



GFSPL was one of the 6 financial institutions in world to have been bestowed with the honour of being a Smart Campaign certified organization. The Smart Campaign set of principles based on which the microfinance institutions are gauged include appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of clients, privacy of client data and mechanisms for complaint resolution.

Our Operational Areas





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NOTE FROM CHAIRPERSON



MRS. VINATHA M REDDY

The microfinance sector in India stands revived and is slowly moving on from the troubled times that started in 2010. It was a case of "every crisis having a silver lining", as lessons have been learnt and the sector now works in a more sustainable, safe and responsible manner. Thanks to the Malegam Committee Report, the various RBI circulars for microfinance and the drafting of the Micro Finance Bill, a stamp of recognition and much clarity has re-emerged in the sector. The client is back to being the centre of focus with increased emphasis on client protection and responsible finance.

Financial Year 2012-13 has been a watershed year of sorts at Grameen Koota with many landmark achievements. It has been a remarkable period for us, having closed the year with a record portfolio outstanding touching Rs. 500 crores and above. It has also been fulfilling for us, for being honoured with the "Skoch Financial Inclusion Award 2013", the other winners being Microsoft, SBI, HDFC, ICICI etc. Apart from this we were also one of the five organizations' in the world to have been awarded the Global Client Protection Certification from the Smart Campaign, which recognizes the fact that GFSPL meets the standards of care in implementing all client protection principles through operations, product offerings and treatment of clients. It is always rewarding and reassuring when a new investor bets on our work. We welcome Creations as our new investor partner and thank our existing investors who reposed their faith in GFSPL by participating in the3rd round of equity infusion.

We continue to reiterate and believe in microfinance as an instrument of economic and social change when combined with fair access to credit and other holistic services. It is befitting to highlight here, the repayment record, the credit discipline, the simple honesty and trustworthiness of our women clients who have accessed microfinance. Since our inception in 1999 up to 31st March 2013, GFSPL has disbursed loans worth Rs. 3034 crores. In this same period we have had to write off bad loans of Rs. 6.17 crores, a mere 0.2%! This phenomena needs to be studied, to be supported, to be promoted and to be applauded. Microfinance continues to play a critical role in India's thrust for Financial Inclusion. We will continue to serve our clients in the coming years with need based products and services as a socially responsible micro finance institution and our 2012-2013 annual report is centred around the theme of Social Performance Management. We appreciate the dedication and hard work of all our staff during this year. We thank all our stakeholders for their continued support in our work.



NOTE FROM MANAGING DIRECTOR



MR. SURESH KRISHNA

The Indian microfinance sector is back on the growth trajectory. The 25 year old sector has seen dramatic changes over the years, with the last two years seeing increased focus on client protection and developing responsible finance related initiatives. Today I am happy to say that our core philosophy remains the same-of being a sustainable, friendly and trusted provider of affordable and need-based services. GFSPL remains committed towards working for the livelihood improvement of the poor and low income households by providing them with timely financial services.

2012-2013 has been a turnaround year for GFSPL with many memorable landmark events. Firstly our portfolio is now robustly growing and in mid-March 2013 we crossed the Rs 500 crores mark. We raised our 3rd round of equity of Rs 53.2 crores from our existing investors and a new investor Creation Investments. Furthermore, GFSPL was lauded for its client protection endeavour and was certified by Smart Campaign. We were honoured as being the best microfinance company in 2013 and were awarded the Skoch Financial Inclusion Award. Operationally also we have made an impact, with GK crossing over a lakh new clients, and intensifying our reach in the 3 states where we operate.

Our strategy for the next year is to sustain and build on our strengths and operate on maximum efficiency levels. We will continue to strive hard to remain among the top microfinance institutions in the country by putting in place dynamic systems and procedures. We are well aligned to the new regulatory regime which we think in the long run will benefit the microfinance sector and provide it with necessary guidance for growth and sustainability. We are looking forward to the passing of the Microfinance bill in the parliament, a move that could bring about far-reaching effects in the sector.

GFSPL remains steadfast in its promise of being an active player in bringing about financial inclusion. We wholly follow and support the priority agenda of the Government of India initiative to promote inclusive economic growth. We acknowledge the efforts of MFIN in advocating for appropriate policy and regulation for the MFI sector and building the reputation of the MFI sector. We also recognized the efforts of Sa-dhan and AKMI for their work in developing the sector. We are grateful to all our investors, lenders and bankers for their continued faith and support. All my colleagues are the greatest strength of our company. They have been working continuously towards building a socially focused sustainable MFI which serves the poor and low income households with microfinance and development services.



NOTE FROM CEO



MR. UDAYA KUMAR

It has been a memorable year for GFSPL family. Sincere thanks to the Banks and Institutions who have supported us wholeheartedly and we have been able to overcome the critical phase in the Sector. Stake Holders like RBI, Government, Lenders, Investors, Employees and particularly our Customers reposed trust on us in our turnaround. We are thankful to everyone who supported us in our journey. As a result we are able to close the year with highest ever portfolio and profitability, which has stabilized our financials.

Sufficient lending from banks and institutions, inflow of equity & sub-debt from Investors, efficient operations, quality customers with highest level of responsible borrowing are the core factors in our success. We have been always transparent with all stake holders, and continuously focused on, improving operational efficiency, responsible lending, products to support life cycle needs of customers, enhancing social initiatives in the areas of health care, safe drinking water, sanitation, energy efficient cook stoves, financial literacy, capacity building trainings etc., in our work. We have been able to reduce interest rates on loans for life style improvement products like water filter, emergency by 2% and loans for social initiatives like education, water, sanitation, home loans by 4% from normal rate of 26%.

SKOCH award in the areas of financial inclusion, Certification from Grameen Foundation as 'advanced practitioner of PPI (Progress out of Poverty Index), Customer Protection Certification from Accion International are feathers in our cap for our Social & Customer focus. We have initiated pension product NPS-Lite for our customers which will be enhanced to more areas in the coming years.

Customer's natural aspiration to own their home has been addressed by starting Home and Home improvement loans during the year. This will be expanded to more branches and more customers in the coming years. Our plan is to progress with reasonable growth of 30-40% with 'socially focused, commercial sustainable' organization by giving reasonable returns to our investors. We are uniquely poised to achieve the same with support of our investors, promoters, employees and customers. Investments on enhancing technology capabilities to improve operational efficiency are going to be focus area for the next couple of years. With regulatory cap on 'Net Interest Margin', focused work in reducing operating cost only can reduce cost to customers.

My sincere thanks to all our employees, without their wonderful contribution, making an efficient organization was not possible. Sincere thanks to Promoters & Board of Directors for continuous guidance. Look forward to another memorable year for all of us.



OUR PHILOSOPHY

Inspired by the Alex Counts book "Give us credit" and visualized by Mrs Vinatha M Reddy in 1996, Grameen Koota (GK) was born as a project under the NGO, T Muniswamappa Trust with seed capital funding assistance from Grameen Trust. Modeled along the lines of the Grameen Bank, Bangladesh, Grameen Koota in 2007 transformed to Grameen Financial Services Pvt Ltd (GFSPL) a Non-Banking Financial Company.

We aim for the social and financial upliftment of the rural poor and low-income households, particularly women, by providing them with financial and non-financial services. Our goals broadly include:

- Client prosperity by way of encouraging entrepreneurship
- Provision of diverse and flexible products to our clients to address their different life cycle needs
- Provision of services that help our clients manage their risks
- · Help improve health and hygiene conditions of our clients and their households
- · Spreading financial literacy amongst clients
- Raising awareness on basic community issues

GFSPL presently operates in 41 districts in the 3 states of Karnataka, Maharashtra and Tamil Nadu (161 branches, 3,81,749 members and outstanding portfolio of Rs.523.90 cr as on March 2013). We have been consistently graded by CRISIL as mfr3 since 2008 every year till date and ICRA's long term BASEL rating is LBBB-for the past two years.

Social Performance Management in Practice: Meeting "the Standards"

GFSPL is a firm advocate of adhering to the highest standards of social performance management. We have made efforts to incorporate the Universal Standards for Social Performance Management ("the Standards") in our structure, policies and functioning. Developed through broad industry consultation, "the Standards" are a set of management standards that apply to all microfinance institutions pursuing a double bottom line.







OUR GUIDING PRINCIPLES

GFSPL's core philosophy is to strive towards enabling widespread economic and social change with our diverse financial products and development services. The overarching principles that we abide by is encapsulated in **CREATE.**

CREATE stands for:

Commitment: We shall honour all our commitments. We are committed to our mission.

Reliability: We shall not deviate from any of the policies and procedures.

Empathy: We shall be sensitive to the situations and circumstances of the people with whom we are dealing and provide them support to the best of our abilities.

Accountability: We shall be accountable for all our deeds, actions and words.

Transparency: We shall provide full disclosures, to all our clients, in terms of services and fees. We shall make our financial statements, reports and accounts as clear and as comprehensive as possible.

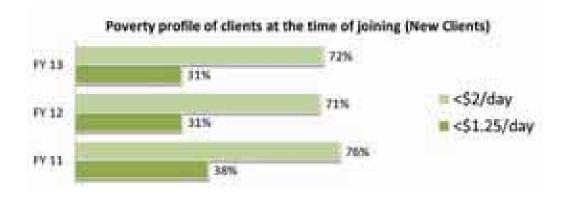
Efficiency: We shall be punctual, disciplined in all transactions with our stakeholders, strive towards reducing operational costs and thereby provide services to our customers in a cost-effective manner.

Area Centric Approach

GFSPL's area centric approach is what differentiates us from our competitors and we are striving towards enhancing our reach and penetration with the aim of attaining a portfolio of Rs 3,500 cr by the year 2020.

Target Clients

We target poor and low-income households in rural and urban areas – currently in the states of Karnataka, Maharashtra and Tamil Nadu. Poverty level of clients is a critical criterion for client selection in our client acquisition process. Since 2008 we have started to capture poverty levels of clients using the PPI developed by Grameen Foundation. The PPI is statistically-sound, yet simple to use: the answers to 10 questions about a household's characteristics and asset ownership are scored to compute the likelihood that the household is living below the poverty line – or above by only a narrow margin. The following chart shows the poverty profile of our clients' households at the time of joining, as determined by PPI.



The following chart shows the poverty likelihood of our clients' households as determined by PPI.







Social Performance Management in Practice: Balancing Social and Financial Performance

We focus on balancing social and financial returns, particularly through keeping profits within acceptable levels. Our policy is to maintain interest rates, at a level equal to or lower than our competitors. Our growth rates are maintained to remain in sustainable limits, not so high that we get diverted from our social goals or not so low that we cannot financially sustain. Additionally, we strongly believe that financial returns should be reinvested in adequate proportions in our clients and staff.

We have been largely funded over the years by local commercial banks. However, when it comes to securing strategic equity investors, we have a balanced mix of both social and commercial investors. All our investors are long-term investors who believe as much in our social objectives as in our potential to provide financial returns. This balanced approach has allowed us to continue to focus on achieving robust social and financial results.



BOARD OF DIRECTORS



Mrs Vinatha M Reddy, Founder, Promoter & non executive Chairperson

Vinatha M. Reddy has been involved in the field of development since 1995. Prior to this, she was a Montessori-trained teacher, working in Taraporewalla AMI House of Children, Hyderabad. After moving to Bangalore, she started a rural-based Montessori school called "Gurukul." In 1998, Vinatha founded Grameen Koota, inspired by the book "Give Us Credit" by Alex Counts which is a story of Grameen Bank, Bangladesh and Prof. Yunus. She has nurtured Grameen Koota as project under not-for-profit entity into a division of GFSPL, a Non-Banking Finance Company (NBFC) licensed and regulated by Reserve Bank of India (RBI).

Along with being Chairperson of Grameen Financial Services Pvt Ltd (GFSPL) she is also the Managing Trustee of T. Muniswamappa Trust which runs Gurukul – A Montessori, primary & high school & Grama- Swabimana – A solid waste management project. She is also the Chairman of Navya Disha a NGO and Chairman of GK Development Trust.

Mr. Suresh K. Krishna: Co-Promoter & Managing Director

Mr. Suresh K. Krishna joined Grameen Koota in 1999 and has co-authored the growth story of Grameen Financial Services. A teacher by profession, he entered the field of development in 1997, focused on micro enterprise development, non-formal education and also on the promotion of women self-help groups. Keen on understanding the various facets of microfinance, he studied international microfinance models and strategies practiced at several reputed establishments including Grameen Bank, Bangladesh, Bankakademie, Germany and Harvard Business School, USA, IRMA, Anand etc. He has been leading GFSPL since the beginning with a strong focus on both social and financial bottom lines.

Mr. Suresh has played a key role in setting up of The Association of Karnataka Microfinance Institutions (AKMI) & MFIN (Microfinance Institutions Network). He has been board member of MFIN since 2012 and is the secretary of AKMI. He had served on the board of Sa-dhan (The national body of MFIs) from 2009 to 2012 and was executive committee member of FKCCI (Fedration of Karnataka Chamber of Commerce and Industry) during 2011-2012. Currently he serves on the board of many non profit entities such as Center for Microfinance Development, Development Resource Center, Navya Disha, GK Development Trust, Buzz India Trust, Community Open Source for Microfinance, Seattle USA (COSM) and social enterprises such as SAS Health Care P. Ltd., and Saadhana Innovative financial services and Ekayana Media P. Ltd., He has presented papers and participated in panel discussions in many national and international conferences.

P. Pradeep, Nominee Director, Aavishkaar Goodwell, Netherlands

P. Pradeep is the Chief Investment Officer (CIO) of Aavishkaar Venture Management Services (associated with Aavishkaar since its inception in early 2002) having over 15 years of operational and investment experience in sectors including farming and allied activities, agro-processing, ICT, renewable energy, manure and fertilizers.

Aditya Bhandari, Nominee Director, Incofin, Belgium

Aditya Bhandari joined the Board of Directors of GFSPL in May, 2010 representing IIM Impulse 2, Belgium. As private equity expert, Aditya is managing Incofin's investment portfolio in India where he is in charge of analyzing and negotiating the private equity transactions of Incofin's pool of funds. He has over 5 years of experience in investment banking, venture capital and corporate finance (including working with Aavishkaar Venture Capital, Goldman Sachs and Standard Chartered Bank).

Christian Banno, Nominee Director, Micro Ventures SPA, Italy

Christian Banno joined the Board of Directors of GFSPL carried with him more than 12 years professional experience in the corporate development and Microfinance sector. Christian took over as the CEO of MV Microfin Pvt. Ltd. and is currently overseeing its operations.



Ken Vander Weele, Nominee Director, Co-founder and Partner, Creation Investments

Ken Vander Weele is the co-founder of Creation Investments and serves as serves as the Chief Investment Officer. He is a founding board member Creation Investments Social Ventures Fund I and was instrumental in the establishment of Creation Investments' model and pipeline. Prior to Creation Investments, he was the President of the Investment Services Division at Opportunity International, a global microfinance network. In this role, Ken was responsible for the development and oversight of all commercial MFIs institutions within the network, garnering over \$1 billion in assets over his tenure.

Anal Jain, Independent Director

Anal Jain is presently the CEO at Bodhi Technologies and serves as a Director of Inflow Technologies Pvt. Ltd. He has over 25 years' experience in top management positions in major international and Indian IT firms.

Daksha Niranjan Shah, Independent Director

Daksha Niranjan Shah has been in the field of development since 1998. Prior to Daksha's experience ranges from Production and Finance Manager in textile firm to Managing Director in manufacturing firm. She has over 30 years of experience in the microfinance industry.

R Prabha, Independent Director

R. Prabha is a retired General Manager of Canara Bank and has served on the Board of Sa-Dhan, a national association of microfinance institutions as invitee member.

Social Performance Management in Practice: Governance

Our Board has strong commitment towards social performance. The Board has actively participated in defining our social mission and goals and keeps track of our achievements proactively.

Discussion on the social aspects is part of the agenda of every Board meeting.



Our Strength - Our Employees



GFSPL Employees at Head Office, Bangalore

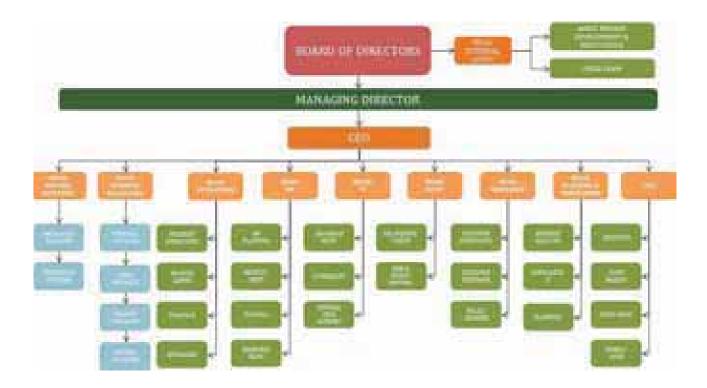


GFSPL Managing Director and Promoter, Suresh K Krishna receiving the Skoch Financial Inclusion Award in January 2013 within the microfinance category from Dr C Rangarajan.



ORGANIZATIONAL STRUCTURE – AT A GLANCE

Carefully crafted positions with well-defined roles and responsibilities ensure that our endeavour to fulfil our institutional mission is professionally managed. GFSPL's organizational structure is depicted below:



HARENESSING THE POTENTIAL OF OUR HUMAN RESOURCES

Our staff members are our brand ambassadors. Our Human Resources related policies and practices ensure that they have sound values and attitude.

• Recruitment and induction

We have an extensive process of recruitment and induction for the staff at all levels. We have a structured system of induction training for the staff so that they understand and imbibe the values of GFS. Our trainings cover the general principles and strategies of our organization and include

- o Mission/vision orientation,
- o Social objectives and gender sensitization;
- o Operational policies and procedures
- o Risk Management
- o Client protection principles, client selection best practices, and appropriate staff behaviour.

Compensation and benefits

We ensure that our staff members get compensation which is consistent with their skill and experience. Our compensation structure also matches industry standards. Our incentive system has been designed to ensure that staff members are motivated to achieve their targets without compromising on quality. All our staffs are entitled to gratuity and have provident fund. We also facilitate life insurance cover for all our employees.

Staff development

Our career progression matrix for our staff members that enables them to move up in the organizational hierarchy as they gain experience and skills.



Working condition and workplace safety

We have policies to ensure physical safety of our premises. We also ensure that necessary hygiene is maintained in all our work places. Our monitoring and internal audit functions specifically checks issues pertaining to hygiene and workplace safety.

• Grievance redressal mechanism for the staff

Through our dedicated grievance redressal mechanism our staff members can register their complaints either by email or by calling the specified telephone number. Confidentiality of the complainant is maintained is assured and all the grievances are redressed within a reasonable time period.

Social Performance Management in Practice: Responsible Treatment of Employees

We try to ensure that our employees have a rewarding job experience and are able to reach their highest potential. SPM aspects are emphasized in the orientation and training programmes conducted for our employees, where they are made aware of their responsibilities as well as their rights.





OUR PRODUCTS AND SERVICES

We believe in catering to all lifecycle needs of our clients. We therefore have categorised the various loan products under 3 categories namely:

- Income Generation Loan Products: IGL includes diverse loan products for income generation activities
- Livelihood Improvement Products: Livelihood Improvement Products include different loans including emergency, water, cook stove and pension fund loans
- Social Welfare Products: Social Welfare products include Home improvement, water and sanitation, Education, Medical and festival loan products.

OUR MICROFINANCE PRODUCTS AT A GLANCE

Our microfinance products have been designed keeping in mind the different needs of our clients. The loan products therefore encompass both financial and non-financial needs of our clients. The financial products and non-financial services bouquet are mainly divided into 3 broad categories that include:

Income Generation products

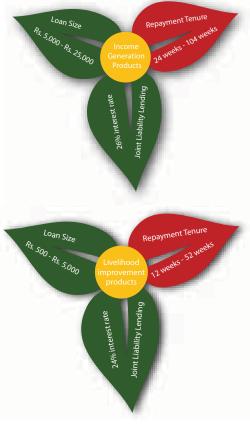
- Our Income Generation products have been formulated to support business and income enhancement activities of our clients.
- Our non-financial service within this product bucket includes entrepreneurial training and workshops we conduct for our clients via different partners, with the aim to tap and empower rural potential by offering tailor-made, powerful solutions for personal and business growth.

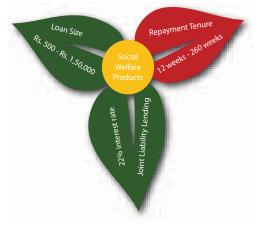
Livelihood Improvement products

- Our range of Livelihood Improvement Products supports those activities of our clients that can help them acquire assets instrumental in improving the quality of their life. The Livelihood Improvement products include loans for purchasing basic requirements such as cook stoves to a water filter, emergency loans etc.
- To ensure the overall development of our clients, GFSPL offers non-financial livelihood improvement service in the form of our regular awareness program called Jagruthi. The program aims to create awareness amongst our clients on different subjects ranging from health, food, nutrition, importance of hygiene to the importance of savings.

Social Welfare products

Our Social Welfare Products range supports all those activities
of our clients that have the ability to enhance their social
status and can ensure the easy accessibility to their basic
survival needs. Under this product, we offer a wide range
of loans from availing a water connection, to constructing a
toilet to availing an education loan for our clients' kith and
kin. Understanding the importance of owning a home, we
offer loans for repair and construction of homes for our
clients. Furthermore we also cater to those specific needs







that arise during festivals or even medical emergencies.

• Under our Social Welfare non-financial services, we offer a wide variety of services that range from holding financial literacy trainings to having dedicated healthcare programs that assures immediate cashless treatment to our clients at our network hospitals to holding of annual Social Economic Development Workshops (that focuses on specific social issues and disseminates information regarding the same). We also conduct husband workshops to help our clients' spouses gain valuable inputs that can help them in their chosen occupations. We also conduct regular mason trainings for our clients' spouses on construction of toilets and undertake targeted campaigns on the importance of rain water harvesting, importance of safe drinking water and sanitation awareness.

Helping Clients Manage Vulnerabilities

We offer wide range of products to our clients to reduce their risk and cope with emergencies.

- Emergency loan: We offer emergency loan to our clients to address emergencies and short-term cash constraints. A lot of our clients had short term cash flow constraints and to address these exigencies, they had to resort to other informal sources of money which were very expensive. Our Emergency loan product helps them cope with such exigencies
- Savings/Pension: We are an aggregator to Govt. of India's Pension Scheme (NPS) and we facilitate and process enrollment of interested clients for the program. NPS is an excellent window for savings and pension program, to help our clients meet their saving requirements.
- Arogya loan: Our surveys revealed that around 30-35% of our clients' incomes are spent on health
 related issues. It was worthwhile for us to formulate a healthcare program which would take care of
 such challenges faced by clients. Our health program facilitates quality medical consultancy at low cost
 along with cashless in-patient treatment in network hospitals to its clients and their families, to improve
 their living standard. This program aims at protecting our members from high indebtedness due to
 sudden hospitalization and health related issues
- **Festival loan:** These loans are given to clients to address cash constraints amongst them during key festival events in a year
- Medical Loan: We offer medical loan to our clients to help them cope with medical emergencies and
 related expenses. When our branch is intimated about any medical emergency, we extend credit to
 cover medical expenses till a certain limit
- **Life insurance:** Life insurance is offered to all clients and their spouses against the credit obtained from GFSPL.



Social Performance Management in Practice: Responsive to Client Needs

As part of our Grievance Redressal process, the grievance redressal team proactively collects feedback from different sets of clients. Feedback is collected to understand awareness levels of clients with respect to products and procedures; and feedback on the processes and products.

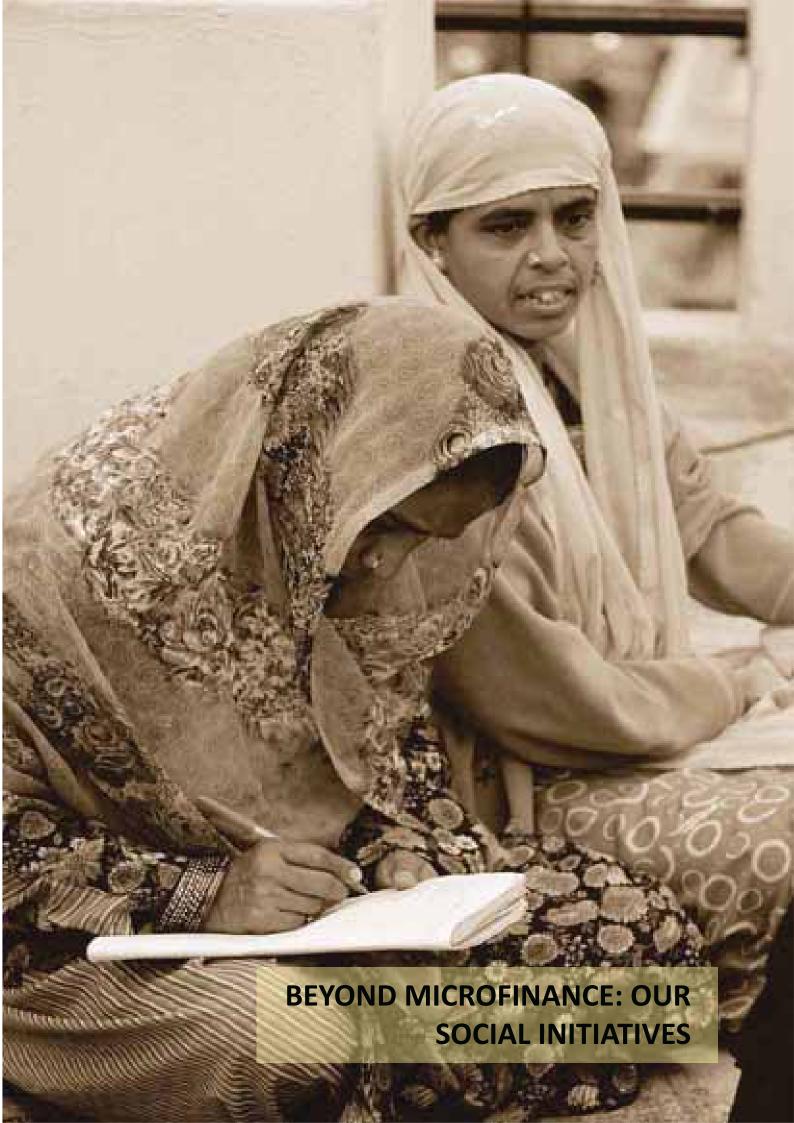
These surveys have given us valuable inputs and we have taken some important policy decisions. a) We had a significant demand for housing loans expressed by clients during our surveys. We introduced home loans to clients on pilot basis in limited number of branches. b) Previously emergency loans were capped at 2 per group every meeting. Based on some strong feedback received from clients its been increased to 50% of the group size. c) Festival loans though not of big size – were given only at the branch. Based on the feedback received from clients and after understanding the constraints clients face to commute to branches to get festival loan, we decided to disburse festival loans in the group meeting itself.

Water and Sanitation loans – Client demand resulting into significant product innovation

We are sensitive and committed towards better health of our clients and have been at the forefront when it came to initiating health related programs. Our Emergency loan is aimed at supporting clients towards meeting unexpected health related expenditures.

Our clients come from the vulnerable strata of the society and frequently encounter poor health and disease. We identified the root cause of this problem to be the lack of hygiene practices and poor sanitation conditions among its client households. Including lack of awareness on hygiene was one issue, dearth of money to construct toilet was another issue that our clients had to contend with. More than 90% of them were interested in toilet construction if GK were to offer credit to support that purpose.

We were aware of the fact that merely providing credit would not solve the problem, but creating awareness had become critical. We therefore decided to launch water and sanitation program using Navya Disha (our NGO affliate) as the platform to spread awareness and received required administrative support from Water. org





BEYOND MICROFINANCE: OUR SOCIAL INITIATIVES

GFSPL believes in improving the lives of our clients and we believe that improvement can come only when the right kind of social initiatives are put in place. We therefore have put in place a host of supportive social initiatives for our clients which include client education, healthcare initiatives, clean energy and safe drinking, water sanitation projects, education (learning centres), scholarship programs and vocational trainings.

Influencing Life Standards:

We work closely with water.org, FINISH (Financial Inclusion Improves Sanitation and Health) and FWWB (Friends of Women World Banking) to promote good hygiene and sanitation habits amongst its clients and the general public at large. We are strongly committed towards our social goal of ensuring that all our client households have access to clean drinking water and have adequate sanitation facilities through Navya Disha, our NGO affiliate. In 2012-2013, we helped construct 16,782 toilets and also ensured that over 11,913 of our clients get access to clean drinking water through water connections.

We educate our clients on diverse elements pertaining to good hygiene and sanitation habits through thematic street plays and in 2012-2013, we staged 262 of such plays. We also provided mason trainings (on construction of toilets) to the husbands of over 660 clients in 11 talukas. We also oriented over 17 Gram Panchayats on the diverse benefits of clean drinking water and construction of toilets.

Anti-Indoor Air Pollution Campaign:

We tied up with Envirofit and Grameen Greenway to provide stoves to our clients and during the FY 2012-2013 1,258 clients have benefitted from this. We also tied up with Hindustan Unilever Limited for a Water Pureit program wherein till date, 5067 water purifier units during the FY2012-2013 have been installed to promote safe drinking among our client base.

Promoting Clean Energy:

Together with Micro-Energy Credits (MEC) we tried to bring clean energy products and awareness to our clients

Health Care Programs:

We extend quality medical consultancy at low costs and also facilitates cashless in-patient treatment in network hospitals to all our clients and their family members .

Jagruthi:

Jagruthi is our awareness program aimed at creating awareness on diverse issues like health, food & nutrition, money management, sanitation, hygiene, etc. among GFSPL's clients. Client Education is an important aspect of GFSPL's microfinance plus services wherein GFSPL conducts Socio-economic development (SED) and husband workshops that are aimed to build our clients' capacity in the areas of health, nutrition, AIDS awareness, hygiene, etc. In 2012, our SED workshop focussed on Sanitation, was held on the 19th of November 2012 wherein 38,000 clients across Karnataka and Tamil Nadu participated. In Maharashtra, the same workshop was held on 3rd December 2012, wherein 15,815 clients participated.

Navyadisha:

Via our NGO affiliate Navyadisha we have tied up with Better Future to launch a one of its kind mobile academy-the Buzz Bus, with the aim of empowering women entrepreneurs at the grass root level. The bus is touted to travel across different districts in Karnataka in a bid to reach out to over 20,000 GK clients by 2020 and provide them with tailor made, powerful solutions to encourage business growth of the women entrepreneurs.



OUR SOCIAL INITIATIVES PROFILE

The following table consolidates all the social initiatives that GFSPL was involved in the last 3 years.

SOCIAL INITIATIVES	MARCH 2011	MARCH 2012	MARCH 2013
Sanitation Units Supported	3,581	5,255	16,808
Water Connections and Water Purifiers Supported	2,591	1,478	16,067
Energy Efficient Cook-stoves Supported	1,908	5,960	1,258
Members covered by Health Care Program	5,441	1,01,218	90,216
Members covered by Life Insurance	5,53,381	5,30,734	664,025
Youth trained and provided placements	-	127	31
Students participated in Education program	200	728	2,229
Awareness topics covered under 'Jagruthi'	-	52	95
Members covered under Jagruthi	-	1,95,000	3,17,606
Financial Literacy programs conducted	142	143	155
Members participated in Financial Literacy Program	56,000	47,700	53,828
Health Camps Conducted	-	5	4
No of members who attended the Health camp	-	691	609
No of NPS enrolments (Micro Pension Scheme)	-	-	17,070

Social Performance Management in Practice: Social Initiatives

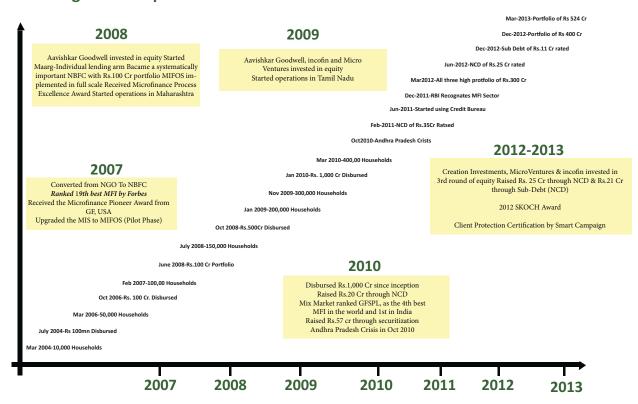
We believe that holistic development of our clients can be achieved only when non-financial services are provided along with the financial services. Based on our deep understanding of the issues facing the clients we undertake several social initiatives in the areas of Health, Education, Water, Sanitation, Hygiene and Financial Literacy.



OUR GROWTH THROUGH THE YEARS

Our growth over the years ably demonstrates its two fold mission -to transform and uplift the lives of poor and low-income families with microfinance and other developmental services, and to be a sustainable and trusted provider of affordable, need-based services. The last 13 years has seen us grow from strength to strength with a client base of over 3.7 lakh people spread across 41 districts in 3 states of the country.

GFSPL's growth snapshot



Social Performance Management in Practice: Sector Level Initiatives

Over the years, we have engaged with the regulators, government and other stakeholders to ensure that there is positive policy perspective towards microfinance. We have provided regular feedback to the Reserve Bank of India regarding its guidelines for the MFIs. Through regular interactions with other MFIs in industry forums, we try to ensure that desirable practices are adopted by all MFIs. We are active members of MFIN, Sa-Dhan and AKMI and contribute significantly in setting their agenda, discussions and activities.



ACHIEVEMENTS AND RECOGNITION

We have been a pioneer in the microfinance industry for a number of factors and the different laurels, awards and honours we have received over the years is testimony to our commitment towards being the best microfinance provider in the country.

- 2013 Skoch Financial Inclusion Award (Microfinance Category)
- 2013 Client Protection Certification by SMART Campaign
- 2012 Silver Microfinance Information Exchange (MIX) Social Reporting Award
- 2011 Silver MIX Social Performance Reporting Award
- 2011 Hanson Wade Asia Microfinance Recognition Award (Successful Product innovation for water and sanitation)
- 2010 Hanson Wade Asia Microfinance Recognition Award (Social and Financial Transparency)
- 2009 Ranked 4th in the world and 1st in India by MIX
- 2008 Microfinance Process Excellence Award (MPEA) by Planet Finance and RBS Group
- 2007 Ranked 19th in the first ever list of "Top 50 microfinance institutions" in the world by Forbes
- 2007 Microfinance Pioneer Award by Grameen Foundation USA
- 2005 Microfinance Process Excellence Award (MPEA) by Planet Finance and ABN AMRO
- 2005 Received Honorary mention in the CGAP Financial Transparency Award 2005 and also received an eligibility certificate
- 2005 Microfinance Information Exchange awarded 5 diamonds recognition for disclosures



TOWARDS SMART CAMPAIGN CERTIFICATION

GFSPL believes in adhering to all client protection principles as outlined by the Smart Campaign (the client protection initiative). We are the early adopters of Client Protection Principles under 'Smart Campaign'. The company is now a SMART Certified organization wherein company continues to advocate client protection principles and has put in place all the necessary training, communication and regular monitoring are put in place.

Treating Clients Responsibly

- Preventing over-indebtedness: We carry out a detailed assessment of clients' household position with
 respect to demographic situation, occupation, cashflow, assets and liabilities (including indebtedness)
 at the time of originating a loan. We share client information with credit bureaus and also informally
 share information regarding indebtedness levels of clients with other MFIs. There are clear debt
 thresholds within which loan approvals are made. We have a strong internal audit department that
 verifies compliance with respect the policies and systems to prevent over indebtedness.
- Transparent pricing: We have developed clear descriptions of loan terms, specifications, and eligibility criteria. We issue loan pass book to our clients, which clearly mention annual interest rate (reducing balance), processing fee, insurance amount and other terms and conditions. Pricing is communicated to clients at multiple points during the joining and credit process. The different channels used to disseminate information are: Introductory meeting, Compulsory group training, Group recognition test at the time of joining and during the credit process Centre meetings, flyers, branch office.
- Responsible pricing: Pricing is determined scientifically and as per the regulatory guidelines. We have reduced our interest rates over a period of time and are committed towards passing on the benefits of scale to our clients. We have varied pricing structure – emergency/health/sanitation loans are priced much lower compared to income generation loans.
- Appropriate collection practices: We have a very clear, comprehensive and well written collection policy
 and code of conduct. We provide clear illustrations of acceptable and unacceptable collection practices
 to our staff. We do not obtain any physical collateral from our clients. We have a well-defined policy for
 re-scheduling of loans in deserving cases.
- Ethical Staff behaviour: We have developed a comprehensive code of conduct which ratifies with codes promoted by industry associations and RBI Fair Practice Code. The Code of Conduct is part of all the key documents and communication at the organisation i.e., all policy documents are built based on the code of conduct. Training on ethical behavior is through classroom sessions and shadowing senior staff along with running e-courses to continuously develop capacity amongst staff on ethical behavior and code of conduct. Internal audit also keeps a close vigil on how staff is behaving with clients and whether appropriate action is taken in case of discrepancies.



- Mechanisms for complaint resolution: We systematically monitor client complaints through toll free numbers and have also established out-bound calling facility to pro-actively reach out to clients to check their satisfaction level and if they have any complaints or suggestions. Apart from Toll Free numbers, we have established various other ways through which complaints can be registered. A detailed written policy has been developed to the manage grievance redressal process.
- Privacy of client data: We have put in place policies and processes for maintaining the privacy of client data. Clients are aware of their data being shared with third parties, such as for credit bureau checks.
 Data privacy is part of the Code of conduct and is reiterated through trainings. Across the organization, the protection of client data is ensured through non-disclosure agreements with all relevant third parties and through data-sharing and data-masking protocols.

Highlights

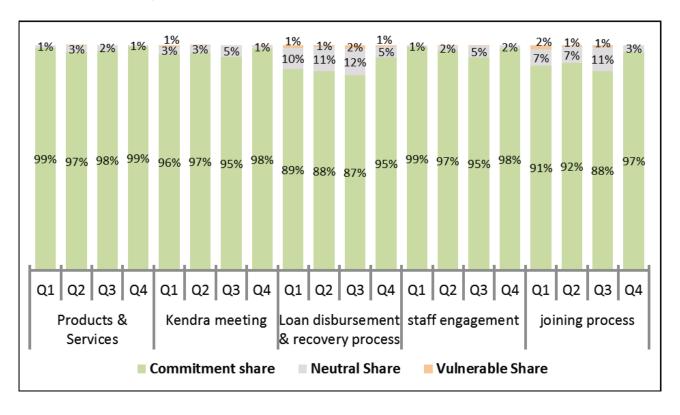
- Written Complaint Policy: The Code of Fair Practices clearly establishes (in written format) different
 mechanisms of grievance redressal and clearly defines responsibility and timelines for the resolution
 of grievances. Board of Directors also tracks the progress of the institution on grievance resolution.
 We have formulated a very detailed and clear Customer Grievance Redressal Policy. The written policy
 document covers all elements of Grievance Redressal, channels for receiving complaints, complaint
 boxes, toll free number, outbound mail, email etc.; establishing grievance cell at Head Office; escalation
 process etc.
- Active Client Handling Process: We have instituted a number of Grievance Redressal Mechanisms which include:
- Toll free numbers: We have established toll free numbers for addressing complaints and queries of clients. The number is printed in passbooks, registers at field level and also displayed in branches. The toll free number is communicated to clients in multiple ways. It is printed on the loan card, and also printed in the Centre Minutes Register. It is prominently displayed at branches. Besides, this number is communicated to clients by Kendra Manager during CGTs and centre meetings.
- Out-bound calling: We have a dedicated staff responsible for making fixed number of out-bound calls
 to clients on a daily basis to check their satisfaction with GFSPL services, if clients have any grievances
 from GFSPL, if clients are aware about different redressal mechanisms etc. We use a standard script
 for our outbound calls and our staff is trained on the same. The script helps in communicating standard
 messages to clients and creating awareness about GFS products, services and grievance redressal
 mechanism.
- Complaint boxes at branches: Based on regulatory requirements, we have recently introduced complaint boxes at each of its branches and developed policies and processes to make the complaint boxes effective.
- E-mail and post: Clients who are literate and use e-mail services can also send an email at yourvoice@ gfspl.in or they can send in their complaint or suggestion through post. The postal address is mentioned at the back of the loan cards.
- AKMI Ombudsman: We are an active member of Association of Karnataka MFI (AKMI). The association has established a client grievance redressal ombudsman. The Ombudsman's mandate is to resolve client complaints that are not resolved at the MFI Level.
- Staff Training: Dedicated Staff for handling complaints: At the head office, the toll free number is handled



by a senior staff member. This person has the responsibility of receiving and recording complaints in a simple MS Excel tracking spread-sheet and also maintaining a manual diary. The staff has to make a note of follow up action taken on each complaint and query.

- Clear categorization of query, request and complaint: We have made a clear distinction between queries, requests and complaints. In the detailed grievance redressal policy, each of the three categories is clearly demonstrated via the examples given below:
 - 1. Query Clarification on interest rate offered repayment amount, etc.
 - 2. Request for Higher loan amount, personal loan, insurance claim request, etc.
 - 3. Complaint Harassment of client regarding repayment or non-disbursal of an emergency loan on time, etc.
- Customer Feedback: We consolidate the list of grievances and complaints received from clients and staff which is further analysed and results are presented to Management on a monthly basis. Management also engages with Internal Audit and Supervisory staff to understand the issues and challenges in field operations. Based on all the discussions and feedback, necessary policy and process changes are introduced in the system and a circular towards the same is released to all branches. The Board of Directors actively reviews the kind of complaints that come up and also keeps a close vigil on whether the complaints are resolved satisfactorily. They also provide feedback on different mechanisms established by the institution for grievance redressal.

FY13 feedback on general satisfaction levels





SOCIAL PERFORMANCE MANAGEMENT IN PRACTICE: GRIEVANCE REDRESSAL, CUSTOMER AWARENESS AND FEEDBACK REPORT

Grievances: During FY 2012-13, we received 975 grievances, of which 931 were from our members and 44 were from our staff. We had resolved 936 of these grievances by 31 March 2013.

Clients Awareness Survey: We made 2892 calls to our clients in order to assess their awareness levels regarding our products and procedures. A Significant no. of members were aware of various products & related services offered by us – 99% in respect of Loan Passbook & branch address, 93% in respect of Loan product & Insurance. We found that there is a requirement to disseminate awareness in the area of Interest & Fee (74%) and Credit Bureau (74%) related issues. Concerted efforts have to be made at operational levels to substantially improve the position in regard to Complaint box (44%) and Toll Free Redressal (57%) services extended by us.

Customer Satisfaction Analysis: On the basis of feedback data obtained from the members during the survey, we observed the members have expressed their general comfort level. While the trend has been positive and member's opinion is shifting towards rating 4 & 5 (on a scale of 1-signifying low satisfaction to 5 signifying high satisfaction), time taken to process the loan, disbursement process and staff attitude emerged as areas that need to be fine tuned.

Total calls made for FY 2012-13

Particulars	Rating					Grand Total
	5	4	3	2	1	
Staff Behavior	86	1211	1594	1	0	2892
Loan Amount	527	1438	874	53	0	2892
Time Taken to process Loan	116	834	1657	285	0	2892
Disbursement process	117	951	1699	125	0	2892
Tenure	278	1409	1158	47	0	2892
Installment	281	1443	1142	26	0	2892
Kendra Meeting	381	1596	912	3	0	2892





OUR CLIENTS AND THEIR SUCCESS STORIES

In the following section we present some snippets from the lives of our artisan clients. These are people who create many of the things that make our lives good and pleasant. Think of the evening spent on a cane chair relaxing to the tunes of the melodious Sitar. Think of the aroma of the agarbatti, and the walk along the garden taken in your favourite pair of Kolhapuri chappals. We can afford these little luxuries of life because of the meticulous effort put in by our artisans. But are you truly aware of the struggle they have to go through in order to make ends meet? Although their crafts have been valued through the history of time, their economic status remains poor. Lack of funds to meet critical business needs imposes constraints even when there is a demand for their products. GFS through its loans tries to address this need, so that our artisans can keep practising their crafts and in the process also move up on the economic ladder.

There are several factors that have contributed to the progress made by the clients featured here. These include, access to markets and access to funds, as well as the absence of shocks from unanticipated lifecycle events. However, the most important factor has been their own determination to improve their lives.

Practice: Tracking Improvements in Lives of Our Clients

We proactively track the progress made by our clients in their lives. We use statistical tracking tools in order to observe changes in the status of our clients over the years. Our branches are also in constant touch with the clients and are aware of improvements in their lives. We regularly prepare case studies of our successful clients and profile improvements in their lives.



Stringing The Sitar with The Faijjals



Imagine a street that earns its name to the occupation that the families living there are engaged in, that's exactly what Sitar Maker Galli in Miraj is all about, 16 families living there have for most part of their lives have been sitar makers, and slowly the lane itself became synonymous with the work that these families have been involved with for generations. Sitar making is an individual craft with every craftsman having his own personal interpretation. Akin to other crafts, knowledge and skill of making sitars has been passed down from one generation, just like the family to which our client from Miraj, Parveen Faijal has married into.

Parveen 's husband, belongs to a family where Sitar making has been their preferred choice of occupation for over a hundred years now. A mother of two sons (who are studying in college) Parveen has been helping her husband for over 20 years now. In fact the soft spoken Parveen lets Faijal do all the talking when it comes to explaining the skills involved in making the instrument. At our insistence on learning more about his trade Faijjal shrugs to say "I know no other job! My grandfather has been involved in this craft and it passed down to my father then me, my sons have shown no interest in this business, both of them are studying to be engineers. But we as a family are relieved that my brother's kids have shown interest in this craft. We make 6-7 sitars a month. The price range may differ from RS 5000/- for a basic sitar going upto Rs 25,000/- for more elaborate ones."

He adds, "The raw materials involved in making the sitar has become costly over the years, but demand thankfully for sitars has not stemmed it has only increased over the years. Presently we sell directly to clients from places like Kanpur, Indore and Bhopal. You ask what goes into making the sitar... Well there is lots of manual work. Since we use simple tools like hammers and hand saws, we refrain from using power tools. We also make our own glue, paint and varnish. The screws we use also we make out of bamboo." He continues saying, "Our clients are all different people. Some are musicians as in professionals and they are very specific with their demands. We cater to all the different gharanas be it Bishnupuri or Etawa one." At our request to divulge a few details on the craft of sitar making, Faijal laughs and confesses, "I have been doing this job for the last 20 years and you want me to tell you all that I learnt in a span of half an hour!"

GFSPL and the Faijals

The Faijals relationship with GFSPL dates back to 2009, when the Faijals wary of approaching their money lender had chosen to approach GK and avail funds. Since then they have availed nine loans of which five were emergency loans of Rs 1000. They have taken two income generation loans of Rs 10,000 and 15,000 respectively. Access to reliable source of funds has enabled them to smoothen their household cash inflows.

We have tracked the economic status of the Faijal household using Grameen Foundations's Progress out of Poverty Index. In 2009 the Faijals economic status was highly vulnerable and at risk.

Gradually it has improved, although they have still not moved out of poverty.





Walking The Talk with The Kambles



Comfort for the feet gets redefined with the Kolhapuri Chappal! The distinct ochre coloured footwear has remained in the 'must-have' category for everyone from the common man to the khadi-kurta clad politician or the fashion conscious college student. The reason for its popularity quite simply is the comfort that it offers. GFSPL's client, 49 years old Vijaya Kamble, from Miraj has with her husband been engaged in the craft of making Kolhapuri Chappals for the last 30 odd years -an occupation that passed down through generation. The Kambles earlier used to sell the chappals to wholesalers from Delhi, Mumbai and Kolkata, but now they have focussed their sights solely on the Kolhapur Market.

Vijaya says, "The demand has remained steady and we continue to make at least around 150 pairs per day." Probe a little into the making of the famous sturdy and stable chappal and a visibly excited Vijaya reveals, "The process is not complicated. We take dried leather and cut into different sizes and shapes, and then layers are pasted one after the other. We attach a heel to that and then the chappal is stitched with thread. The stitches itself generally exceeds 125 on each pair." She adds, "Once that is done the chappals are washed and dried under the sun and thereafter designs can be made as per customers' requirement." A mother of 4 kids, Vijaya says "Right now only one of my kids has shown interest in our occupation. Kolhapuri Chappal making is a craft that has been passed down to my husband from his father and his grandfather. We have continued with this occupation and it has become the source of our livelihood."

GFSPL and the Kambles

Vijaya has so far availed eleven loans from GFSPL out of which there are seven emergency loans and four income generation loans. The PPI data indicates that the Kambles have made slow but sure progress. From being a family that ran from pillar to post to avail funds to back their business, the Kambles are now assured of availing funds at fixed interest rates. With their hard working attitude and steady demand for Kolhapuri Chappals, the Kambles feel that their business will improve further.





Entrepreneurs of their Own Skills



Did you know that cane furniture can actually cater to all kinds of budgets? Comfort that cane furniture can offer is perhaps the reason why it has become popular despite its origins dating way back to the 2nd Century AD.

Our client Sarasu's tryst with cane/bamboo began very early; her father was a Bamboo craftsman. Sarasu had to drop out of school when she was in Class 5 because her parents Subamma and Chinappa, couldn't afford to send her to school anymore. She recalls the days of her hardship, "We were very poor. I did all I could to help us earn an honest living." Her marriage to a coolie

worker Ashok didn't change her financial situation much. The two just about managed to get by and that was when she heard of GFSPL and decided to avail of a loan and engage in the business of making bamboo rings for Silkworm farming. It took a while but their determination to make their business thrive saw them through bad times. Sarasu reveals, "We took loans at the right time and invested the same in our business. We managed to open a new shop and sourced raw materials with the profits."

Ask her about the process of making cane furniture and she says, "Bamboo furniture follows a simple process of heating the cane, then moulding them into different shapes as per design criteria/ depending on what is to be made. The different parts are then attached using glue to make the complete frame and wrapped with binding. After which a polish is applied to it" Although the process seems simple to the layman but Sarasu believes that "Patience and skill is the key." Sarasu now has 4 workers working with her who assists her in the business. With GFSPL firmly behind them, she has managed to provide an education to all her children. Even as her eldest daughter has completed her education and is now happily married and settled, two of her kids are on their way to complete graduation while another has enrolled into a Masters course in Social Work. As a last rejoinder, Sarasu happily quips, "GK should give loans of around Rs 1, 50,000/-".

GFSPL and Sarasu

Sarasu has over the years relied on GFSPL 20 times for funds, sometimes for emergencies and other times to cater to her business. Her family has reaped the benefits by way of ensuring that Sarasu's kids are now educated and can definitely be an asset to their family. The very fact that Sarasu wants GFSPL to give bigger loans is testimony to the progress that her business has made over the years.





The Sweet Smell of Success: Haseena's Story



Not many will be aware of the fact that Karnataka is often referred to as the Capital of Agarbatti making-owing to the state being the leading producer of Incense sticks or agarbatti as it is known in India. Mysore and Bangalore are the two main regions where agarbatti is manufactured. Haseena Pasha, our client from Banshankari is one such manufacturer.

Born to Abdul Aziz Khan and Sharfemmisa in 1976, in 'Gouri Bennur' village in Kolar, Haseena managed to study only up to class 4. She reveals, "We were a large family to support which included 5 boys and 3 girls including me." Abdul Khan, Haseena's father earned his living as an agricultural labourer and there was only so much he could provide to his children.

Haseena got married to Mastan Pasha, a labourer when she was just 14 years old, and moved to Bangalore. The move to the city did not make things any easier for Haseena, and to make matters worse she also had 3 kids to feed as well. Haseena decided to take matters in her own hands; quite literally, she decided to get into the Agarbatti making business in 2006. She says, "I learnt about GFSPL and decided to approach GK for funds." She along with her mother in law started working on building their business from scratch.

Today the business has helped her husband move away from his job as a garage assistant to now being an agarbatti entrepreneur himself along with his wife and mother. Haseena confesses, 'Life has changed. We have a motorbike and even a car now."

GFSPL and Haseena

Haseena is happy being a GFSPL member. She has availed of a wide bouquet of loans, including education loans, emergency weekly loans, income generation loans, Swavalamban loans, Pureit-Water loans, apart from supplementary loans. She lists down the many benefits of being a GFSPL member, one is that the interest rate is low; installments are collected at her doorstep. Moreover GFSPL has a diverse set of loans that she can avail funds from. She is also happy that there is no hassle of providing too many documents. The PPI data indicates that the Pashas have been able to reduce their economic vulnerabilities.





MANAGEMENT DISCUSSION AND ANALYSIS

Microfinance Industry level Macro View:

The year 2012-13 was a year of revival and resurrection for the microfinance sector in India. According to MFIN, as on 31 March 2013, total loan portfolio of 41 MFIN member MFIs was Rs 212.45 billion and together they served 24.4 million clients. The latest report from MFIN suggests that about 82 % of MFIN members registered increase in their loans outstanding as well as loans disbursements as compared to the last year. Total loan portfolio of all the MFIs taken together increased by 23% (39% for the MFIs outside Andhra Pradesh) in Financial Year ending March 13, as compared to the last Financial Year.

Overall there is greater regulatory clarity, where all the MFIs are required to adhere to specified guidelines on qualifying assets, indebtedness of the borrowers and loan pricing, among other things. MFIs are now communicating effectively with the regulator, through industry associations as well as individually. Most of the MFIs have adjusted their operating methodologies to operate sustainably within the constraints imposed by the regulator. The revised Micro Finance Institutions (Development and Regulation) Bill 2012, in the parliament has been referred to the Standing committee on Finance of Parliament. Post the passing of the bill, it is hoped that it will address many issues pertaining to responsible finance within the sector and will further boost the confidence of lenders and investors alike.

The Indian microfinance industry has, post the Andhra Pradesh crisis, placed the client at the centre of its focus. The lessons learnt from the Andhra Pradesh (AP) crisis have been internalized by most of the industry players who are now aware of their responsibility towards their clients and the society at large. Today most MFIs have put in the policies for client protection and have adopted responsible finance practices.

Overall, MFIs have realized that credit alone cannot alleviate poverty, thereby making them transform their services to offer more need-based services and products. There is also an increased level of awareness on creating social impact ensuring that most MFIs now conduct social impact assessments studies to prove their commitment towards social improvement. Another positive sign within the MFI industry is the unification of the code of conduct of both the industry associations Sa-dhan and Microfinance Institutions Network (MFIN). The combined code now has important elements from the earlier versions of codes developed by both Sa-dhan and MFIN and borrows from the Client protection principles from the SMART Campaign, RBI's fair practices codes for NBFCs and clauses from the RBI guidelines for MFIs issued in 2011. The unified code of conduct now emphasises on staff recruitment processes and good governance.

There is greater focus on the adherence to industry code of conduct. Both the industry associations are in the process of developing mechanisms to assess their members on adherence to the code of conduct. SIDBI and other lenders are encouraging MFIs to undergo third-party code of conduct assessments. These efforts have increased the confidence of the lenders and investors towards the microfinance sector. Recent guidelines of the RBI where it has removed priority sector classification for the gold loan companies has also helped bring back the lenders back to the MFIs. According to information provided by MFIN, overall, MFI borrowings increased by 23% (41% for non AP MFIs) as of 31 March 2013 over the previous financial year ending, as compared to the same point of time in the previous financial year.

The year also saw many equity investments deals signifying increased confidence of the investors in the microfinance sector. As far as investors and fund managers are concerned, they too have trained their focus on social performance to ensure effective and responsible use of their capital. And there are clear indications that fund managers are seeking only those MFIs that can boast of a decent track record with a noticeable



growth potential in diverse geographies. The MFIs on their part have to demonstrate consistent profitability to investors and funders to attract equity on a continuous basis. Even as Universal standards that lays emphasis on social performance management have emerged as an important factor guiding MFIs, many within the sector believe that investors too should be required to showcase their social responsibility by being willing partners to stay invested with the institution for a longer tenure.

Even as the MFI sector comes out of the collateral damage of the AP crisis, the impact of the crisis cannot be negated, yet the silver lining remains that Indian MFIs by and large have been doing all the right things ranging from their outreach to poor, pricing, social and welfare initiatives. The regulator should be given its due for being strict on issues of client protection, however it should also be understood that hardwired regulations can impact operations in terms of reducing client coverage and preventing expansion of operations to underserved areas.

GFSPL Operations Perspective

Profitability

During FY 2012-13, our total revenues were Rs 89.9 crore, an increase of nearly 45% over the last financial year. Our total expenses stood at Rs 80.9 crore during FY 2012-13, an increase of 27% over the last financial year. Our profit before tax is around Rs 9.0 crore in FY 2012-13 marking a turnaround over the last financial year, when we had a loss of Rs 1.7 crore.

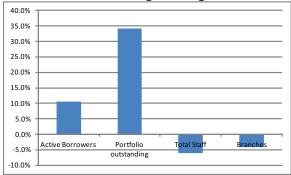
Outreach and branch network

During the year, your company registered 34% growth in loan portfolio (including managed loans) and 10% growth in active borrowers. This growth has been achieved even as we have continued to consolidate our operations reducing number of branches by 4% and total employees by 6%. Improving staff productivity has been an important area of focus for the year which has resulted in growth with lesser number of staff and branches. We have also ensured that increase in staff productivity does not have an adverse impact on our portfolio quality. The following table presents the important outreach data for your company.

Key	<i>i</i> C)ut	tre	ac	h	D	ata)
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Particulars	Mar-12	Mar-13
Branches	168	161
Districts	42	41
Active Borrowers	3,13,610	3,46,519
Loans disbursed	595.3	606.4
Portfolio outstanding	381.3	523.9
Managed portfolio	108.3	139.7
Total Staff	1,267	1,189

Percentage Change



Operational Trends

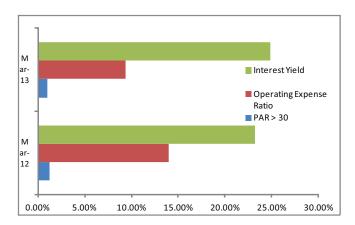
During the five year period, starting from 31 March 2008 and ending on 31 March 2013, your company had a Compounded Annual Growth Rate (CAGR) of around 24% in the number of districts, branches, as well as active borrowers. Loans disbursed during a year, have witnessed a CAGR of nearly 30%. Our outstanding loan portfolio, including managed portfolio have grown at nearly 45% year on year. The number of our total staff has grown at a rate of 20% during this period.



Particulars	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	CAGR (%)
Branches	51	82	146	215	168	161	25.8%
Districts	13	23	37	45	42	41	25.8%
Active Borrowers	1,17,747	2,11,562	3,52,648	3,21,161	3,13,610	3,46,519	24.1%
Loans disbursed	168.8	372.7	531.5	606.7	595.3	606.4	29.1%
Portfolio on Books (A)	82.6	115.4	234.2	186.3	273	384.2	
Managed Portfolio (B)	0	65.9	96	64.2	108.3	139.7	44.7%
Total Portfolio (A+B)	82.6	181.3	330.2	250.5	381.3	523.9	
Field Officers	240	440	669	770	884	800	27.2%
Total Staff	480	769	1,380	1,748	1,267	1,189	19.9%
Repayment Rate	100.00%	99.90%	98.80%	99.60%	99.60%	99.90%	0.0%
Funds Raised	80.7	204.2	311.2	287	366.7	541.8	46.4%

Financial Performance

For FY-2012-13, our portfolio yield was 24.9%, as against 23.2% for the last financial year. Our Operating Expense Ratio declined to 9.4% in FY 2012-13, from 14% in the last financial year, reflecting improvements in operating efficiencies. Our portfolio quality remained sound with PAR>30 at 0.86%.



Portfolio Distribution

We have operational presence in Karnataka, Maharashtra and Tamil Nadu. While Karnataka continues to contribute a major proportion to our loan portfolio (78.8% for year ending March 2013), we have been increasing our outreach in Maharashtra which contributed over 20% for year ending March 2013.

State Wise Portfolio Distribution

State	Loan Portfolio (INR Crores)	%
Karnataka	412.9	78.80%
Maharashtra	104.9	20.10%
Tamil Nadu	5.9	1.10%

Our loans fund a variety of activities ranging from micro-asset finance, agriculture and animal husbandry to emergency needs.



Activity Wise Portfolio Distribution

Activity	Mar-13 (INR in Crore)	% age
Agriculture	20.7	4%
Animal Husbandry	138.4	26%
Assets	54.6	10%
Emergency Consumption	9.8	2%
Production	52.9	10%
Service Sector	37.2	7%
Trading	174.5	33%
Transportation Services	35.9	7%
Total	523.9	100%

EMPHASIS ON SOCIAL PERFORMANCE

GFSPL is committed to achieve stated social objectives. We have ensured that we adopt right strategies to achieve our social objectives. This year, we have tried to give you a glimpse of how we put social performance management into practice.

Products and services

Your company has focused on providing appropriate products and services to its clients. During the year, we have made significant improvements in product and service offerings to our clients.

Grameen Niwas (Housing loan)

This has been an eventful year for the housing microfinance project in GFSPL in terms of new partnerships and operational roll-out of the project. IFC is providing financial and technical support to Grameen Koota on the housing microfinance front. We have also partnered with New Delhi based HFC Swarna Pragati Housing Microfinance to extend loans for housing requirements and Habitat for Humanity for Construction Technical Assistance. GFSPL will provide home loans for the purpose of home improvements and new construction. This year, Grameen Koota launched housing products in the name of Grameen Niwas. With the portfolio crossing Rs. 8.3 million in FY13, GFSPL aims achieve a portfolio of over Rs. 90 mn by the end of FY14.

Risk Management: Overview and Strategy

Internal Audit and Internal Controls

Your Company believes in maintaining a strong internal control framework and views such a framework as an essential prerequisite of a growing business like ours. Precisely for this reason, we have well documented policies, procedures and authorization guidelines that commensurate with the size of our organization. Additionally we have an independent internal audit system in place to conduct audits of all branches, regional offices and as well as the head office.

Internal Audit in your company is an independent consulting activity guided by a philosophy to add value to improve and enhance operations of your organization. It assists your Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Your Company's internal control, risk management and governance processes.

The internal audit activity is conducted with strict accountability for confidentiality and safeguarding records and information. It has full authorized, free and unrestricted access to any and all of GFSPL's records,



physical properties and personnel pertinent to carrying out any engagement. The Audit Committee of the Board is updated on significant internal audit observations, compliance with statutes, and progress of risk management and effectiveness of working of the control systems every quarter. Internal Audit also interacts with the external auditors. Every branch is audited with an average of 6 times in a year.

Human Resources

Human Resources personnel in the Microfinance sector face a major challenge in acquiring resources with the right skills and aptitude for the Industry. Your company's HR team strongly abides by the organization's Vision of being Committed, Reliable, Empathetic, Accountable, Transparency and Efficiency (CREATE). The HR department at GFSPL ensures that these values are genuinely met for all internal resources. The department continues to work towards different employee welfare benefits including "Birthday, Wedding, Sibling Wedding and Child Gifts", ESI, Insurance, SAF and Gratuity.

The 2012-2013 different highlights of the HR department include:

- Creating of HR SOPs and imparting of training on HR Policies and Process to all the employees
- Created various forums for employees to express their views, concerns and new ideas
- Additionally HR has created a platform to:
- Encourage employee feedback on additional training requirements or further education.
- Build leaders by enhancing employee capabilities through training, education and internal job posting

Information Technology

The information technology team in your Company has been focused on implementing a centralized and consolidated Information System to enable smooth and swift flow of information and data across the system. This will enable Your Company to control the cost of operations and provide improved services to the members. Your Company has also been working on embracing effective and low cost technologies to support the company's growth and overcome challenges in operations.

MIFOS

MIFOS, Microfinance Open Source, continues to play a key role in client information management. MIFOS helps Your Company manage its entire customer & product portfolio. As the data sizes have grown, your company is planning to upgrade to the latest version of MIFOS for enable smoother & more efficient operations.

E-Learning Portal

Your Company has continued to use the open source online E-learning portal for employee training, which provides a strong platform for delivering effective learning modules to all employees. The portal is a powerful tool to reduce training costs and deliver effective training programs to large audiences.

Reporting

Your Company has also various internal and external reports using Jasper Reporting Server, which enables the reports to be auto extracted and emailed to various stake holders with a high degree of accuracy on timely basis. By adding a dedicated reporting server at your corporate office, the monthly data extraction time has been significantly reduced and helps ensure timely delivery of reports to all your stakeholders.

Credit Bureau

Your Company is working with Credit Bureaus like Highmark, Equifax and CIBIL. The credit bureaus help identify overlapping microfinance borrowers, their overall loan exposure and incidents of high default. Every single loan given by Your Company undergoes a credit check with the Credit Bureaus. The Credit Bureau verification process has been completely integrated into the loan delivery processes and is instrumental in minimizing instances of borrower over-indebtedness.



Infrastructure Outsourcing

Your Company has been continuously working to partner with IBM on outsourced infrastructure management services, so that the entire production & disaster recovery server infrastructure management is managed by them. Your Company is also partnering with Bharti Airtel for network connectivity across all critical locations.

Technology initiatives

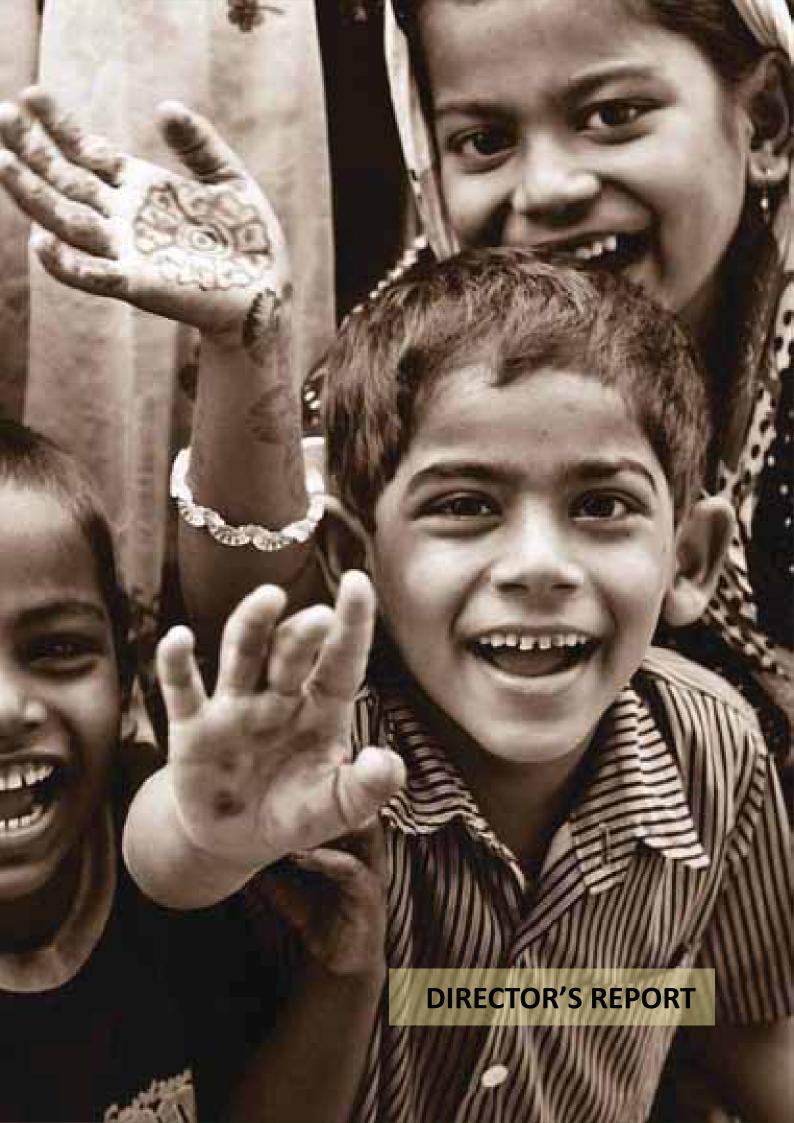
Your Company is actively working on upgrading its technology infrastructure & applications to keep pace with the changing environment in the industry. There is a lot of focus on increasing operational efficiency through technology initiatives such as field force automation, robust internal communication & knowledge management systems to ensure greater cooperation between teams as well as more effective management of operations.

Treasury and Cash management system

Your Company has an integrated Treasury and Cash Management system that operates the complete cash/bank operations, entails pooling of excess funds from branches and funding to the branches requiring disbursement, repayment of loan instalments and payments to vendors, employees for goods, services, reimbursement, salary and investment of Surplus funds if any .

Your company is one of the few MFIs to:

- Complete assignment of receivables to Lenders, also assign portfolio for securitization deals and buy-out deals.
- Issue a non-convertible debenture directly with a Foreign Institutional Investor, listing in Bombay Stock Exchange (BSE).





DIRECTOR'S REPORT

To

The Shareholders of Grameen Financial Services Pvt Ltd

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, 2013.

The total revenue grew to Rs 89.9 crore in FY 2012-13 as against Rs 62.2 crore in FY 2011-12 and the Profit after tax grew to Rs 8.5 crore in FY 2012-13 from a loss of Rs 2.9 crore in FY 2011-12. The growth in loan portfolio has ensured that our revenues have picked up. Improvement in operating efficiency, along with sound portfolio quality has also improved our profitability this year.

Year ended 31st March (in Rs. Crore)	2013	2012
Total Revenue	89.9	62.2
Less: Total Expenditure	80.9	63.9
Profit before Tax	9.0	(1.7)
Profit after Tax	8.5	(2.9)
Surplus brought forward	1.3	4.2
Amount available for appropriation	9.8	1.3
Appropriation		
Transfer to Statutory Reserve	1.7	0.0
Preference Dividend	0.0	0.0
Dividend Tax	0.0	0.0
Surplus carried to Balance Sheet	8.1	1.3

Operational Highlights

Your company, during FY 2012-13 continued to consolidate and the operations have continued to remain robust in terms of operational outreach, processes, technology and human resources. We have continued steady and stable growth and improved our operating efficiencies. We have increasingly automated our processes and employed modern technology for 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 high asset quality throughout the year. The company's IT system continues to remain strong and supportive in its ability to provide live operational information.

Year ended	2013	2012
Branches	161	168
Districts	41	42
Kendras	16,925	17,663
Members	381,749	360,670
Loan disbursed(in Rs, Crore)	606.4	595.3
Portfolio outstanding (in Rs, Crore)	523.9	381.3
Total Employee	1,189	1267



Organizational Highlights

Your company's organizational highlights for FY 2012-2013 are as follows:

Participation of Senior Management at diverse events and workshops during FY 2012-2013

- Mr Suresh Krishna, MD, GFSPL, was invited to speak at the 20th anniversary celebrations of INCOFIN at Antwerp, in Belgium on microfinance in India and provide insights on Grameen Koota. He also participated as speaker in the workshop on Code of Conduct of Sa-dhan& MFIN (CoC) and Fair Practice Code of RBI (FPC) in Bangalore. He represented GFSPL as the guest speaker at the 'Second Annual Seminar on Risk in Indian Microfinance' and participated in the workshop on 'RBI Regulation and its Compliance by MFIs'. He also participated at the roundtable discussion on "Voices from Grassroots on Livelihoods" in New Delhi at the Skoch Financial Inclusion Summit.
- Mrs. Vinatha M Reddy, Chairperson, was invited to New Delhi to participate in the Honourable Finance
 Minister's pre-Budget consultations with the social sector related groups. She presented a note on the
 difficulties faced by NGO's and the MFI-sector and the relief measures required from the Ministry of
 Finance.

Organizational events during the year

- The Indian tri-color was unfurled at the GFSPL office on 15th August 2012, and all office members of GFSPL joined in the celebrations of India's 65th year of Independence
- GFSPL's Sangamner branch organized a health camp on 27th Sept 2012 in Sangamner, Maharashtra. The
 camp consisted of health check-ups including haemoglobin tests where medicines were also provided
 at nominal rates. 105 clients benefitted from the health camp.
- GFSPL started disbursing Grameen Niwas Loans in 17 branches in Karnataka
- GFSPL introduced a pension scheme for its clients by launching NPS-Lite program. All GK members can
 avail the benefits of this scheme. This scheme enables to members to save for their old age.
- Client Education is an important aspect of GFSPL's microfinance plus services wherein GFSPL conducts Socio-economic development (SED) and husband workshops that are aimed to build our clients' capacity in the
- areas of health, nutrition, AIDS awareness, hygiene, etc. In 2012, GFSPL held the SED workshop on Sanitation, on the 19th of November wherein 38,000 clients across Karnataka and Tamil Nadu attended. In Maharashtra, the same workshop was held on 3rd December 2012, (the SED for 19th November had to be cancelled in Maharashtra owing to Shiv Sena Supremo Bal Thackeray's demise) wherein 15,815 clients participated.
- GFSPL head office in Bangalore celebrated World Water Day with a talk from Executive Director of Biome Environmental Solutions, Avinash Krishamurthy on the importance of water conservation. He spoke on issues ranging from rainwater harvesting to simple ways of saving water.

Equity Inclusion received during the year

GFSPL received its third round of equity funding of Rs 53.20 crores from Creation Investments Capital Management (Rs 37.5 crores), Incofin Investment Management and MicroVentures in February-13.

Your company took cognizance of new regulations issued by RBI and laid focus on internal restructuring, branch wise planning, skill enhancements, and better focus on product design to benefit the customers and ensure regulatory compliance.

Corporate Social Responsibility (CSR)

During the year, your company carried out many CSR 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:

About 16,000 households were supported to construct sanitation units and about 16,806 households were supported with water connections during the last year.

Clean Energy:

About 1258 households were supported to procure energy efficient cook stoves during the last two years.

Health care support:

Over 90,000 members were benefitted under the healthcare assistance. We conducted 4 health camps which were attended by over 600 members.

Life Insurance:

More than 6,80,000 borrowers and their spouses insured under term insurance plan in partnership with Bajaj Allianz and Shriram life insurance companies and about 3034 claims have been settled and Rs.6.33 crores were paid to the families of the deceased members.

Financial literacy program:

During this year, Financial Literacy training was conducted for over 53,500 borrowers and over 47,000 borrowers in the previous year.

Awareness building:

Jagruthi our awareness to educate and build awareness of our borrowers on various Government schemes, finance and money management, importance of hand washing, safe drinking water, saw many new topics being introduced. We covered 83 topics under Jagruti this year and over 3, 00,000 members were covered.

NPS: This year we did over 17,000 NPS enrolments and over 14000 members will be getting the swavalamban benefit from Government of India.

Education: Your Company trained 31 youth in vocational training and provided placement.

Awards and Recognition

- 2013: Skoch Financial Inclusion Award (Microfinance Category)
- 2013: Client Protection Certification by SMART Campaign
- 012: Silver Microfinance Information Exchange (MIX) Social Reporting Award

Microfinance Industry

In 2012-13, greater regulatory clarity has allowed the sector to consolidate. In the present scenario, the MFIs are required to adhere to specified guidelines on qualifying assets, indebtedness of the borrowers and loan pricing, among other things. MFIs are now communicating effectively with the regulator, through industry associations as well as individually. Most of the MFIs have adjusted their operating methodologies to operate sustainably within the constraints imposed by the regulator. The revised Micro Finance Institutions (Development and Regulation) Bill 2012, in the parliament has been referred to the Standing committee on Finance of Parliament. Post the passing of the bill, it is hoped that it will address many issues pertaining to responsible finance within the sector and will further boost the confidence of lenders and investors alike.

Future Outlook

With more certainty in regulations, your company is poised to improve its performance in all aspects in the Financial Year 2013-14. We expect that the strong culture of service that we have nurtured through the previous years will help us in building still deeper relationships with our clients. This also differentiates your organization from its competitors, and in order to make our operations even more client centric, we will continue to assess ways in which we can fulfil their needs better. This will allow us to grow our operations and maintain sound relationship with all our stake-holders.



We expect to further diversify our sources of funds in the coming year, and will follow a strategy that ensures that we have access to sufficient liquidity, should there be a need. We will continue to enhance our risk management framework and improve upon our risk management practices. We will continue to engage with stakeholders at the microfinance sector level and try to ensure that healthy practises are followed.

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 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 2012 and the company was awarded an institutional grading of mfR3. Your Company has got a BASEL rating of LBBB- by ICRA in March 2013

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

Your company's authorized Share Capital has increased from Rs.35,00,00,000 to Rs.43,00,00,000 during the year and your company's paid-up Share Capital has increased from Rs.24,84,23,210 to Rs.39,62,00,990.

Dividend

Your Directors have proposed not to declare any dividends and use the accruals 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

During the year, the foreign exchange inflow and outflow for the Company is Rs.1,11,16,014 & Rs.34,27,419 respectively



Auditors

M/s. SRBC & Co., LLP (M/s. SRBC & Co has changed its name to SRBC & Co, LLP w.e.f April1, 2013), 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.

Directors

There has been on addition to the Board of directors of your company during the year. Mr. Ken Vander Weele joined the Board of Directors of GFSPL in the month of Feb 2013. 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 of the Director Designation on the Board		Eligible Meetings	Meetings Attended
Mrs. Vinatha M Reddy	Promoter Director and Chairperson	5	4
Mr. Suresh K Krishna	Managing Director	5	5
Mrs. Daksha Niranjan Shah	Independent Director	5	4
Mr. Pradeep Pathiyamvetil	Nominee Director	5	4
Mr. Christian Banno	Alternate Director to Mr. Paolo	5	4
Mr. Anal Jain	Independent Director	5	4
Mr. R Prabha	Independent Director	5	5
Mr. Aditya Bhandari	Nominee Director	5	4
Mr. Kenneth Dan Vander Weele	Nominee Director	0	0

Board Committees

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

- 1. Audit Committee
- 2. Nomination and Grievances Committee
- 3. Assets and Liability Management Committee
- 4. Compensation and Remuneration Committee
- 5. Investments and Borrowings Committee
- 6. Executive Committee
- 7. Risk Mitigation Committee
- 8. Shares and Debenture allotment Committee

Name of Committee	Members	
	Mr. R Prabha	
Audit Committee	Mr. Suresh K Krishna	
Addit Committee	Mr. Christian Banno	
	Mr. Pradeep P	
	Mr. Aditya Bhandari	
ALM Committee	Mr. Christian Banno	
	Mr. Suresh K Krishna	
	Mrs. Vinatha .M. Reddy	
Canananatian and	Mr. Aditya Bhandari	
Compensation and Remuneration Committee	Mr. Christian Banno	
Remuneration Committee	Mr. Suresh K Krishna	
	Mr. Anal Jain	
Namination 9 Cristianas	Mrs. Vinatha .M. Reddy	
Nomination & Grievance Committee	Mr. Suresh K Krishna	
Committee	Mr. R Prabha	

Members		
Mrs. Vinatha .M. Reddy		
Mr. Suresh K Krishna		
Mrs. Vinatha .M. Reddy		
Mr. Suresh K Krishna		
Mr. Christian Banno		
Mrs. Vinatha .M. Reddy		
Mr. Suresh K Krishna		
Mr. Christian Banno		
Mrs. Daksha N Shah		
Mr. Anal Jain		
Mr. Suresh K Krishna		
Mr. Pradeep P		
Mr. Ken Vander Weele		



Director's Responsibility 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, 2013, 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, 2013 and of Profit and Loss ended on March 31, 2013;
- 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, 2013 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 appreciation of the sincere and dedicated services of the employees of the Company.

On behalf of the Board of Directors For Grameen Financial Services Pvt Ltd

Chairperson

Managing Director

Place: Bangalore

Date:





INDEPENDENT AUDITORS' REPORT

To the Members of Grameen Financial Services Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Grameen Financial Services Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit 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.



Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) 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;
 - (c) 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;
 - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Act; and
 - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm's Registration Number: 324982E

per Shrawan Jalan

Partner

Membership Number: 102102

Mumbai

May 29, 2013



Annexure referred to in 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 a substantial part of fixed assets during the year.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 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.
 - (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.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and 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.
- (v) 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.
- (vi) The Company has not accepted any deposits from the public.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the 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) The Company is regular in depositing with appropriate authorities 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 applicable to it.



- (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 explanations 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 a 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 provisions 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 information and explanations 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 have been 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) According to the information and explanations given to us, the Company had issued 60 debentures of Rs.10,000,000 each, during the period covered by our audit report. The Company has created security or charge in respect of debentures issued. The Company has also issued 21 unsecured debentures of Rs.5,000,000 each, during the period covered by our audit report, on which no security or charge is required to be created.
- (xx) The Company has not raised money by public issue of shares during the current year.
- (xxi) We have been informed that during the year there was an instance of cash embezzlement by an



employee of the Company amounting to Rs.870,007 and loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs.1,618,460. As informed, investigations are in progress and the services of such employees involved have been terminated 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.1,656,208 against the outstanding balance (net of recovery) aggregating Rs.2,465,438, as at the Balance Sheet date.

For S R B C & CO LLP

Chartered Accountants

ICAI Firm's Registration Number: 324982E

per Shrawan Jalan

Partner

Membership Number: 102102

Mumbai May 29, 2013



Grameen Financial Services Private Limited Balance sheet as at March 31, 2013

Particulars	Notes	31-Mar-13 (Rupees)	31-Mar-12 (Rupees)
Equity and Liabilities			
Shareholders' funds			
Share capital	3	39,62,00,990	24,84,23,210
Reserves and surplus	4	72,87,03,439	25,99,01,913
		1,12,49,04,429	50,83,25,123
Non-current Liabilities			
Long-term borrowings	5	1,47,00,52,994	75,03,60,762
Long-term provisions	6	5,49,42,797	1,10,43,191
		1,52,49,95,791	76,14,03,953
Current liabilities			
Short-term borrowings	7	-	31,75,00,000
Other current liabilities	8	2,79,42,59,005	1,65,91,12,557
Short-term provisions	6	95,12,033	48,46,713
·		2,80,37,71,038	1,98,14,59,270
TOTAL		5,45,36,71,258	3,25,11,88,346
Assets			
Non-current assets			
Fixed assets			
Tangible assets	9	2,62,26,849	3,09,93,101
Intangible assets	10	14,97,836	8,77,864
Intangible assets under development		10,82,700	8,62,256
Non-current investments	11	20,46,100	20,00,000
Deferred tax asset (net)	12	1,72,18,905	-
Long-term loans and advances	13	95,48,18,084	85,07,38,955
Other non-current assets	14	35,84,60,959	24,31,97,135
		1,36,13,51,433	1,12,86,69,310
Current assets		, , , ,	, , , ,
Current investments	15	25,91,729	_
Trade receivables	16	2,03,845	11,00,151
Cash and bank balances	17	91,24,23,855	16,90,82,742
Short term loan and advances	13	3,01,20,51,937	1,92,28,07,101
Other current assets	14	16,50,48,460	2,95,29,042
		4,09,23,19,826	2,12,25,19,036
TOTAL		5,45,36,71,258	3,25,11,88,346

Summary of significant accounting policies

2.1

Accompanying notes are an integral part of the financial statements.

As per our report of even date

RBC&COLLP

For and on behalf of Board of Directors of Grameen Financial

Chairman

Services Private Limited

Managing Director

Chartered Accountants

ICAI Firm's Registration Number: 324982E

per Shrawan Jalan

Partner

Membership No.102102

Place:

Date: Chief Financial Officer Company Secretary



Grameen Financial Services Private Limited
Statement of profit and loss for the year ended March 31, 2013

Particulars	Notes	31-Mar-13 (Rupees)	31-Mar-12 (Rupees)
Income			
Revenue from operations	18	86,69,71,484	59,52,77,342
Other income	19	3,24,92,590	2,66,48,250
Total revenue (I)	-	89,94,64,074	62,19,25,592
Expenses			
Employee benefits expenses	20	22,45,05,255	21,79,77,520
Finance costs	21	40,01,46,625	30,27,54,522
Other expenses	22	13,47,04,106	11,96,46,537
Depreciation and amortisation expenses	23	60,51,613	1,31,03,271
Provision and write-offs	24	4,35,84,631	(1,44,81,766)
Total expenses (II)		80,89,92,230	63,90,00,084
Profit / (Loss) before tax (III)=(I)-(II)		9,04,71,843	(1,70,74,492)
Tax expense			
Current tax		2,56,81,276	-
MAT credit entitlement		(25,69,823)	-
Deferred tax		(1,72,18,905)	1,01,79,918
Short provision of tax relating to earlier years		-	17,72,001
Total tax expense (IV)		58,92,548	1,19,51,919
Profit / (Loss) for the year (III)-(IV)	-	8,45,79,295	(2,90,26,411)
Earnings per equity share [nominal value of share Rs.10 (March 31, 2012: Rs.10)]	34		
Basic (Computed on the basis of total Profit / (Loss) for the year)		3.23	(1.17)
Diluted (Computed on the basis of total Profit / (Loss) for the year)		3.23	(1.17)
Summary of significant accounting policies	2.1		
Accompanying notes are an integral part of the financial statements.			

As per our report of even date

R B C & CO LLP For and on behalf of Board of Directors of Grameen Financial

Services Private Limited

Chartered Accountants

ICAI Firm's Registration Number: 324982E

per Shrawan Jalan Managing Director Chairman

Partner

Membership No.102102

Place:

Date: Chief Financial Officer Company Secretary



Grameen Financial Services Private Limited

Cashfl	ow statement for the year ended March 31, 2013	(Amount in Rupees unless otherwise stated	
	Particulars	For the year ended F	
		March 31, 2013	March 31, 2012
A.	Cash flow from operating activities		
	Profit/(Loss) before tax	9,04,71,843	(1,70,74,492)
	Adjustments for :		
	Depreciation and amortization	60,51,613	1,31,03,271
	Provision for gratuity	16,83,274	9,49,876
	Provision for leave benefits	37,16,590	69,344
	Bad debts written off	4,19,570	-
	Unrealised gain on mutual funds	(91,729)	-
	Intangible assets under development written off	3,45,600	3,78,000
	Loss on sale of fixed assets	9,31,759	89,187
	Provision for standard and sub standard assets assets	4,31,65,061	(1,44,81,766)
	Amortisation of ancillary borrowing costs	1,53,94,904	1,13,39,827
	Amortisation of discount on issue of debentures	6,74,072	6,22,224
	Amortisation of share issue expenses	19,93,317	8,81,280
	Dividend income from mutual funds	(93,52,836)	(2,19,28,910)
	Other provisions and write offs	1,24,31,946	71,32,901
	Operating profit / (loss) before working capital changes	16,78,34,985	(1,89,19,258)
	Movements in working capital :		
	Increase/ (decrease) in other current liabilities	12,04,67,014	17,05,47,145
	Decrease / (increase) in trade receivables	8,96,306	(11,00,151)
	Decrease / (increase) in loans and advances	(1,19,78,71,434)	(87,08,01,181)
	Decrease / (increase) in other assets	(10,34,25,195)	(6,47,23,039)
	Cash used in operations	(1,01,20,98,324)	(78,49,96,485)
	Direct taxes paid (net of refunds)	(3,14,15,501)	(66,34,375)
	Net cash used in operating activities (A)	(1,04,35,13,825)	(79,16,30,860)
В.	Cash flow from investing activities :	(1,0 1,00,10,010,	(73)20,000,
υ.	Purchase of fixed assets, including capital work in progress and capital advances	(42,32,889)	(19,28,854)
	Proceeds from sale of fixed assets	8,29,748	6,25,430
	Dividend income from mutual funds	93,52,836	2,19,28,910
	Purchase of non-current investments	(46,100)	2,13,26,310
	Purchase of current investments	(6,56,30,00,000)	- (5,22,74,78,161)
	Sale of current investments		
		6,56,05,00,000	5,54,10,25,401
	Margin money deposits (net)	(30,17,99,661)	(6,30,91,549)
	Net cash used in investing activities (B)	(29,83,96,066)	27,10,81,177
C.	Cash flow from financing activities :	4 70 00 00 400	(5.04.45.005)
	Long-term borrowings (net)	1,70,38,32,196	(6,81,15,995)
	Short-term borrowings (net)	(31,75,00,000)	26,23,92,846
	Proceeds from issuance of equity share capital	53,20,00,012	-
	Payment of expenses towards issue of equity shares	(63,96,267)	-
	Net cash from financing activities (C)	1,91,19,35,941	19,42,76,851
	Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	57,00,26,049	(32,62,72,832)
	Cash and cash equivalents as at the beginning of the year	6,45,40,905	39,08,13,737



Cash and cash equivalents as at end of the year (refer note 17)	63,45,66,954	6,45,40,905
Components of cash & cash equivalents at the year end		
Cash on hand	10,10,452	69,25,438
Balance with banks - on current account	63,35,56,502	5,76,15,467
	63,45,66,954	6,45,40,905
Summary of significant accounting policies	2.1	
Accompanying notes are an integral part of the financial statements.		

As per our report of even date

R B C & CO LLP For and on behalf of Board of Directors of Grameen Financial

Services Private Limited

Chairman

Managing Director

Chartered Accountants

ICAI Firm's Registration Number: 324982E

per Shrawan Jalan

Partner

Membership No.102102

Place:

Date: Chief Financial Officer Company Secretary



1. Corporate information

Grameen Financial Services Private Limited ('the Company') is a company domiciled in India and incorporated under the provisions of the Companies Act, 1956 ('the Act'). The Company is a non-deposit accepting non-banking financial company or NBFC-ND registered with the Reserve Bank of India ('RBI'). The Company has also applied to the RBI for registration as an NBFC-MFI.

The Company is engaged primarily in providing micro finance services by way of loans to women who are organized as Joint Liability Groups ('JLG').

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 which are accounted for on realization 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.

2.1Summary of significant accounting policies

a. Change in accounting policy

During the year ended March 31, 2013, the Company adopted the accounting policy for securitization transactions, as notified by the RBI in its circular "Revisions to the Guidelines on Securitization Transactions" issued on August 21, 2012. Accordingly, the income from securitization transactions during the year ended March 31, 2013, is lower by Rs.21,397,300 on account of change in the method of deferral of recognition of income, prescribed in the revised guidelines issued by the RBI.

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 collected from members are recognized on an upfront basis at the time of disbursement of the loan.
- iv. In accordance with the RBI guidelines for securitization of standard assets, the Company accounts for any loss arising from assignment / securitization immediately at the time of sale and the profit/premium arising from securitization is amortised over the life of the underlying portfolio 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, valued at the cost of acquisition of these assets and these 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 Fittings	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



risks specific to the asset. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

h. Leases (where the Company is the lessee)

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 realizable and intended to be held for not more than one 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 statements at lower of cost and fair value determined on an individual investment basis except for investments in the units of mutual funds in the nature of current investments that have been valued at the net asset value declared by the mutual fund in respect of each particular scheme, in accordance with the NBFC directions. 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 carrying amount and net disposal proceeds are charged or credited to the statement of profit and loss.

j. Borrowing costs

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

k. Foreign currency transactions

- 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.

I. Retirement and other employee benefits

- i. Retirement benefits in the form of provident fund and superannuation are defined contribution schemes. The Company has no obligation, other than the contribution payable to the respective funds. The Company recognizes contribution payable to the respective funds as expenditure, when an employee renders the related service.
- 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 and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.
- 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 compensated absences are



provided for based on the actuarial valuation using the projected unit credit method at the end of each financial year. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the leave as a current liability in the balance sheet, to the extent it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

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

- i. Tax expense comprises 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.
- ii. 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.
- iii. 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.
- iv. 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 write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
- v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

n. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the 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 obligation 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. Share based payments

In case of stock option plan, measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India as applicable for equity-settled share based payments.

The cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

s. Classification of loan portfolio

Financial year 2011-12

Upto the previous year the loans and advances were 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. Accordingly, the classification of loan portfolio as at March 31, 2012 was as follows:

Asset classification	Arrear period		
Standard assets	Overdue for less than 180 days		
Substandard assets	Overdue for 180 – 720 days		
Loss assets	Overdue over 720 days		



Financial year 2012-13

During the year, the Company has revised its classification of loan portfolio as given below:

Asset classification	Arrear period
Standard assets	Overdue for less than 90 days
Substandard assets	Overdue over 90 days
Loss assets	After 9 months of being classified as substandard assets

[&]quot;Overdue" refers to interest and / or instalment remaining unpaid from the day it became receivable.

t. Provisioning for loan portfolio

Financial year 2011-12

Upto the previous year the provisioning of loans and advances was based on 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 time. Accordingly the provisioning norms adopted by the Company for portfolio loans were as follows:

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

Financial year 2012-13

During the year, the Company has revised its provisioning norms for portfolio loans according to which the provision will be higher of:

- a. Provision of 1% on standard assets 'OR'
- b. Provision of 100% on substandard assets

For the year ended March 31, 2013, the above provisioning norms adopted by the Company are subject to the minimum provisioning of 0.25% on standard assets as required by Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

u. Accounting for amounts received towards as technical assistance

Amounts received as technical assistance are recognised in the statement of profit and loss on meeting the conditions attached to such assistance.

Amounts received as technical assistance during the year are in the nature of revenue. Therefore, the same are credited to the statement of profit and loss, under the heading 'Other Income'.



24,84,23,210

(Amount in Rupees unless otherwise stated)

39,62,00,990

Grameen Financial Services Private Limited

Notes to financial statements for the year ended March 31, 2013

3. Share capital 31-Mar-13 31-Mar-12

Authorised shares
43.000.000 (March 31, 2012; 35.000.000) equity shares Rs. 10 each

Authorised shares 43,000,000 (March 31, 2012: 35,000,000) equity shares Rs. 10 each	43,00,00,000	35,00,00,000
Issued, subscribed and fully paid up shares: 39,620,099 (March 31, 2012: 24,842,321) Equity shares of Rs.10 each fully paid	39,62,00,990	24,84,23,210
Total issued, subscribed and fully paid-up share capital		

⁽a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity Shares	31-Mar-13		31-Mar-12		
	No. of Shares	Amount	No. of Shares	Amount	
At the beginning of the year	2,48,42,321	24,84,23,210	2,48,42,321	24,84,23,210	
Issued during the year	1,47,77,778	14,77,77,780	-	-	
Outstanding at the end of the year	3,96,20,099	39,62,00,990	2,48,42,321	24,84,23,210	

⁽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. Any 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

		31-Mar-13		31-Mar-12	
Equity shares of Rs.10 each fully paid-up	No. of Shares	% holding in the class	No. of Shares	% holding in the class	
Creation Investments Social Venture Fund II, L.P	1,04,16,667	7 26.29%	-	0.00%	
MicroVentures Investments SCA SICAR, Luxembourg	55,22,727	13.94%	22,72,727	9.15%	
MVH SPA, Italy	48,72,727	12.30%	22,72,727	9.15%	
TMT Community Trust	45,00,000	11.36%	45,00,000	18.11%	
IIM – Impulse 2, Mauritius	41,41,414	10.45%	30,30,303	12.20%	
Aavishkaar Goodwell India Microfinance Development Company, Mauritius	29,99,351	7.57%	55,99,351	22.54%	
Mrs.Vinatha M Reddy	22,41,100	5.65%	22,41,100	9.02%	

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:

Equity shares of Rs.10 each fully paid-up	31-Mar-13	31-Mar-12	
	No. of shares	No. of shares	
Equity shares allotted as fully paid-up pursuant to business takeover			
	45,00,000	45,00,000	
Equity shares allotted as fully paid-up under sweat equity scheme			
	17,50,000	17,50,000	



Grameen Financial Services Private Limited

Notes to financial statements for the year ended March 31, 2013 (Amount in Rupees unless otherwise stated)

Amount	m nupees umess othe	TWISE Stateur
4. Reserves and Surplus	31-Mar-13	31-Mar-12
Securities Premium Account		
Balance as per last financial statements	23,61,86,425	23,61,86,425
Add : Premium on shares issued during the year	38,42,22,232	-
Closing Balance	62,04,08,657	23,61,86,425
Statutory Reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)		
Balance as per last financial statements	1,07,72,783	1,07,71,881
Add : Amount transferred from the surplus balance of profit and loss*	1,69,15,859	902
Less: Amount utilized	-	-
Closing Balance	2,76,88,642	1,07,72,783
Surplus balance in the statement of profit and loss		
Balance as per last financial statements	1,29,42,704	4,19,70,017
Add:Profit / (Loss) for the year	8,45,79,295	(2,90,26,411)
Less:Transfer to statutory reserve as required by Sec 45-IC of Reserve Bank of India Act, 1934*	(1,69,15,859)	(902)
Net surplus in the statement of profit or loss	8,06,06,140	1,29,42,704
Total reserves and surplus	72,87,03,439	25,99,01,913

^{*} Rs. 902 in the year ended March 31, 2012, represents transfer to statutory reserve in respect of earlier financial years pursuant to RBI report dated October 14, 2011.



Grameen Financial Services Private Limited
Notes to financial statements for the year ended March 31, 2013

(Amount in Rupees unless otherwise stated)

	Non-current portion		Current maturities		
5. Long-term borrowings	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12	
Non Convertible Debentures					
Secured					
35 (March 31, 2012: 35, 11.25%) 14% Secured Redeemable Non-Convertible Debentures of face value of Rs.10,000,000 each redeemable at par in three installments on November 30, 2013, February 28, 2014 and April 30, 2014 respectively. 25 (March 31, 2012: 25) 14.05% Secured Redeemable Non-	11,66,66,667	11,66,66,667	23,33,33,333	23,33,33,333	
Convertible Debentures of face value of Rs.10,000,000 each redeemable at par at the end of two years from the date of allotment June 08, 2012	12,50,00,000	-	12,50,00,000	-	
Nature of security					
The above debentures are secured by way of first and exclusive charge over eligible book debts of the Company					
Unsecured					
21 (March 31, 2012 Nil) 16.78% Unsecured Redeemable Non-Convertible Debentures of face value of Rs.5,000,000 each redeemable at par in four equal installments on May 5, 2017, November 5, 2017, May 5, 2018 and November 5, 2018 respectively.	10,50,00,000				
Term loans	1 01 22 14 012	50.66.24.422	1 70 10 00 112	06.05.43.777	
Indian rupee loan from banks Indian rupee loan from financial institutions	1,01,33,14,012	58,66,34,432 72,40,000	1,78,10,98,113 78,90,000	86,85,13,777 10,39,25,000	
Indian rupee loan from non banking finance companies	10,98,68,235	3,88,80,512	26,70,34,027	19,44,73,504	
Indian rupee loan from others	2,04,080	9,39,151	32,72,454	24,56,246	
Other facilities from banks	-	-	-	2,46,634	
	1,47,00,52,994	75,03,60,762	2,41,76,27,927	1,40,29,48,494	
The above amount includes					
Secured borrowings*	1,47,00,52,994	75,03,60,762	2,41,76,27,927	1,40,20,02,302	
Unsecured borrowings		-		9,46,192	
Amount disclosed under the head "other current liabilities" (Note 8)	-	-	(2,41,76,27,927)	(1,40,29,48,494)	
Net amount	1,47,00,52,994	75,03,60,762	-	-	

^{*} 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, 2013
5. Long-term borrowings (Contd.)

(Amount in Rupees unless otherwise stated)

Terms of repayment of long term borrowings as on March 31, 2013

Original maturity of loan	Interest		thin 1 year	Due between 1 to 2 Years	
	rate	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)
Monthly repayment schedule					
	7.00%	5	2,72,784		-
	0.00%	5	6,66,380		-
	9.00%	12	23,33,290	1	2,04,080
	12.00% to	1	76,92,308	-	-
	12.50%	12	12,94,11,765	5	7,05,88,235
		12	13,54,16,674	12	11,45,83,326
	12.50%-	12	10,18,51,849	12	11,11,11,108
	13.00%	12	12,00,00,000	1	1,00,00,000
		11	11,45,83,334		-
		1	8,11,935		-
1- 3 Yrs		6	2,22,22,217		-
		12	2,48,00,000		-
	13.50% to	12	10,47,61,905	9	9,52,38,095
	14.00%	12	12,60,00,000	11	11,35,00,000
		12	5,00,00,000		-
		7	5,83,25,000		-
		11	4,58,33,337	12	5,00,00,004
		12	6,65,89,598	3	1,82,57,119
	15.00%to	5	27,77,772		-
	16.00%	12	5,00,00,000	9	3,74,99,999
	•	12	3,33,33,333	1	27,77,777
Quarterly repayment schedule					
	7.50%	2	6,50,000		-
1-2 Yrs	16.45%	3	6,00,00,000		-
		4	38,55,30,646	3	27,85,18,113
	12.00%- 13.00%	3	2,14,28,572	4	2,85,71,428
		1	72,40,000		-
	13.00%- 13.50%	4	14,64,28,572	1	12,50,00,000
		2	6,25,00,000		-
2 to 4 Yrs		4	16,85,00,000	4	7,50,00,000
	13.50%- 14.00%	4	5,00,00,000	2	2,50,00,000
		2	23,33,33,333	1	11,66,66,667
		4	3,33,33,324	4	3,33,33,340
	14.00% to 15.00%	3	3,00,00,000		-
Half Yearly repayment schedule					
3 -6 Yrs	13.50%	1	1,10,00,000		-
	16.78%		-		-
Yearly repayment schedule					
			-	1	1,80,00,000
1-2 Yrs	16.45%	1	1,00,00,000		-
Total		234	2,41,76,27,928	96	1,32,38,49,291



5. Long-term borrowings (Contd.)
Terms of repayment of long term borrowings as on March 31, 2013

Original maturity of loan	Interest rate	Due between 2	2 to 3 Years	Due between 3 to 4 Years	
	interest rate	No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)
Monthly repayment schedule					
	7.00%		-		-
	9.00%				-
	12.00% to 12.50%		-		-
	12.50%- 13.00%	3	3,70,37,043	-	- -
			-		-
1- 3 Yrs			-		-
	13.50% to 14.00%		-		-
	-		-		-
		1	41,66,659	-	- - - - -
	15.00%to 16.00%		-		-
			-		
Quarterly repayment schedule					
1-2 Yrs	7.50%		-		-
	16.45%		-		
	12.00%- 13.00%				
			-		
2 to 4 Yrs	13.00%- 13.50%		-		Amount (in Rupees)
	13.50%-		-		-
	14.00%	-			
Half Yearly repayment	14.00% to 15.00%		-		-
schedule					
3 -6 Yrs	13.50% 16.78%		-		
Yearly repayment schedule					
1-2 Yrs	16.45%		-		
Total		4	4,12,03,702	-	



5. Long-term borrowings (Contd.)

Terms of repayment of long term borrowings as on March 31, 2013

Terms of repayment of lo Original maturity of loan	Interest rate	Due between 4 to 5 Years		Due between 5 to 6 Years		
		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)	Total (in Rupees)
Monthly repayment schedule						
	7.00%		-		-	2,72,784
	9.00%		-		-	6,66,380
	9.00%		-		-	25,37,370
	12.00% to		-		-	76,92,308
	12.50%		-		-	20,00,00,000
			-		-	25,00,00,000
			-		-	25,00,00,000
	12.50%-13.00%		-		-	13,00,00,000
			-		-	11,45,83,334
			-		-	8,11,935
1-3 Yrs			-		-	2,22,22,217
			-		-	2,48,00,000
	13.50% to		-		-	20,00,00,000
	14.00%		-		-	23,95,00,000
			-		-	5,00,00,000
			-		-	5,83,25,000
			-		-	10,00,00,000
			-		-	8,48,46,717
	15.00%to		-		-	27,77,772
	16.00%		-		-	8,74,99,999
			-		-	3,61,11,110
Quarterly repayment schedule						
	7.50%		-		-	6,50,000
1-2 Yrs	16.45%		-		-	6,00,00,000
	201.1070		-		-	66,40,48,759
	12.00%-13.00%		-		-	5,00,00,000
	12.00% 13.00%		-		-	72,40,000
	13.00%-13.50%		-		-	27,14,28,572
			-		-	6,25,00,000
2 to 4 Yrs			-		-	24,35,00,000
	13.50%- 14.00%		-		-	7,50,00,000
			-		-	35,00,00,000
			-		-	6,66,66,664
	14.00% to		-		-	3,00,00,000
Half Yearly repayment	15.00%					-,,
schedule 3 -6 Yrs	13.50%		_		-	1,10,00,000
	16.78%	2	5,25,00,000	2	5,25,00,000	10,50,00,000
Yearly repayment schedule			, ,,		, , -,	,,,
1-2 Yrs	16.45%		-		-	1,80,00,000
1-2 112	10.45%		-		-	1,00,00,000
Total		2	5,25,00,000	2	5,25,00,000	3,88,76,80,921



Grameen Financial Services Private Limited

Notes to financial statements for the year ended March 31, 2013 5. Long-term borrowings (Contd.)

(Amount in Rupees unless otherwise stated)

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

	Interest rate	Due	e within 1 year	Due between 1 to 2 Years	
Original maturity of loan		No. of installments	Amount (in Rupees)	No. of installments	Amount (in Rupees)
Monthly repayment schedule					
	7.000/ 7.500/	12	2,71,292	-	-
	7.00% - 7.50%	12	6,74,900	5	2,72,771
	9.00% - 9.50%	12	15,10,054	5	6,66,380
	12.00% -12.50%	12	9,23,07,692	1	76,92,308
	12.50% -13.00%	9	7,50,05,000	-	-
		12	12,50,00,000	11	11,45,83,333
		12	2,25,99,767	-	-
	13.50% -14.00%	12	2,22,22,222	5	92,59,258
1.2.1/		12	2,22,22,222	5	92,59,258
1-3 Yrs		12	2,52,00,000	11	2,27,00,000
	14.000/ 14.500/	9	1,70,33,297	-	-
	14.00% -14.50%	5	2,99,41,147	-	(in Rupees) - 2,72,771 6,66,380 76,92,308 - 11,45,83,333 - 92,59,258 92,59,258
		5	1,04,58,733	-	-
	14.50%-15.00%	12	12,00,00,000	12	12,00,00,000
		12	3,18,63,924	3	81,36,076
		11	76,38,892	-	-
	15.00% -15.50%	12	66,66,672	5	27,77,772
		2	16,74,000	-	-
	9.00% - 9.50%	10	2,46,634	-	_
3-5 yrs	14.00% - 14.50%	10	1,28,71,997	-	-
Quarterly repayment schedule			-		-
	07.50% -08.00%	2	7,00,000	1	3,00,000
	13.00% -13.50%	4	2,85,71,429	3	2,14,28,571
	13.50% -14.00%	3	6,42,85,715	4	8,57,11,705
1-3 yrs		4	12,50,00,000	2	6,25,00,000
	14.00% -14.50%	4	12,52,00,000	3	9,35,00,000
	15.50%-16.00%	1	3,09,00,000	-	-
3-5 yrs	13.00% - 13.50%	4	2,89,20,000	1	72,40,000
	14.50% - 15.00%	4	3,33,33,336	2	1,66,66,664
	15.00% - 15.50%	4	4,00,00,000	3	
		4	1,52,96,236	-	-
Half Yearly repayn	nent schedule				
3-5 yrs	13.50% -14.00%	2	5,20,00,000	1	1,10,00,000
Total		241	1,16,96,15,161	83	62,36,94,096



5. Long-term borrowings (Contd.) Terms of repayment of long term borrowings as on March 31, 2012

Original maturity of loan	Interest rate	Due between No. of installments				
Monthly repayment schedule						
	7.00% - 7.50%	-	-	2,71,292		
	7.00% - 7.30%	-	-	9,47,671		
	9.00% - 9.50%	-	-	21,76,434		
	12.00% -12.50%	-	-	10,00,00,000		
	12.50% -13.00%	-	-	7,50,05,000		
		-	-	23,95,83,333		
		-	-	2,25,99,767		
	13.50% -14.00%	-	-	3,14,81,480		
1-3 Yrs		4,79 14.50% 1,70				
1-3 113		-	-	Total (in Rupees) - 2,71,292 - 9,47,671 - 10,00,00,000 - 7,50,05,000 - 23,95,83,333 - 2,25,99,767 - 3,14,81,480 - 4,79,00,000 - 1,70,33,297 - 2,99,41,147 - 1,04,58,733 0,000 25,00,00,000 - 4,00,00,000 - 76,38,892 - 94,44,444 - 16,74,000 - 2,46,634 - 1,28,71,997 - 10,00,000 - 14,99,97,420 - 14,99,97,420 - 14,99,97,420 - 3,09,00,000 - 3,61,60,000 - 5,00,00,000 - 3,61,60,000 - 5,00,00,000 - 3,61,60,000 - 5,00,00,000 - 1,52,96,236 - 1,52,96,236		
	14.00% -14.50%	-	-	1,70,33,297		
	14.00% 14.50%	-	-	2,99,41,147		
		-	-	1,04,58,733		
	14.50%-15.00%	1	1,00,00,000	25,00,00,000		
		-	-	4,00,00,000		
		-	-	76,38,892		
	15.00% -15.50%	-	-	94,44,444		
		-	-	16,74,000		
3-5 yrs	9.00% - 9.50%	-	-	2,46,634		
3-3 yıs	14.00% - 14.50%	-	-	1,28,71,997		
Quarterly repayment schedule		-	-			
	07.50% -08.00%	-	-	10,00,000		
	13.00% -13.50%	-	-	5,00,00,000		
1-3 yrs	13.50% -14.00%	-	-	14,99,97,420		
1-3 yi3	13.50% -14.00%	-	-	18,75,00,000		
	14.00% -14.50%	-	-	21,87,00,000		
	15.50%-16.00%	-	-	3,09,00,000		
3-5 yrs	13.00% - 13.50%	-	-	3,61,60,000		
	14.50% - 15.00%	-	-	5,00,00,000		
	15.00% - 15.50%	-	-	7,00,00,000		
	15.00% - 15.50%	-	-	1,52,96,236		
Half Yearly repayment schedule				-		
3-5 yrs	13.50% -14.00%		-	6,30,00,000		
Total		1	1,00,00,000	1,80,33,09,257		



Grameen Financial Services Private Limited

6. Provisions	Long	Long term		term
6. Provisions	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Provision for employee benefits				
Provision for gratuity (refer note 32)	38,47,518	21,64,244		-
Provision for leave encashment	42,45,095	26,13,676	21,66,199	81,028
	80,92,613	47,77,920	21,66,199	81,028
Others provisions				
Contingent provision against standard assets	21,47,132	18,10,776	73,45,834	47,65,685
Provision for non sub standard assets	4,47,03,052	44,54,495	-	-
	4,68,50,184	62,65,271	73,45,834	47,65,685
Total	5,49,42,797	1,10,43,191	95,12,033	48,46,713
7. Short term borrowings			31-Mar-13	31-Mar-12
Loans repayable on demand				25 00 00 000
Indian rupee loan from banks (secured) Indian rupee loan from non banking financial companies (sec	ours d)			25,00,00,000
	curea)			6,75,00,000
Total			-	31,75,00,000
The above amount includes				
Secured borrowings*			-	31,75,00,000
			-	31,75,00,000
*Indian rupee loans from non banking financial companies a money deposits.	re secured by hypothecat	ion of book debts	and by margin	

8. Other current liabilities	31-Mar-13	31-Mar-12
Trade payables (refer note 37 for details of dues payable to Micro and small enterprises)	-	-
Expenses and other payables	5,28,99,242	4,25,69,566
Employee benefit payables	1,38,57,316	31,41,330
Payable towards securitisation	15,88,76,089	11,74,55,719
Other liabilities		
Current maturities of long-term borrowings (refer note 5)	2,41,76,27,927	1,40,29,48,494
Interest accrued but not due:		
On term loans	54,42,332	69,34,468
On debentures	2,19,69,424	75,52,254
Interest accrued and due on borrowings	1,02,90,553	-
Statutory dues	81,47,818	59,34,606
Unamortized income		
Unamortised gain on securitisation	10,26,28,668	7,13,29,438
Unamortised interest income	25,19,636	12,46,682
	2,79,42,59,005	1,65,91,12,557



Grameen Financial Services Private Limited
Notes to financial statements for the year ended March 31, 2013

(Amount in Rupees unless otherwise stated)

9. Tangible Assets	Building	Computer	Electrical Equipment	Furniture & Fixture
As at April 1, 2011	7,72,800	1,44,97,480	40,87,102	1,09,12,877
Additions	-	5,56,834	-	1,63,053
Disposals	-	-	-	(14,400)
Other adjustments	-		(20,632)	13,273
As at March 31, 2012	7,72,800	1,50,54,314	40,66,470	1,10,74,803
Additions	-	8,57,707	19,408	2,02,104
Disposals	-	2,30,082	84,862	2,30,954
Other adjustments		(2,45,500)	(28,59,749)	32,602
As at March 31, 2013	7,72,800	1,54,36,439	11,41,267	1,10,78,555
Depreciation				
As at April 1, 2011	26,747	33,43,130	7,97,701	43,99,171
Depreciation charge for the year	12,597	23,56,404	1,71,153	4,84,498
Disposals	-		-	1,180
Other adjustments (asset)	-	-	-	
Other adjustments (depreciation)	-	(80,790)	-	43,245
As at March 31, 2012	39,344	56,18,744	9,68,854	49,25,734
Depreciation charge for the year	12,597	24,27,763	51,165	3,89,898
Disposals		1,97,832	49,010	2,11,645
Other adjustments (depreciation)*	34	1,48,118	(3,44,106)	9,87,453
As at March 31, 2013	51,974	79,96,793	6,26,903	60,91,441

9. Tangible Assets contd.	Leasehold Improvement	Office equipments	Vehicles	Total
As at April 1, 2011	8,46,607	75,91,276	84,42,265	4,71,50,406
Additions	-	3,18,263	28,448	10,66,599
Disposals	-	-	(12,79,704)	(12,94,104)
Other adjustments	-	(14)	5,83,601	5,76,228
As at March 31, 2012	8,46,607	79,09,525	77,74,610	4,74,99,129
Additions		15,98,770	4,09,497	30,87,486
Disposals		12,88,799	12,41,379	30,76,075
Other adjustments		23,04,218		(7,68,429)
As at March 31, 2013	8,46,607	1,05,23,714	69,42,728	4,67,42,111
Depreciation				
As at April 1, 2011	3,17,478	8,82,099	31,05,013	1,28,71,339
Depreciation charge for the year	5,29,129	3,79,216	8,23,875	47,56,872
Disposals	-	-	5,02,337	5,03,517
Other adjustments (asset)	-	-	5,00,250	5,00,250
Other adjustments (depreciation)	-	(14,799)	(10,66,574)	(11,18,917)
As at March 31, 2012	8,46,607	12,46,516	28,60,228	1,65,06,027
Depreciation charge for the year	-	5,54,772	7,03,122	41,39,317
Disposals		3,21,931	5,34,150	13,14,568
Other adjustments (depreciation)*		3,94,219	(1,232)	11,84,486
As at March 31, 2013	8,46,607	18,73,575	30,27,968	2,05,15,262



Grameen Financial Services Private Limited

Notes to financial statements for the year ended March 31, 2013

(Amount in Rupees unless otherwise stated)

10. Intangible Assets	Computer Software	Goodwill	Total
As at April 1, 2011			
Additions	77,96,736	7,60,00,000	8,37,96,736
Deletions	-	-	-
	-	-	-
As at March 31, 2012	77,96,736	7,60,00,000	8,37,96,736
Additions	-	-	-
Internal Development	5,79,359	-	5,79,359
Ajustments	7,68,423	-	7,68,423
As at March 31, 2013	91,44,518	7,60,00,000	8,51,44,518
Amortization			
As at April 1, 2011	54,53,552	6,80,00,004	7,34,53,556
Depreciation charge for the year	14,65,320	79,99,996	94,65,316
As at March 31, 2012	69,18,872	7,60,00,000	8,29,18,872
Depreciation Charge for the year	5,88,972		5,88,972
Other adjustments (depreciation)*	1,38,838		1,38,838
As at March 31, 2013	76,46,681	7,60,00,000	8,36,46,682
Net Block			
As at March 31, 2012	8,77,865	-	8,77,864
As at March 31, 2013	14,97,837	_	14,97,836

Grameen Financial Services Private Limited

Notes to financial statements for the year ended March 31, 2013 (Amount in Rupees unless otherwise stated)

11. Non-current investments	31-Mar-13	31-Mar-12
Non trade investments (valued at cost unless stated otherwise)		
Investment in equity shares (Unquoted)		
200,000 (March 31, 2012: 200,000) equity shares of Rs 10 each of Alpha Microfinance Consultants Private Limited	20,00,000	20,00,000
Others (Unquoted)		
Investment in pass through certificate of Arete IFMR capital - Series A3	46,100	-
Aggregate amount of unquoted investments	20,46,100	20,00,000
12. Deferred tax asset (net)	31-Mar-13	31-Mar-12
Deferred tax liabilities		
Impact of amortisation of ancilliary borrowing cost	97,86,220	48,67,699
Gross deferred tax liabilities	97,86,220	48,67,699
Deferred tax assets		
Impact of difference between tax depreciation and depreciation/amortisation charged to profit and loss	23,41,438	31,79,610
Impact of expenditure charged to profit and loss in the current year but allowed for tax purpose on payment basis	34,86,970	16,51,556
Impact of provision against other assets	27,55,491	16,96,017
Impact of provision against standard assets and sub standard assets	1,84,21,226	37,49,422
Gross deferred tax assets	2,70,05,125	1,02,76,605
Net deferred tax assets	1,72,18,905	54,08,906
Deferred tax assets recognised	1,72,18,905	-



Grameen Financial Services Private Limited Notes to financial statements for the year ended March 31, 2013

(Amount in Rupees unless otherwise stated)

	Non-c	urrent	Cui	rrent
13. Loans and advances	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
A. Portfolio Loans				
Unsecured considered good*				
Joint liability group loans	85,88,63,458	72,43,10,168	2,93,66,47,391	1,87,61,10,260
Individual loans	-	-	16,75,486	3,01,63,813
Unsecured considered doubtful**				
Joint liability group loans	2,93,05,643	3,05,31,906	-	
Individual loans	1,53,97,409	1,26,17,978	-	
(A)	90,35,66,510	76,74,60,052	2,93,83,22,877	1,90,62,74,073
* Represents standard asset in accordance with class **Represents substandard assets in accordance with 2.1(s)).				
B. Subordinated contribution used for accelerated payout for securitization	1,50,06,034	5,58,02,682	5,58,02,682	
(B)	1,50,06,034	5,58,02,682	5,58,02,682	
C.Security Deposits				
Unsecured, considered good	1,69,90,257	1,85,01,756	-	
(C)	1,69,90,257	1,85,01,756	-	
D.Advances recoverable in cash or kind				
Unsecured, considered good	21,68,166	3,15,754	80,48,308	67,39,045
Unsecured, considered doubtful	70,78,309	49,89,754	-	, , , , , , , , , , , , , , , , , , ,
	92,46,475	53,05,508	80,48,308	67,39,045
Less: Provision for doubtful advances	(70,78,309)	(49,89,754)	-	
(D)	21,68,166	3,15,754	80,48,308	67,39,045
E.Other loans and advances (Unsecured, considered good)				<u> </u>
Advance income tax (net of provision for taxation)	1,11,51,306	54,17,081	-	
MAT credit entitlement	25,69,823	-	-	
Prepaid expenses	14,61,286	3,00,000	44,73,912	37,30,226
Loans and advances to employees	19,04,702	29,41,630	54,04,158	60,63,757
(E)	1,70,87,117	86,58,711	98,78,070	97,93,983

Total (A+B+C+D+E)

95,48,18,084

85,07,38,955

3,01,20,51,937

1,92,28,07,101



Grameen Financial Services Private Limited

Notes to financial statements for the year ended March 31, 2013 (Amount in Rupees unless otherwise stated)

	Non-c	urrent	Curre	nt
14. Other assets	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Non-current bank balances (note 17)	30,50,82,459	17,65,97,862	-	-
Unamortized expenditure				
Share issue expenses	38,06,166	8,04,098	14,00,883	-
Discount on issue of debenture	-	51,850	-	6,22,222
Ancillary borrowing costs	1,45,02,472	45,02,253	1,42,88,996	91,44,649
Interest accrued but not due on deposits placed with banks	71,71,365	80,47,529	2,13,23,681	-
Income accrued but not due on securitisation transactions	-	-	8,39,10,816	67,58,422
Interest accrued but not due on portfolio loans	-	-	83,44,676	56,64,712
Interest accrued and due on portfolio loans	-	-	291	1,90,007
Discounted income on securitisation transaction receivable in future years	2,78,98,497	5,31,93,543	3,54,26,307	66,84,032
Other current assets			3,52,810	4,64,998
Total	35,84,60,959	24,31,97,135	16,50,48,460	2,95,29,042
15. Current investments			31-Mar-13	31-Mar-12
Unquoted: Mutual funds (At net asset value declared by				
the fund)				
235,822 (March 31, 2012: Nil) units of Rs. 10 each of Union KB6 Fund	C Dynamic Bond		25,91,729	-
Total			25,91,729	-
Aggregate amount of unquoted investments (Cost price: Rs. 2,500,000)			25,91,729	-
			C	

2,500,000)

Current

16. Trade receivables

31-Mar-13

Outstanding for a period less than six months from the date they are due for payment
Unsecured, considered good

2,03,845

11,00,151

Total

The Company does not have any trade receivables outstanding for a period exceeding six months from the date they are due for payment

	Non-cu	urrent	Curre	nt
17. Cash and bank balances	31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
Cash and bank balances				
Balance with banks				
On current accounts	-	-	43,00,87,101	5,43,93,965
Deposits with original maturity of less than 3 months*	-	-	20,34,69,401	32,21,502
Cash in hand	-	-	10,10,452	69,25,438
	-	-	63,45,66,954	6,45,40,905
Other bank balances				
Margin money deposits**	30,50,82,459	17,65,97,862	27,78,56,901	10,45,41,837
	30,50,82,459	17,65,97,862	27,78,56,901	10,45,41,837
Amounts disclosed under non-current assets (note 14)	(30,50,82,459)	(17,65,97,862)	-	-
Total	-	-	91,24,23,855	16,90,82,742

^{*} Includes an amount of Rs.3,469,401 representing insurance claim received after death of an employee, pending settlement on account of an impending court order for identifying the nominee.

^{**} Represents margin money deposits placed to avail tem loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with securtisation transactions.



Total

Grameen Financial Services Private Limited Notes to financial statements for the year ended March 31, 2013

(Amount in Rupees unless otherwise stated)

18. Revenue from operations	31-Mar-13	31-Mar-12
Interest Income		
Interest on portfolio loans	64,34,28,185	42,45,49,780
Income from securitization and asset assignment	12,55,63,240	7,32,58,957
Other operating revenue		
Loan processing fees	6,04,46,789	7,31,81,539
Interest on margin money deposits*	3,46,85,303	1,65,54,779
Insurance administration charges	-	36,05,248
Recovery against loans writen offs	28,47,967	41,27,039
Total	86,69,71,484	59,52,77,342
# D	l. fint - l to - ataat	
* Represents interest on margin money deposits placed to avail tem loans from b companies and as cash collateral in connection with securtisation transactions.	anks, financial institutions,	, non banking financial
	31-Mar-13	31-Mar-12
companies and as cash collateral in connection with securtisation transactions.		_
companies and as cash collateral in connection with securtisation transactions. 19. Other income	31-Mar-13	31-Mar-12
companies and as cash collateral in connection with securtisation transactions. 19. Other income Dividend on mutual funds	31-Mar-13 93,52,836	31-Mar-12
companies and as cash collateral in connection with securtisation transactions. 19. Other income Dividend on mutual funds Interest on fixed deposits	93,52,836 1,71,867	31-Mar-12
companies and as cash collateral in connection with securtisation transactions. 19. Other income Dividend on mutual funds Interest on fixed deposits Income recognised towards amount received for technical assistance	93,52,836 1,71,867 1,19,87,772	31-Mar-12 2,19,28,910 -

Grameen Financial Services Private Limited Notes to financial statements for the year ended March 31, 2013

(Amount in Rupees unless otherwise stated)

2,66,48,250

3,24,92,590

20. Employee benefits expense	31-Mar-13	31-Mar-12
Salaries & bonus	19,18,77,629	19,10,41,108
Contribution to provident fund and other funds	1,75,20,120	1,86,26,100
Leave encashment and availment	49,64,453	9,92,487
Leave travel allowance	43,03,277	38,30,899
Gratuity	38,47,518	21,64,241
Staff welfare expenses	19,92,258	13,22,685
Total	22,45,05,255	21,79,77,520
21. Finance costs	31-Mar-13	31-Mar-12
Interest expense		
on debenture	7,58,46,038	3,93,84,378
on term loan from banks	24,13,80,942	16,57,37,970
on term loan from financial instituion	65,42,449	2,26,22,343
on term loan from non banking finance companies	4,02,58,930	4,42,92,058
on term loan from loan from others	4,86,049	1,65,311
on cash credit facility	_	20,16,046
other facilities from banks	10,285	35,667
Other borrowing costs	3,46,43,305	2,67,01,998
Bank charges	9,78,627	17,98,751
Total	40,01,46,625	30,27,54,522



Grameen Financial Services Private Limited
Notes to financial statements for the year ended March 31, 2013

(Amount in Rupees unless otherwise stated)

22. Other expenses	31-Mar-13	31-Mar-12
·		
Rent	1,93,67,212	2,14,82,785
Rates & taxes	30,59,196	6,05,707
Insurance	56,73,820	12,72,345
Repairs & maintenance	, ,	, ,
Repairs to building	50,00,310	58,80,004
Repairs to machinery	5,73,211	8,09,845
Others	53,332	3,85,553
Electricity	24,10,372	27,21,374
Travelling and conveyance	3,59,88,074	3,50,04,259
Postage & telecommunication	1,57,96,416	1,15,74,859
Printing & stationery	69,89,196	48,46,600
Professional & consultancy charges	81,10,260	1,14,64,707
Credit Bureau Expenses	20,95,231	14,55,260
Directors sitting fees	4,30,000	4,80,700
Auditors remuneration	1,55,555	1,00,700
Audit fees	18,25,000	17,75,000
Out of pocket fees	3,12,189	4,65,976
Training expenses	41,57,626	12,17,359
Other administrative expenses	1,04,30,715	1,10,71,304
Provision for other assets		
Tabel	1,24,31,946	71,32,901
Total	13,47,04,106	11,96,46,537
Particulars	31-Mar-13	31-Mar-12
As auditor:		
Audit fee	8,00,000	13,50,000
Limited review	4,00,000	2,50,000
Others	2,00,000	25,000
In other capacity		
Certification services	4,25,000	1,50,000
Reimbursement of expenses	3,12,189	4,65,976
Total	21,37,189	22,40,976
23. Depreciation and amortisation expense		
	31-Mar-13	31-Mar-12
Depreciation of tangible assets		
Depreciation of tangible assets	53,23,804	36,37,955
Amortisation of intangible assets	53,23,804 7,27,809	36,37,955 94,65,316
•	53,23,804	36,37,955
Amortisation of intangible assets	53,23,804 7,27,809	36,37,955 94,65,316
Amortisation of intangible assets Total	53,23,804 7,27,809 60,51,613	36,37,955 94,65,316 1,31,03,271
Amortisation of intangible assets Total	53,23,804 7,27,809 60,51,613	36,37,955 94,65,316 1,31,03,271
Amortisation of intangible assets Total 24. Provision and write-offs	53,23,804 7,27,809 60,51,613 31-Mar-13	36,37,955 94,65,316 1,31,03,271 31-Mar-12



25. Change in estimates

In the current year, the Company changed its estimate of provisioning for the microfinance loan portfolio. Had the Company applied the provisioning estimates applicable in the previous year, the provision for loan portfolio would have been lower by Rs.11,359,104.

26. The RBI vide its order dated August 17, 2012 approved the compounding application filed by the Company in respect of equity shares issued in financial year 2010, against the dividend on compulsorily convertible preference shares, amounting to Rs.937,505, to non-resident shareholders, for which FIPB approval was received subsequently on December 2, 2011. The Company's application to the Company Law Board on October 19, 2011 for compounding of the above issuance of shares is pending with the appropriate authorities.

27. Assignment / securitization of loans

i. During the year the Company has sold loans through securitization. The information on securitization / direct assignment by the Company as an originator is as given below:

Particulars	For the year ended March 31, 2013	For the year ended March 31, 2012
Number of loans securitized/assigned	135,138	184,249
Book value of loans securitized/assigned (Note 1)	1,884,271,972	1,683,632,579
Sale consideration received (Note 1)	1,935,989,188	1,701,879,618
Income recognised in statement of profit and loss	125,563,240	73,258,957
Principal outstanding of loans securitized	1,397,098,428	1,083,087,645
Particulars	As at	As at
	March 31, 2013	March 31, 2012
Credit enhancements provided and outstanding:		
Cash Collateral	322,365,779	163,600,747
Corporate guarantee	-	12,454,027

Note 1: For the year ended March 31, 2013, the amount includes Rs.15,006,034 representing portfolio loans derecognised and held as "Subordinated contribution used for accelerated payout for securitization". The same is also included in sale consideration received as it represents Company's contribution.



i. Disclosure as per RBI circular DNBS.PD.No.301/3.10.01/2012-13 dated August 21, 2012:

(Includes all transactions in operation as at March 31, 2013)

Particulars	Amount
No of SPVs sponsored by the NBFC for securitization transactions	
Number	15
Amount (Note 1)	2,706,977,360
Amount of securitized assets as per books of SPV sponsored by NBFC (Note 1)	1,416,780,501
Amount of exposures retained by NBFC to comply with MRR as on the date of balance sheet	
a. Off-Balance sheet exposure	
First Loss	-
Others	-
b. On-Balance sheet exposure	
First Loss – Cash collateral	322,365,779
Others	-
Amount of exposures to securitization transactions other than MRR	
a. Off-Balance sheet exposure	
i. Exposure to own securitizations	
First Loss	-
• Loss	-
ii. Exposure to third party transactions	
First Loss	-
Others	-
b. On-Balance sheet exposure	
i. Exposure to own securitizations	
Others	46,100
ii. Exposure to third party transactions	
First Loss	-
Others	-

Note 1: Includes an amount of Rs.70,808,266 representing portfolio loans derecognised and held as "Subordinated contribution used for accelerated payout for securitization". This amount shall flow back to the Company on full repayment to the PTC holders as per the terms of the securitization agreement.

28. 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.

29. Related parties

i. Names of the related parties with whom transactions have been entered

, ,	Ms. Vinatha M. Reddy, Chairman (Executive Chairperson upto November 30, 2012 Non-executive Chairperson with effect from December 1, 2012)
	Mr. Suresh K. Krishna, Managing Director



ii. Related party transactions

Particulars	Key management personnel	
	March 31, 2013	March 31, 2012
Transactions during the year		
Salaries, incentives and perquisites:		
Ms. Vinatha M. Reddy *	1,742,527	2,811,284
Mr. Suresh K. Krishna	4,037,097	4,601,613
Balances as at year end		
Ms. Vinatha M. Reddy	-	-
Mr. Suresh K. Krishna	-	-

^{*} Salary and other incentives indicated above are for the period upto November 30, 2012.

Capital commitments

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

Particulars	March 31, 2013	March 31, 2012
For purchase/development of computer software	501,300	178,562

30. Contingent liabilities

Particulars	March 31, 2013	March 31, 2012
Credit enhancements provided by the Company	<i>' '</i>	231,857,006
towards securitization (including cash collateral and		
corporate guarantee)		

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 15 days 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, 2013	For the year ended March 31, 2012
Current service cost	1,649,862	1,657,964
Interest cost on benefit obligation	436,039	299,942
Expected return on plan assets	(347,332)	(267,936)
Net actuarial (gain) / loss recognized	2,118,949	474,271
Past service cost	-	-



Net employee benefit expense	3,857,518	2,164,241
Actual return on plan assets	346,242	263,220

Balance sheet

Details of provision for gratuity:

Particulars	March 31, 2013	March 31, 2012
Defined benefit obligation	9,239,218	5,797,813
Plan assets	5,395,979	3,633,569
Plan liability	(3,843,239)	(2,164,244)

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

Particulars	Gratuity	
	March 31, 2013	March 31, 2012
Opening defined benefit obligation	5,797,813	4,149,882
Interest cost	436,039	299,942
Past service cost	-	-
Current service cost	1,649,862	1,657,964
Benefits paid	(762,355)	(801,217)
Actuarial (gains) / losses on obligation	2,117,859	491,242
Closing defined benefit obligation	9,239,218	5,797,813

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

Particulars	Gratuity	
	March 31, 2013	March 31, 2012
Opening fair value of plan assets	3,633,569	2,935,514
Expected return	347,332	267,937
Contributions by employer	2,178,523	1,214,365
Benefits paid	(762,355)	(801,217)
Actuarial gains / (losses)	(1,090)	16,970
Closing fair value of plan assets	5,395,979	3,633,569

The Company's estimate of contribution towards gratuity for the next financial year is Rs.28,42,857 (Previous year estimate at Rs.2,881,786).

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

Particulars	Gratuity	
	March 31, 2013	March 31, 2012
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	Gratu	ity
	March 31, 2013	March 31, 2012
Discount rate	8.05%	8.00%
Expected rate of return on assets	8.05%	8.00%
Salary escalation rate per annum	9% for the first five years and 7% thereafter	4%
Rates of leaving service	29.00%	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-13	31-Mar-12	31-Mar-11	
Defined benefit obligation	9,239,218	5,797,813	4,149,882	
Plan assets	5,395,979	3,633,569	2,935,514	
Surplus / (deficit)	(3,843,239)	(2,164,244)	(1,214,368)	
Experience adjustments on plan liabilities	(850,671)	491,242	(1,905,340)	
Experience adjustments on plan assets	1,090	(16,970)	32,799	

32. Earnings and expenditure in foreign currency (on accrual basis)

Earnings in foreign currency

Particulars	March 31, 2013	March 31, 2012
Amount received towards technical assistance	10,975,206	-

Expenditure in foreign currency

Particulars	March 31, 2013	March 31, 2012
Travelling Expenses	590,922	245,282
Software support charges	843,450	-
Share issue expenses	750,000	-
Debenture issue expenses	1,243,047	-
Total	3,427,419	245,282

33. Earnings per share (EPS)

Profit / (loss) and number of shares data used in computation of basic and diluted EPS:

Particulars	March 31, 2013	March 31, 2012
Net profit / (loss) for calculation of EPS	84,579,295	(29,026,411)
Weighted average number of equity shares – basic EPS	26,218,881	24,842,321



Effect of dilution: Stock options granted under ESOP *	Nil	NA
Weighted average number of equity shares – diluted EPS	26,218,881	-
Basic EPS (Rs.)	3.23	(1.17)
Diluted EPS (Rs.)	3.23	(1.17)
Nominal value of shares (Rs.)	10.00	10.00

^{*} For the year ended March 31, 2013 since the impact of conversion of potential equity shares is anti-dilutive in nature, the same have not been considered in calculation of diluted EPS.

34. Loan portfolio and provisions for standard and substandard assets:

(Rupees in Crores)

Asset Classification	Portfolio loans outstanding (Gross)		Provision for standard and substandard assets		substandard	Portfolio outstand	
	31-Mar-13	31-Mar-12	31-Mar-12	Additions in 2012-13	31-Mar-13	31-Mar-13	31-Mar-12
Standard	379.72	263.06	0.67	0.28	0.95	378.77	262.39
Substandard	4.47	4.31	0.43	4.04	4.47	-	3.88
Total	384.19	267.37	1.10	4.32	5.42	378.77	266.27

35.Leases

Head office and branch office premises are acquired 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, 2013	March 31, 2012
Operating lease payments recognized during the	19,367,212	21,482,785
year		

36. Dues to micro, small and medium enterprises

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

For the year ended March 31, 2013, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

37. Amounts received as technical assistance

Following amounts have been received and recognized in the statement of profit and loss under "Other Income":

Particulars	March 31, 2013	March 31, 2012
Amounts received as technical assistance	11,987,772	-



38. Stock options

Particulars	Details
Date of grant	July 27, 2012
Date of Board / Compensation Committee approval	October 15, 2011
Options granted	716,676
Method of settlement	Equity
Graded vesting period:	
Day following the expiry of 12 months from the date of grant	25%
Day following the expiry of 24 months from the date of grant	25%
Day following the expiry of 36 months from the date of grant	25%
Day following the expiry of 48 months from the date of grant	25%
Exercise period	48 months from date of vesting
Vesting conditions	Continuous service
Weighted average remaining contractual life (in years)	7.41
Weighted average exercise price per option (in Rs.)	27.00
Weighted average fair value of options granted (in Rs.)	14.32

The weighted average fair value of stock options granted during the year was Rs.14.32. The Black-Scholes Model has been used for computing the weighted average fair value considering the following:

Particulars	Tranche vesting in FY 2013-14	Tranche vesting in FY 2014-15	Tranche vesting in FY 2015-16	Tranche vesting in FY 2016-17
Share price on the date of grant (Rs.)	20.63	20.63	20.63	20.63
Exercise price (Rs.)	27.00	27.00	27.00	27.00
Expected volatility (%)	75%	75%	75%	75%
Life of the options granted (years)	5	6	7	8
Risk-free interest rate (%)	8%	8%	8%	8%
Expected dividend rate (%)	0%	0%	0%	0%
Fair value of the option (Rs.)	12.82	13.93	14.87	15.66

Since the Company used the intrinsic value method and the exercise price being more than the fair value of the shares of the Company, there is no compensation cost recognized in the statement of profit and loss during the year ended March 31, 2013.

The Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India, requires an enterprise using intrinsic value method to disclose the impact on the net results and EPS for the accounting period, had the fair value method been used. Accordingly, the impact on the financial statements of applying the fair value method is as given below:

Particulars	For the year ended March 31, 2013	•
Stock option expenditure (charge to profit and loss)	3,474,178	NA
Basic / Diluted EPS	3.09	NA



Reconciliation of Options

Particulars	March 31, 2013
Options outstanding at the beginning of the year	-
Granted during the year	716,676
Forfeited during the year	14,000
Exercised during the year	-
Expired during the year	-
Outstanding at the end of the year	7,02,676
Exercisable at the end of the year	-

39. Additional information required by RBI

a. Capital risk to asset ratio (CRAR) (computed as per method prescribed by RBI):

Particulars	March 31, 2013	March 31, 2012
CRAR (%)	24.46%	15.24%
CRAR-Tier I Capital (%)	23.93%	15.24%
CRAR-Tier II Capital (%)	0.53%	-

- **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, 2013:

(Rupees in Crores)

Particulars	Upto 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	Liabilities								
Borrowings – Banks	8.44	12.02	24.37	50.46	82.82	101.33	-	-	279.44
Market Borrowings	2.44	2.15	2.04	7.28	49.74	35.17	5.25	5.25	109.33
Assets									
Advances	33.19	35.83	27.51	80.88	144.17	92.46	0.22	4.49	418.75
Investments	-	-	-	0.26	-	-	-	0.20	0.46

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

(Rupees in Crores)

Particulars	Upto 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 – 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



e. Information on instances of fraud

Instances of fraud for the year ended March 31, 2013:

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount provided
Cash Embezzlement	1	870,007	23,029	846,978
Fake Loans	1	1,618,459	-	809,230

Instances of fraud for the year ended March 31, 2012:

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

f. The net interest margin (NIM) for the Company, for the year ended March 31, 2013 is 9.58%. The computation of NIM has been based on guidelines communicated by RBI vide its letter dated April 4, 2013 to Micro Finance Institutions Network.

40. Previous year's figures have been regrouped where necessary to conform to this year's classification.

For S R B C & CO LLP

ICAI Firm's Registration Number: 324982E

Chartered Accountants

For and on behalf of the 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

Place : Date :

ABBREVIATIONS UTILIZED IN THE ANNUAL REPORT:

- AKMI: Association of Karnataka Microfinance
- FINISH: Financial Inclusion Improves Sanitation and Health
- FWWB: Friends of Women's World Banking
- GFSPL: Grameen Financial Services Pvt Ltd
- GK: Grameen Koota
- IGL: Income Generation Loan
- MFIN: Micro Finance Institutions Network
- MIX: Microfinance Information Exchange
- NPS: National Pension Scheme
- RBI: Reserve Bank of India





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