-

Grameen Financial Services Private Limited										(Amount in Rupees unless otherwise stated)	
Notes to financial statements for the year ended March 31, 2012											
5. Long-term borrowings (Contd.)											
Terms of repayment of long term borrowings as on March 31, 2011											
Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Total			
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)				
1-3 yrs	Monthly repayment schedule										
	12.00% - 12.50%	6	24,899,867	-	-	-	-	24,899,867			
		8	16,664,000	-	-	-	-	16,664,000			
		10	25,000,000	-	-	-	-	25,000,000			
	12.50% - 13.00%	10	8,338,000	-	-	-	-	8,338,000			
		12	9,996,000	2	1,099,919	-	-	11,095,919			
		12	101,992,563	1	9,072,992	-	-	111,065,555			
	13.00% - 13.50%	12	23,768,544	12	22,599,767	-	-	46,368,311			
		10	18,518,520	12	22,222,222	5	9,259,259	50,000,000			
		10	18,518,519	12	22,222,222	5	9,259,259	50,000,000			
	3-5 yrs	13.50% - 14.00%	12	99,996,000	9	75,005,000	-	-	175,001,000		
			1	8,368,262	-	-	-	-	8,368,262		
			2	4,505,143	-	-	-	-	4,505,143		
14.00% -14.50%		1	555,548	-	-	-	-	555,548			
		2	2,222,224	-	-	-	-	2,222,224			
		2	1,111,104	-	-	-	-	1,111,104			
9.00% - 9.50%		3	8,333,330	-	-	-	-	8,333,330			
		5	2,777,772	-	-	-	-	2,777,772			
		5	5,555,557	-	-	-	-	5,555,557			
11.00% - 11.50%		6	9,999,996	-	-	-	-	9,999,996			
	9	25,001,585	-	-	-	-	25,001,585				
	12	25,464,000	5	10,584,000	-	-	36,048,000				
11.50%-12.00%	12	65,043,114	5	29,941,148	-	-	94,984,262				
	12	274,681	10	244,590	-	-	519,271				
	12	17,136,000	10	12,872,000	-	-	30,008,000				
12.00% -12.50%	9	12,499,997	-	-	-	-	12,499,997				
	8	13,333,324	-	-	-	-	13,333,324				
	9	4,999,988	-	-	-	-	4,999,988				
12.00% -12.50%	9	12,499,997	-	-	-	-	12,499,997				
	10	5,555,543	-	-	-	-	5,555,543				

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Total	
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)		
Quarterly repayment schedule	11.00% - 11.50%	2	16,666,668	-	-	-	-	16,666,668	
		2	31,666,668	-	-	-	-	31,666,668	
		2	8,333,336	-	-	-	-	8,333,336	
	11.50% - 12.00%	3	7,500,000	-	-	-	-	7,500,000	
		4	25,000,000	-	-	-	-	25,000,000	
		4	125,200,000	1	30,900,000	-	-	156,100,000	
	12.00% - 12.50%	3	37,500,000	-	-	-	-	37,500,000	
		4	50,000,000	-	-	-	-	50,000,000	
		4	46,666,666	-	-	-	-	46,666,666	
	13.00% - 13.50%	4	33,333,334	-	-	-	-	33,333,334	
		3	50,000,000	-	-	-	-	50,000,000	
		3	35,593,470	-	-	-	-	35,593,470	
	13.50% -14.00%	1	5,555,553	-	-	-	-	5,555,553	
		2	11,111,110	-	-	-	-	11,111,110	
		2	14,285,715	-	-	-	-	14,285,715	
1-3 yrs	14.50% - 15.00%	3	21,428,572	-	-	-	-	21,428,572	
		3	21,428,572	-	-	-	-	21,428,572	
		3	21,428,572	-	-	-	-	21,428,572	
	12.50% - 13.00%	4	40,000,000	4	40,000,000	3	30,000,000	110,000,000	
		1	6,500,000	-	-	-	-	6,500,000	
		4	13,260,895	4	14,930,814	-	-	28,191,709	
	13.00% - 13.50%	4	28,920,000	4	28,920,000	1	7,240,000	65,080,000	
	Half Yearly repayment schedule	2	20,000,000	2	20,000,000	1	10,000,000	50,000,000	
		2	32,000,000	2	32,000,000	1	1,000,000	65,000,000	
	Bullet repayment schedule								
		1	100,000,000	-	-	-	-	100,000,000	
		1	40,000,000	-	-	-	-	40,000,000	
3-5 yrs	14.50% - 15.00%								
Total		302	1,416,308,309	95	372,614,674	16	66,758,518	1,855,681,501	

Grameen Financial Services Private Limited				
Notes to financial statements for the year ended March 31, 2012				
(Amount in Rupees unless otherwise stated)				
6. Provisions	Long term		Short term	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Provision for em lo ee benefits				
Provision for gratuity (refer note 31)	-	-	21164,244	,214,368
Provision for leave encashment	-	-	22694,704	,625,360
	-	-	43858,948	,839,728
Others rovisions				
Contingent provision against standard assets	1,950,283	57,202	42765,685	4,164,396
Provision for non performing assets	4,314,988	1,291,123	-	-
Provision for taxation	-	1,106,455	-	-
	6,265,271	2,454,780	4,765,685	24,164,396
Total	6,265,271	2,454,780	9,624,633	28,004,124
7. Short term borrowings			31-Mar-12	31-Mar-11
Loans repayable on demand			-	20,000,000
Cash credit from banks (secured)			-	30,000,000
Indian rupee loan from banks secured			250,000,000	5,107,158
Indian rupee loan from non bankin financial companies secured			67,500,000	-
Total			317,500,000	55,107,158
The above amount includes				
Secured borrowin s*			317,500,000	55,107,158
Unsecured Borrowin s			-	-
			317,500,000	55,107,158
*Cash credit from banks is secured by hypothecation of book debts and vehicle.				
*Indian rupee loans from non banking financial companies are secured by hypothecation of book debts and by margin money deposits.				
8. Other current liabilities			31-Mar-12	31-Mar-11
Trade payables (refer note 36 for details of dues payable to Micro and small enterprises)				
Expenses and other pa ables	A	3,039,352	2,100,679	
Other liabilities				
Current maturities of long-term borrowings (refer note 5)		1,402,948,494	1,416,308,309	
Interest accrued but not due;				
On term loans		6,934,468	7,998,926	
On debentures		7,552,254	4,854,452	
Statutory Dues		5,934,606	5,809,078	
Empl ee Pa ables		3,141,330	10,231,087	
Other Liabilities		156,839,592	52,077,693	
dvances from customers		146,344	266,192	
Unamortized income				
On assi nment/ securitisation		11,451,864	2,278,812	
Unamortised interest income		1,246,682	-	
	(B)	1,596,195,634	1,499,824,549	
Total	(A+B)	1,599,234,986	1,501,925,228	

Grameen Financial Services Private Limited										
Notes to financial statements for the year ended March 31, 2012										
(Amount in Rupees unless otherwise stated)										
9. Tangible Assets	Building	Computer	Electrical Equipment	Furniture & Fixture	Leasehold Improvement	Office equipments	Vehicles	Total		
As at April 1, 2010	772,800	6,118,978	3,022,840	5,930,928	-	5,106,027	9,260,403	30,211,976		
Additions	-	8,378,502	1,183,116	4,981,949	846,607	2,485,249	(818,138)	17,875,423		
Disposals	-	-	(118,854)	-	-	-	-	(936,992)		
As at March 31, 2011	772,800	14,497,480	4,087,102	10,912,877	846,607	7,591,276	8,442,265	47,150,407		
Additions	-	556,834	-	163,053	-	318,263	28,448	1,066,598		
Disposals	-	-	-	(14,400)	-	-	(1,279,704)	(1,294,104)		
Other adjustments	-	-	(20,632)	13,273	-	(14)	583,601	576,228		
As at March 31, 2012	772,800	15,054,314	4,066,470	11,074,803	846,607	7,909,525	7,774,610	47,499,129		
Depreciation										
As at April 1, 2010	14,150	1,502,791	459,367	2,404,076	-	419,869	2,666,271	7,466,524		
Depreciation charge for the year	12,597	1,840,339	359,772	1,995,095	317,478	462,230	919,576	5,907,087		
Disposals	-	-	(21,438)	-	-	-	(480,834)	(502,272)		
Other adjustments	-	-	-	-	-	-	-	-		
As at March 31, 2011	26,747	3,343,130	797,701	4,399,171	317,478	882,099	3,105,013	12,871,339		
Depreciation charge for the year	12,597	2,356,404	171,153	484,498	529,129	379,216	823,875	4,756,872		
Disposals	-	-	-	1,180	-	-	-	503,517		
Other adjustments (asset)	-	(80,790)	-	43,245	-	(14,799)	-	500,250		
Other adjustments (depreciation)	-	-	-	-	-	-	(1,066,574)	(1,118,917)		
As at March 31, 2012	39,344	5,618,744	968,854	4,925,734	846,607	1,246,516	2,860,228	16,506,027		
Net Block										
As at March 31, 2011	746,053	11,154,350	3,289,401	6,513,706	529,129	6,709,177	5,337,252	34,279,068		
As at March 31, 2012	733,456	9,435,570	3,097,616	6,149,069	(0)	6,663,009	4,914,382	30,993,102		
10. Intangible Assets	Computer Software	Goodwill	Total							
As at April 1, 2010	6,968,688	76,000,000	82,968,688							
Purchase	828,048	-	828,048							
Internal Development	-	-	-							
As at March 31, 2011	7,796,736	76,000,000	83,796,736							
Purchase	-	-	-							
Internal Development	-	-	-							
As at March 31, 2012	7,796,736	76,000,000	83,796,736							
Amortization										
As at April 1, 2010	3,988,232	48,000,000	51,988,232							
Depreciation charge for the year	1,465,320	20,000,004	21,465,324							
Disposals	-	-	-							
As at March 31, 2011	5,453,552	68,000,004	73,453,556							
Depreciation charge for the year	1,465,320	7,999,996	9,465,316							
Other Adjustments	-	-	-							
Disposals	-	-	-							
As at March 31, 2012	6,918,872	76,000,000	82,918,872							
Net Block										
As at March 31, 2011	2,343,184	7,999,996	10,343,180							
As at March 31, 2012	877,865	-	877,865							

Grameen Financial Services Private Limited				
Notes to financial statements for the year ended March 31, 2012		(Amount in Rupees unless otherwise stated)		
11. Non Current investments		31-Mar-12	31-Mar-11	
Non trade investments valued at cost unless stated otherwise				
Investment in equity instruments Unquoted				
200,000(March 31, 2011: 200,000) equity shares of Rs 10 each of Alpha Microfinance Consultants Private Ltd		2,000,000	2,000,000	
Aggregate amount of unquoted investments		2,000,000	2,000,000	
12. Deferred tax assets (net)		31-Mar-12	31-Mar-11	
Deferred tax liabilities				
Deferred tax liability created on account of amortisation loan processing fee		-	2,999,347	
Gross deferred tax liabilities		-	2,999,347	
Deferred tax assets				
Differences in depreciation and other differences in block of fixed assets and intangible assets as per tax and books of accounts		-	2,815,370	
Differences due to disallowance of expenses under section 43B of the Income tax Act, 1961		-	2,085,019	
Differences due to disallowance of provision against standard assets and non performing assets		-	8,278,877	
Gross deferred tax assets		-	13,179,266	
Net deferred tax assets		-	10,179,919	
In the absence of virtual certainty with convincing evidence of future taxable profits, no net deferred tax asset has been created and recognised by the management as at the balance sheet date.				
		Non-current		Current
13. Loans and advances	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
A. Portfolio Loans				
Unsecured considered good*				
Joint liability group loans	724,310,168	11,439,562	1,876,110,260	1,680,751,796
Individual loans	-	-	30,163,813	99,781,994
Unsecured considered doubtful**				
Joint liability group loans	30,531,906	869,844	-	-
Individual loans	12,617,978	851,653	-	-
Joint liability group loans placed as collateral for loan asset assigned/ securitized	55,802,682	-	-	69,704,958
(A)	823,262,734	13,161,059	1,906,274,073	1,850,238,748
* Represents standard asset in accordance with classification of assets as per RBI prudential norms for NBFC's				
**Represents substandard assets non performing asset in accordance with classification of assets as per RBI prudential norms for NBFC's				
B.Security Deposits				
Unsecured, considered good	18,501,756	21,596,620	-	-
(B)	18,501,756	21,596,620	-	-
C.Advances recoverable in cash or kind				
Unsecured, considered good	138,651	304,039	8,481,297	9,069,837
Unsecured, considered doubtful	4,989,754	3,056,728	-	-
	5,128,405	3,360,767	8,481,297	9,069,837
Less: Provision for doubtful advances	(4,989,754)	(3,056,728)	-	-
(C)	138,651	304,039	8,481,297	9,069,837
D.Other loans and advances (Unsecured, considered good)				
Advance income tax (net of provision for taxation)	5,417,081	1,661,162	-	-
Prepaid expenses	300,000	123,664	3,730,226	2,362,924
Loans to employees	1,948,971	1,039,958	7,056,416	6,563,846
Other loans and advances (Unsecured, considered doubtful)				
Loans to employees	992,659	968,719	-	-
	8,658,711	3,793,503	10,786,642	8,926,770
Less: Provision for doubtful advances	(992,659)	(968,719)	-	-
(D)	7,666,052	2,824,784	10,786,642	8,926,770
Total (A+B+C+D)	849,569,193	37,886,502	1,925,542,012	1,868,235,355

Grameen Financial Services Private Limited		(Amount in Rupees unless otherwise stated)		
Notes to financial statements for the year ended March 31, 2012				
	Non-current		Current	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
14. Other assets				
Non-current bank balances (note 16)	176,597,862	2 7,500,000	-	-
Unamortized expenditure				
Share issue expenses	772,502	1,611,918	31,596	73,460
Discount on issue of Debenture	51,850	674,074	622,222	622,222
Ancillary Borrowing Costs	4,502,253	3,823,838	9,144,649	5,419,141
Interest accrued but not due on deposits placed with banks	8,047,529	-	-	7,819,314
Income accrued but not due on asset assignment/ securitisation transactions	-	-	3758,422	6,918,953
Interest accrued but not due on portfolio loans	-	-	5,664,712	3,177,221
Interest accrued and due on portfolio loans	-	-	190,007	1,364,723
Total	189,971,996	33,609,830	22,411,608	22,395,034
15. Current investments			31-Mar-12	31-Mar-11
Current investments (valued at lower of cost and fair value, unless stated otherwise)				
Other than trade- Unquoted				-
Investments in Mutual Funds (At NAV disclosed by the fund)			-	313,547,240
Total			-	313,547,240
Aggregate amount of quoted investments (Market value Rs.Nil, (March 31, 2011: Rs 313,547,240))			-	313,547,240
16. Cash and bank balances				
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Cash and cash equivalents				
Balance with banks				
On current accounts	-	-	54,393,965	209,426,416
Deposits with original maturity of less than 3 months	-	-	3,221,502	150,000,000
Funds in transit	-	-	-	-
Cash in hand	-	-	6,925,438	31,387,321
	-	-	64,540,905	390,813,737
Other Bank balances				
Deposits with original maturity of more than 12 months	-	-	-	-
Bank deposit				
Margin money deposits*	176,597,862	27,500,000	104,541,837	190,548,150
	176,597,862	27,500,000	104,541,837	190,548,150
Amounts disclosed under non-current assets (note 14)	(176,597,862)	(27,500,000)	-	-
Total	-	-	169,082,742	581,361,887

* Represents margin money deposits placed to avail term loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with asset assignment/securitisation transaction.

Grameen Financial Services Private Limited Notes to financial statements for the year ended March 31, 2012 (Amount in Rupees unless otherwise stated)		
17. Revenue from operations	31-Mar-12	31-Mar-11
Interest Income		
Interest on portfolio loans	424,549,780	563,082,859
Income from securitization & asset assignment	73,258,957	68,366,645
Other operating revenue		
Loan processing fees	73,181,539	144,705,309
Interest on margin money deposits*	16,554,779	12,990,903
Insurance administration charges	3,605,248	11,018,693
Recovery against loans write offs	4,127,039	2,273,292
Total	595,277,342	802,437,701
* Represents interest on margin money deposits placed to avail term loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with asset assignment/securitisation transaction.		
18. Other income	31-Mar-12	31-Mar-11
Dividend on mutual funds	21,928,910	13,626,373
Interest on staff loans	1,072,981	1,041,635
Interest on other loans	-	624,783
Excess provision no longer required written back	331,314	-
Miscellaneous Income	3,315,045	1,690,134
Total	26,648,250	16,982,925

Grameen Financial Services Private Limited		
Notes to financial statements for the year ended March 31, 2012		
(Amount in Rupees unless otherwise stated)		
19. Employee benefits expense	31-Mar-12	31-Mar-11
Salaries & incentives	191,510,531	203,695,900
Contribution to provident fund and other funds	18,626,100	17,336,108
Staff leave encashment and availment	992,487	2,671,921
Leave travel allowance	3,830,899	2,256,859
Gratuity	2,164,241	3,192,394
Workmen and staff welfare expenses	853,262	2,788,128
Total	217,977,520	231,941,310
20. Finance costs	31-Mar-12	31-Mar-11
Interest expense	274,218,106	320,298,420
Other borrowing costs	28,536,416	22,867,072
Total	302,754,522	343,165,492
21. Other expenses	31-Mar-12	31-Mar-11
Rent	21,482,785	21,250,520
Rates & taxes	3,329,559	1,239,741
Insurance	1,272,345	1,053,183
Repairs & maintenance		
Repairs to building	5,880,004	5,697,942
Repairs to machinery	809,845	1,163,864
Others	385,553	1,858,036
Electricity	2,721,374	2,642,195
Travelling and conveyance	35,004,259	39,534,211
Postage & telecommunication	11,574,859	7,919,668
Printing & stationery	4,846,600	9,291,648
Professional & consultancy charges	11,464,707	21,103,341
Credit Bureau Expenses	1,455,260	-
Directors sitting fees	480,700	235,000
Auditors remuneration		
Audit fees	1,775,000	800,000
Out of pocket fees	465,976	62,690
Training expenses	1,217,359	8,109,532
Other administrative expenses	11,071,303	11,484,264
Provision for other assets	4,409,048	4,216,993
Total	119,646,537	137,662,828
Particulars	31-Mar-12	31-Mar-11
As auditor:		
Audit fee	750,000	600,000
Limited review	250,000	200,000
Others	625,000	-
In other capacity		
Certification services	150,000	-
Reimbursement of expenses	465,976	62,690
Total	2,240,976	862,690
22. Depreciation and amortisation expense	31-Mar-12	31-Mar-11
Depreciation of tangible assets	3,637,955	5,907,087
Amortisation of intangible assets	9,465,316	21,465,324
Total	13,103,271	27,372,411
23. Provision and write-offs	31-Mar-12	31-Mar-11
Provision for standard and non-performing assets	(14,481,766)	(3,915,931)
Portfolio loans and other balances written off	-	45,273,321
Total	(14,481,766)	41,357,390

24. Change in Estimates

In the current year, the Company changed its estimate of provision for the microfinance loan portfolio aligning it with the minimum provisioning requirements as laid down in the RBI Prudential Norms. Had the Company applied the provisioning estimates applicable in the previous year, the provision for loan portfolio would have been higher by Rs.44,760,366.

25. During the year ended March 31, 2010, the Company had issued equity shares against the dividend on compulsorily convertible preference shares, amounting to Rs.937,505 to non-resident shareholder without obtaining the necessary approval and in non-compliance with the provisions

of section 205(1A), 205(1B) and 205(3) of the Companies Act, 1956. Subsequently, the Company has received the approval of Foreign Investment Promotion Board ('FIPB'), Department of Economic affairs vide its order dated December 02, 2011. Further, the Company has made an application to the Company Law Board for compounding of offences on October 19, 2011 and also to the Reserve Bank of India (in accordance with the FIPB approval) on February 23, 2012. The application is pending with the appropriate authorities. Pending the outcome of the application, no adjustments have been made in the financial statements.

26. Assignment / securitization of loans

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

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Total number of loans assigned/securitised	184,249	135,885
Total book value of loans assigned/securitized	1,683,632,579	1,145,370,066
Sale consideration received for loans assigned/securitised	1,701,879,618	1,094,931,532
Income recognised in the statement of profit and loss	73,258,9576	8,366,645
Balance of loans assigned and securitized as at the balance sheet date	1,083,087,645	641,653,717
Particulars	As at March 31, 2012	As at March 31, 2011
Credit enhancements provided and outstanding:		
Interest subordination	6,758,423	3,918,953
Principal subordination	55,802,682.6	9,704,958
Cash Collateral	163,600,747	141,398,150
Corporate guarantee	12,454,0271	2,990,755

27. Segment information

The Company operates in a single reportable segment i.e. lending to members, which have similar risks and returns for the purpose of AS 17 on 'Segment Reporting' notified under the Companies (Accounting Standard) Rules, 2006 (as amended). The Company operates in a single geographical segment i.e. domestic.

28. Related parties

i

Names of the related parties with whom transactions have been entered		
Key Management Personnel M	s. Vinatha M. Reddy, Chairman Mr. Suresh K. Krishna, Managing Director	

ii

Particulars	Key management personnel	
	March 31, 2012	March 31, 2011
Transactions during the year		
Salaries, incentives and perquisites:		
Mr. Suresh K. Krishna	4,601,613	3,937,219
Ms. Vinatha M. Reddy	2,811,284	2,413,104
Balances as at year end		
Incentive payable:		
Mr. Suresh K. Krishna	-	956,732
Ms. Vinatha M. Reddy	-	584,028

29. Capital commitments

Estimated amounts of contracts remaining to be executed on capital account (net of capital advances) and not provided:

Particulars	March 31, 2012	March 31, 2011
For purchase/development of computer software	178,5626	67,000

30. Contingent liabilities not provided for

Particulars	March 31, 2012	March 31, 2011
Guarantees given and outstanding for the assigned loans (including cash collaterals and receivable placed with banks)	231,857,006	190,333,874

31. Retirement benefits

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance Company in the form of a qualifying insurance policy. The following tables summarise the components of net benefit expense recognised in the statement of profit and loss and the funded status and amounts recognised in the Balance Sheet for the gratuity plan.

Statement of profit and loss

Net employee benefit expense

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Current service cost	1,657,964	1,478,231
Interest cost on benefit obligation	299,942	72,043
Expected return on plan assets	(267,936)	(230,421)
Net actuarial (gain) / loss recognized in the year	474,271	1,872,541
Past service cost	-	-
Net employee benefit expense	2,164,241	3,192,394
Actual return on plan assets	263,2202	84,907

Balance sheet

Details of provision for gratuity:

Particulars	March 31, 2012	March 31, 2011
Defined benefit obligation	5,797,813	4,149,882
Plan assets	3,633,569	2,935,514
Plan liability	(2,164,244)	(1,214,368)

Changes in the present value of defined benefit obligation are as follows:

Particulars	Gratuity	
	March 31, 2012	March 31, 2011
Opening defined benefit obligation	4,149,882	1,106,812
Interest cost	299,942	72,043
Past service cost	-	-
Current service cost	1,657,964	1,478,231
Benefits paid	(801,217)	(412,544)
Actuarial (gains) / losses on obligation	491,242	1,905,340
Closing defined benefit obligation	5,797,813	4,149,882

Changes in the fair value of plan assets are as follows:

Particulars	Gratuity	
	March 31, 2012	March 31, 2011
Opening fair value of plan assets	2,935,5143	,084,838
Expected return	267,937	230,421
Contributions by employer	1,214,365	-
Benefits paid	(801,217)	(412,544)
Actuarial gains / (losses)	16,970	32,799
Closing fair value of plan assets	3,633,569	2,935,514

The Company expects to contribute Rs.2,881,786/- to gratuity in the next year (Previous year Rs.2,096,000/-)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	Gratuity	
	March 31, 2012	March 31, 2011
Investment with insurer	100%	100%

The overall expected rate of return on assets is determined based on the average long term rate of return expected on investment of the fund during the estimated term of the obligations.

The principal assumptions used in determining gratuity:

Particulars	Gratuity	
	March 31, 2012	March 31, 2011
Discount rate	8.00%	8.00%
Expected rate of return on assets	8.00%	8.00%
Salary escalation rate per annum	4 %	4%
Rates of leaving service at specimen ages	2%	2 %

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors

Amounts for the current and previous three years are as follows:

Particulars	Gratuity		
	31-Mar-12	31-Mar-11	31-Mar-10
Defined benefit obligation	5,797,813	4,149,882	1,106,812
Plan assets	3,633,569	2,935,514	3,084,838
Surplus / (deficit)	2,164,244	1,214,3684	80,349
Experience adjustments on plan liabilities	(491,242)	(1,905,340)	421,768
Experience adjustments on plan assets	16,970	32,799	(17,451)

32. Expenditure in foreign currency on actual basis

Particulars	March 31, 2012	March 31, 2011
Training expenses	-	141,503
Travelling Expenses	245,282	-

33. Earnings per share

Particulars	March 31, 2012	March 31, 2011
Net (loss) / profit for calculation of basic EPS	(29,026,411) 3	4,921,745
Weighted average number of shares used in computing basic earnings per share	24,842,3212	4,842,321
Basic earnings per shares (Rs.)	(1.17)	1.41
Diluted earnings per share (Rs.)	(1.17)	1.41
Nominal value of shares (Rs.)	10.00	10.00

34. Loan portfolio and provisions for standard and non-performing assets:

Asset Classification	Portfolio loans outstanding (Gross)		Provision for standard and non-performing assets				Portfolio loans outstanding (Net)	
	31-Mar-12	31-Mar-11	31-Mar-11	Provision made during the year	Written back during the year	31-Mar-12	31-Mar-12	31-Mar-11
Standard	268.64	186.17	2.42	-	1.76	0.66	267.97	183.75
Sub-standard	4.31	0.17	0.13	0.30	-	0.43	3.88	0.04
Total	272.95	186.34	2.55	0.30	1.76	1.09	271.86	183.79

35. Leases

Head office and the Branch office premises are obtained on operating lease. The Branch office premises are generally rented on cancellable term for less than twelve months with no escalation clause and renewable at the option of the Company. There are no restrictions imposed by lease arrangements.

There are no subleases. Lease payments during the year are charged to statement of profit and loss.

Particulars	March 31, 2012	March 31, 2011
Operating lease payments recognized during the year	21,482,785 2	1,216,520
Minimum Lease Obligations	-	-
Not later than one year	11,682,227 1	2,224,715
Later than one year but not later than five years	8,021,5007	7,1150
Later than five years	-	-

36. Dues to Micro, small and medium Enterprises

The Company has initiated the process of identification of suppliers registered under the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') by obtaining confirmation from all the suppliers.

Based on the information currently available with the Company no amount is payable to the Micro, Small and Medium Enterprises as per the MSMED Act, 2006 as at March 31, 2012.

37. Additional information required by Reserve bank of India

a. Capital Risk to Asset Ratio (CRAR) - The CRAR is arrived at as per the method prescribed by Reserve Bank of India, accordingly the CRAR as at March 31, 2012 is as follows:

Particulars	March 31, 2012	March 31, 2011
CRAR (%)	15.24%	19.63%
CRAR-Tier I Capital (%)	15.24%	19.63%
CRAR-Tier II Capital (%)	-	-

- b. The Company has no exposure to real estate sector directly or indirectly.
- c. The Company has not disbursed any loans against the security of gold.
- d. Asset liability management

Maturity pattern of assets and liabilities as on March 31, 2012:

Particulars	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	4.03	4.75	22.63	38.39	42.08	58.66	-	-	170.54
Market Borrowings	4.61	2.85	3.11	14.19	35.40	16.37	-	-	76.54
Assets									
Advances	22.54	21.78	17.83	51.22	78.69	80.45	3.88	-	276.41
Investments	-	-	-	-	-	-	-	0.20	0.20

Maturity pattern of assets and liabilities as on March 31, 2011:

Particulars	Up to 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Liabilities									
Borrowings from Banks	9.51	7.42	14.06	26.49	45.77	22.04	-	-	125.29
Market Borrowings	7.82	3.22	3.8	10.84	18.27	42.15	14.69	-	100.79
Assets									
Loans and advances	30.99	23.37	20.09	53.07	61.06	2.13	0.25	0	190.98
Investments	31.35	-	-	-	-	0.20	-	-	31.55

e. Information on instances of fraud

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	7	3,433,475	843,771	1,438,386

38. Till the year ended March 31, 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification.

For S R B C & Co.

Firm Registration Number: 324982E
Chartered Accountants



per Shrawan Jalan
Partner

Membership No. 102102

Place : Mumbai

Date : 25/6/2012



For and on behalf of the Board of Directors of
Grameen Financial Services Private Limited


Managing Director


Chairman


Chief Financial Officer


Company Secretary



GRAMEEN
Financial Services Pvt. Ltd.

Avalahalli, Anjanapura Post, J.P. Nagar, 9th Phase,
Bangalore -560062 E
mail: communications@gfspl.in
Phone: 080-28436237 Fax: 080 -28436577 |
Website: www.gfspl.in