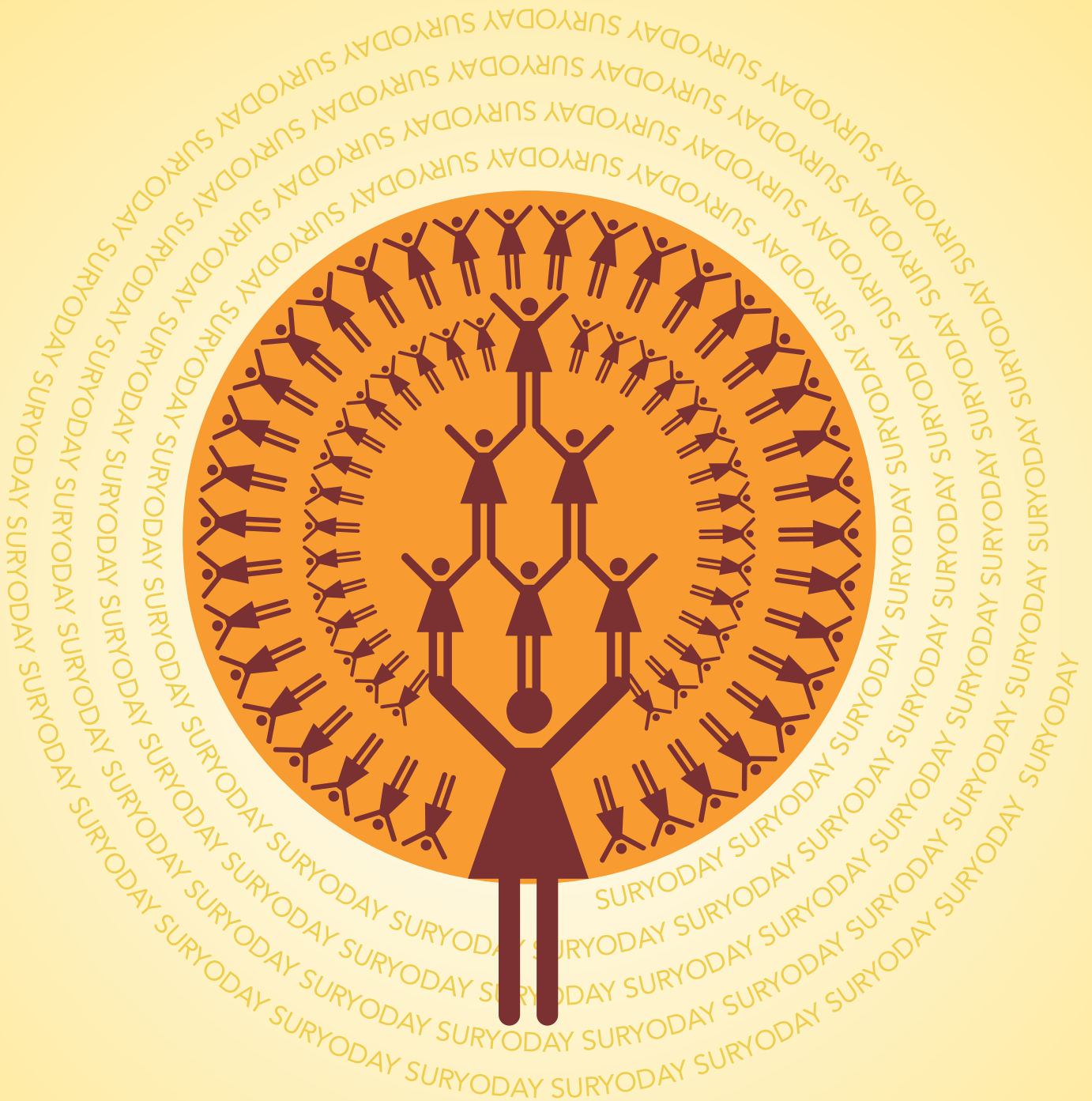


Suryoday

Enabling Dreams. Empowering Lives.

ANNUAL REPORT 2015 - 2016



*New Horizons
New Beginning*



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THE MD & CEO

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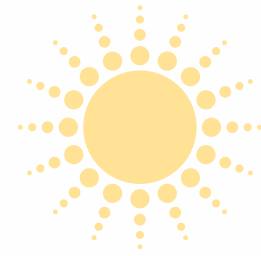
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Dear Shareholder,

We are embarking on the eighth year of our journey towards making a meaningful impact on our customers. Starting from a modest ₹11 Crores portfolio in the year 2009 to achieving the ₹1,000+ Crores portfolio this financial year, growing at a CAGR of 87% in the last five years, the journey has been both eventful and enriching. While every milestone that we crossed gave us the strength and the confidence to do better, the last twelve months have been very special. In Sept. 2015, we received an in-principle license from the Reserve Bank of India to convert into a Small Finance Bank (SFB). We have now received the final license for a Small Finance Bank. This lends credence to our inherent belief that sustained, prudent actions will help us build a respectable institution.

Let me briefly share with you the key achievements of your Company in FY 2016.

- Gross Loan Portfolio (GLP) grew by 79% YoY to ₹1,040 Crores
- Profit after Taxes grew by 63% YoY to ₹27.4 Crores
- Cost to Income Ratio stands at 55.1% and Operating Expenses Ratio at 7.6%
- Return on Assets is 2.8% as compared to 3.0% in FY 2015
- Return on Equity is 16.5% compared to 15.4% the previous year
- Gross Non-Performing Assets (NPA) at 0.2% and net NPA at 0.04%
- Increase in customer base from 4.9 Lakhs to 6.5 Lakhs

We were able to achieve these growth metrics on the back of improved economies of scale, better outreach and moderating the costs to budgeted levels. We are now spread across 190+ microfinance branches across 7 states as against 145 branches in FY15.

Small Finance Bank – A “small” step in banking but a “big” leap for social inclusiveness

Soon, we will be launching operations as a Small Finance Bank and have initiated the necessary steps for this transformation. We have partnered with highly reputed process consultants and technology companies to help us build a best-in-class financial institution.

The transformation into an SFB requires intense preparatory work on all fronts, including but not limited to legal, regulatory, capital structure, formation of bank board, branch strategy, technology infrastructure, etc.

To achieve this and to ensure this transition is least disruptive to the existing operations that are continuing to grow at a healthy pace, we have internally focused on the following key strategies.

- Continue to offer our existing credit products suite of microfinance loans, Vikas Loans (group loans with non-cash disbursement and repayment through banking channels), Shopkeeper Loans, etc to new and current customers
- Launch new product offerings such as small ticket Loan Against Property, Affordable Housing Loans, MSME Loans etc



- Leverage on our strengths of existing network to grow a robust business correspondent (BC) channel for liabilities management
- Offer digital banking as the key account differentiator to customers using the extensive Aadhar linked biometric validation and mobile technologies whilst continuing to explore banking through traditional channels
- Improve operational efficiencies and ensure robust risk management practices through standard operating procedures
- Focus on the unserved and the underserved through innovative banking practices and continue to expand reach in states where we currently do not have a presence
- Focus on providing best-in-class “Customer Experience” through our products and services

Our pilot launch of our new products - Shopkeeper Loans and MSME Loans that was initiated in April 2016, has seen a healthy traction in disbursements in Mumbai region and we plan to launch it in phases across other markets.

We shall leverage technology for improving outreach and enhancing efficiencies. Customer experience will remain our priority and we intend to achieve it by implementing best-in-class technology infrastructure and solutions.

We keenly look forward to this exciting next phase of growth and transformation into an SFB that sets benchmarks of excellence and delivers long term value to all our stakeholders and to the society we operate in.

I take this opportunity to thank our Investors, the Board of Directors, and each and every member of Suryoday family for their valuable contribution as we take this big leap and aim to be an active change agent towards financial inclusion.

R. Baskar Babu



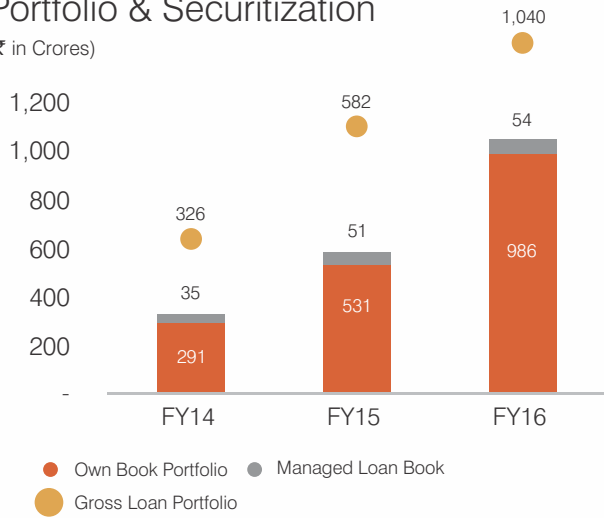
FINANCIAL HIGHLIGHTS



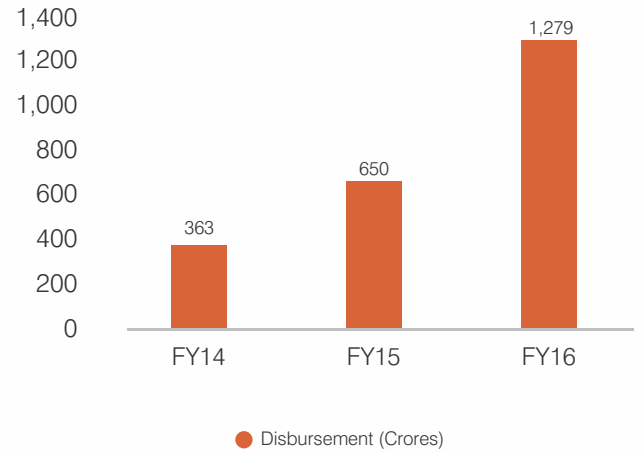


Portfolio & Securitization

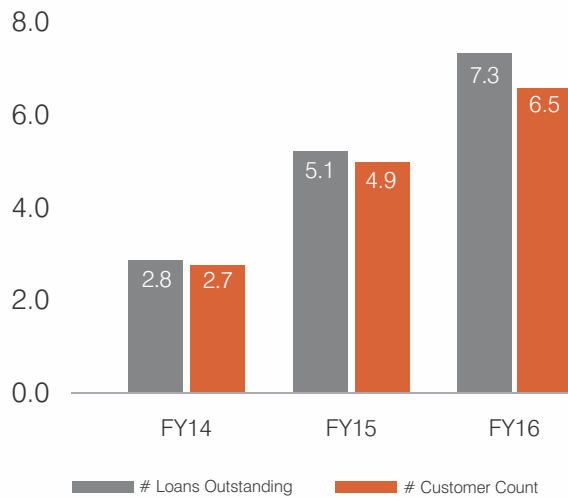
(₹ in Crores)



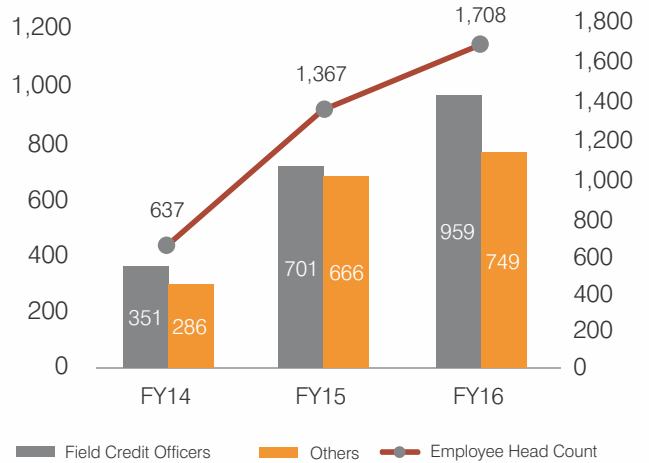
Disbursement (₹ in Crores)



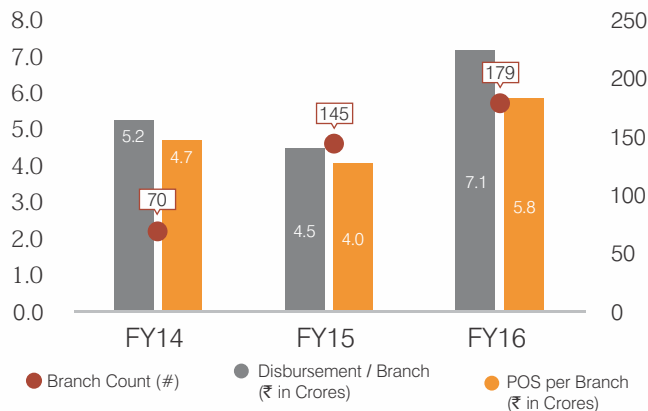
Customer and Loan Count (# in Lakhs)



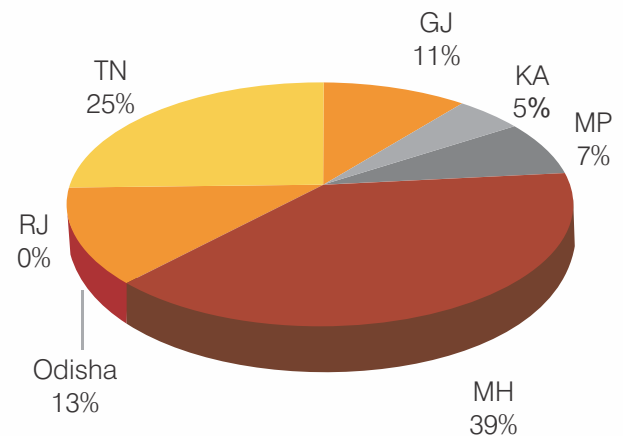
Employee Head Count



Branch Metrics

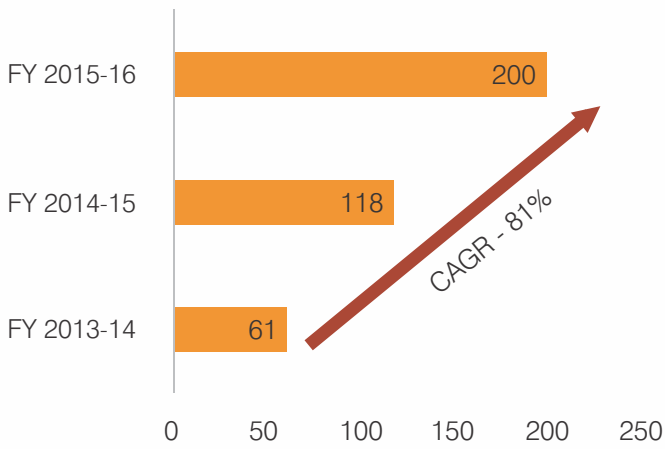


State GLP

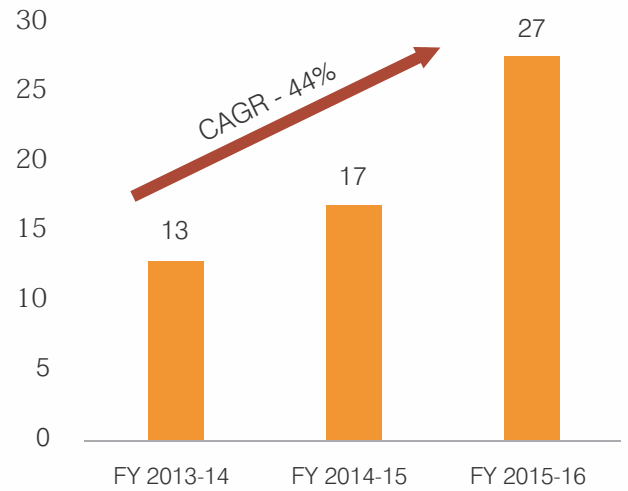




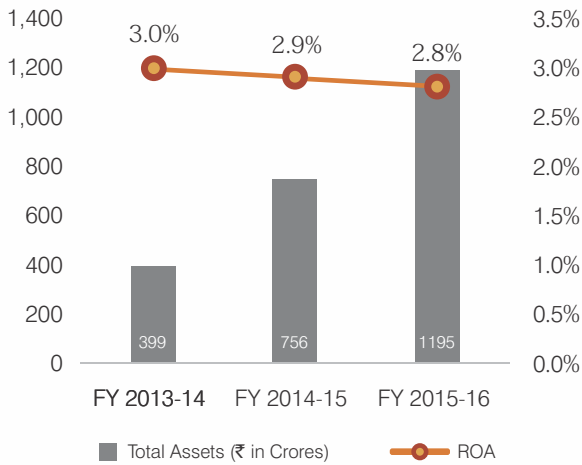
Total Income (₹ in Crores)



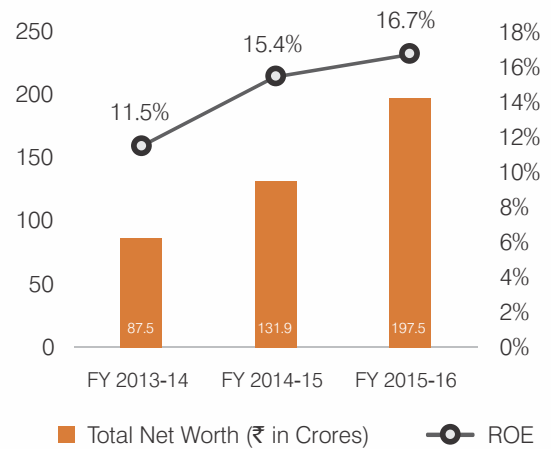
Profit After Tax (₹ in Crores)



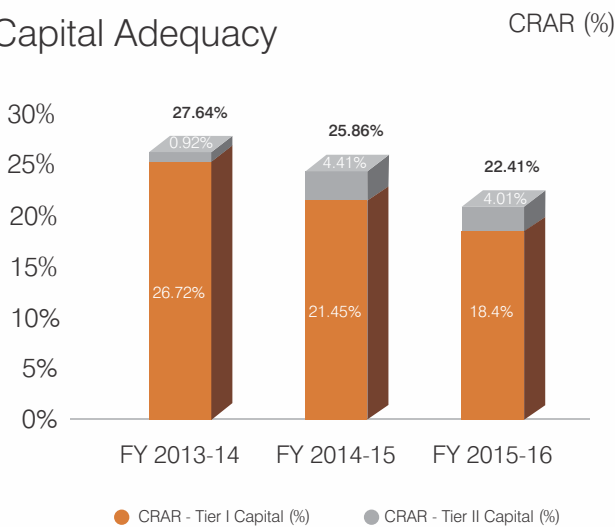
Total Assets / ROA



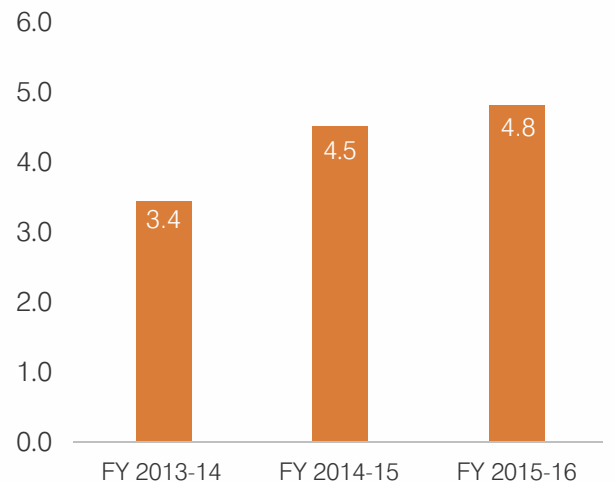
Total Net Worth / ROE

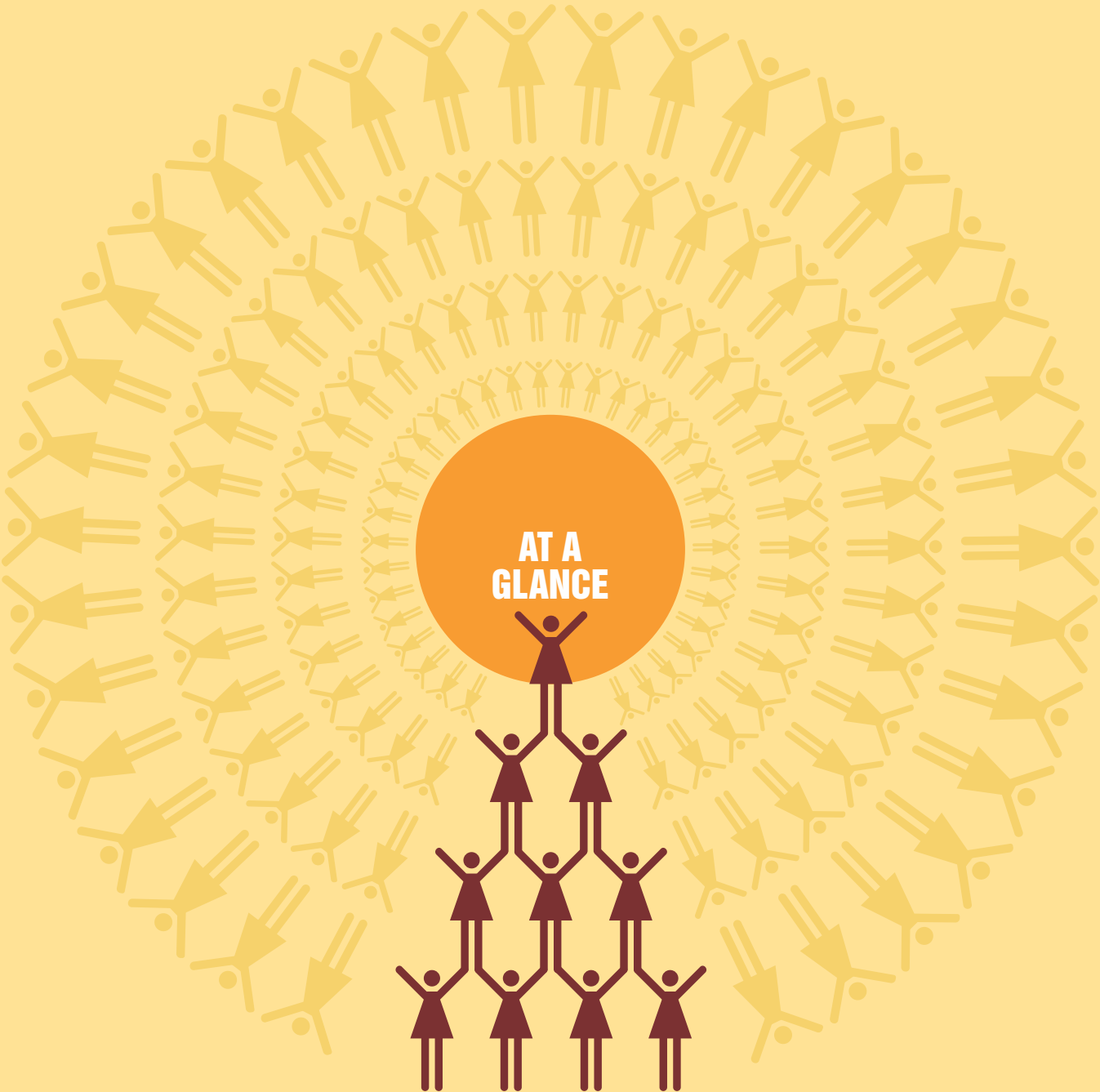


Capital Adequacy



Debt / Equity (x)





**AT A
GLANCE**



KEY MILESTONES

Key Milestones at a glance:



7 years' time span is not too long in the life of an organization but when it has covered remarkable milestones along its short journey, they mark progress points in marching towards a long term vision. Strategic thinking and well planned execution backed by a passionate team made these possible.

To us these milestones add significant value to our over-all business purpose of enabling dreams and empowering lives.

2008

November 2008 was the beginning of Suryoday. Incorporated under the Companies Act with Registered Office in Chennai.

Obtained RBI license for NBFC operations

Partnered with Aavishkaar Goodwill for Private Equity Funding

Obtained CRISIL rating of mfR5

Opened 10 branches across Pune and Solapur in Maharashtra and Chittoor in Andhra Pradesh

2009

Business: Cumulative Disbursement - ₹15 Crores. Gross Loan Portfolio - ₹11 Crores
Active Customers - 15,000

Launched Second Cycle Loan Products

Series B Funding of ₹21 Crores from Aavishkaar Goodwill and Lok Capital

CRISIL Grading upgraded to mfR4

2010

Network: 31 Branches across Pune, Solapur, Mumbai and Kolhapur in Maharashtra, Bhubaneshwar in Odisha, Chittoor in Andhra Pradesh, Salem and Trichy in Tamilnadu

Launched new products with Monthly/Fortnightly repayments

Retained CRISIL Rating of mfR4

2011

Business: Cumulative Disbursement – ₹220 Crores. Gross Loan Portfolio – ₹80 Crores
Active Customers: 90,000

Series C Equity Infusion from HDFC Holdings and HDFC Life

CRISIL Grading upgraded to mfR3

2012

Business: Cumulative Disbursement - ₹350 Crores. Gross Loan Portfolio - ₹112 Crores
Active Customers - 1,40,000

Network: 34 Branches. Expanded to Karnataka and Gujarat



Series D Equity Infusion of ₹20 Crores from Aavishkaar Goodwell and Lok Capital

Series E Equity Infusion of ₹15 Crores from domestic investors

Business: Cumulative Disbursement – ₹422 Crores. Gross Loan Portfolio – ₹152 Crores.

Active Customers – 1,52,000

Network: 46 Branches

2013

Received a debt rating of BBB- (with +ve outlook) from ICRA in Sept. 2013

Received RBI approval for NBFC-MFI status (Dec. 2013)

Retained CRISIL Grading of mFR3

Business: Cumulative Disbursement – ₹785 Crores. Gross Loan Portfolio – ₹327 Crores.

Active Customers – 2,74,000

Network: Added 24 branches taking the total to 70 branches. Expanded to Rajasthan

2014

Received a debt rating of BBB- (with stable outlook) from ICRA in June 2014

Equity Infusion of ₹27.4 Crores from IFC and existing investors.

Received Bank Line Rating of BBB for enhanced amount of ₹350 Crores in Feb. 2015

Securitized Portfolio of ₹58 Crores in FY 2015

Received Grading of M2+ from ICRA in Apr. 2015

Equity Infusion of ₹32.6 Crores through Rights Issue

Business: Cumulative Disbursement – ₹1,663 Crores. Gross Loan Portfolio – ₹639 Crores.

Active Customers – 5,62,000

2015

Network: 145 Branches across Maharashtra, Odisha, Gujarat, Tamil Nadu, Karnataka, Rajasthan and Madhya Pradesh

Grading of M FI-1

Network: 179 Branches (March 2016)

Disbursement of ₹1,279 Crores in FY 16. Raised ₹746 Crores through debt funding

Securitized portfolio of ₹51 Crores through direct assignment

Received in-principle approval from RBI for setting-up Small Finance Bank in Sept. 2015

Credit rating of A(-) & A1 in FY 17

2016

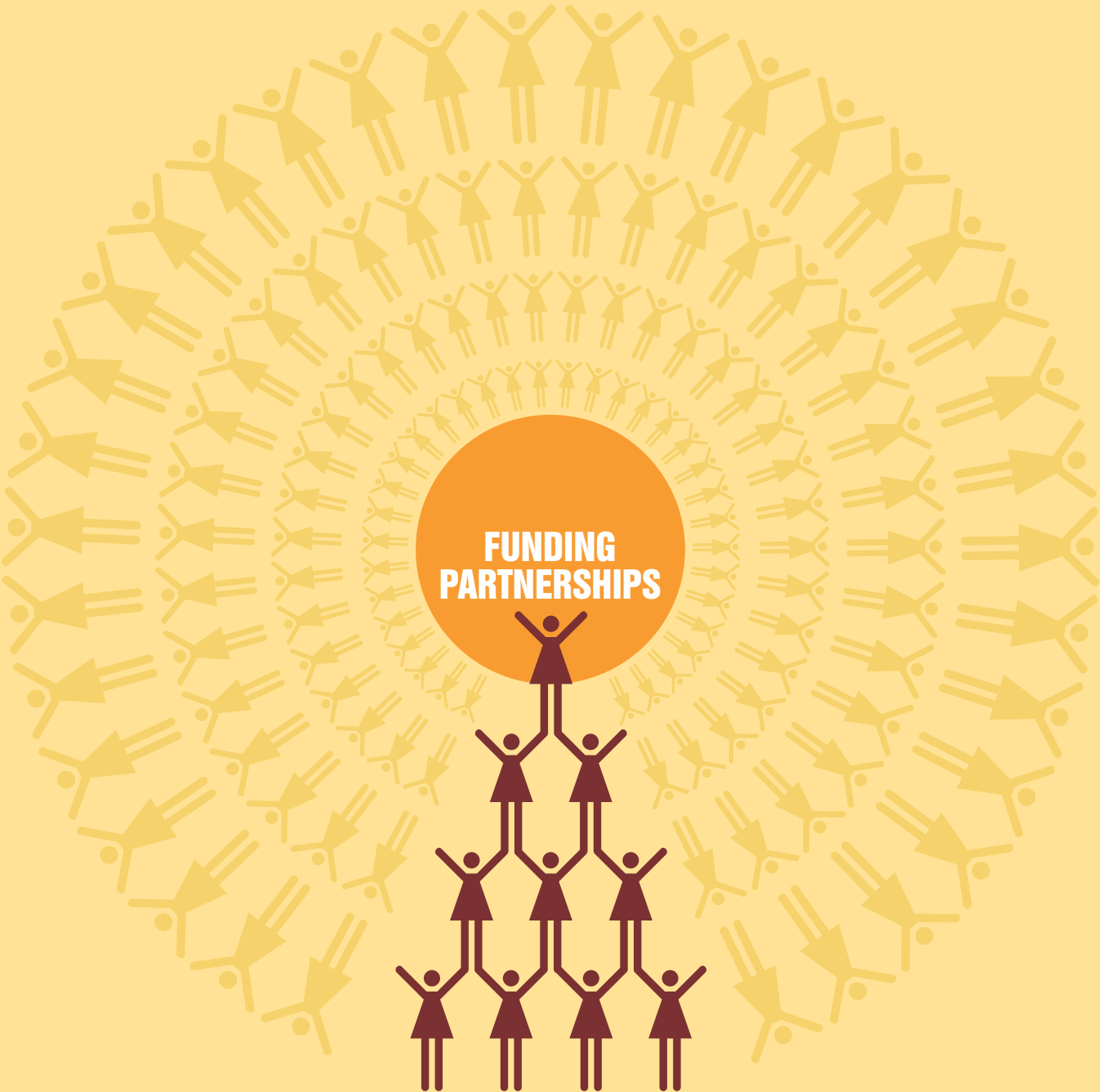
Equity infusion of ₹131 Crores in Q1 FY 17

Received final licence from RBI in August 2016 to operationalise SFB



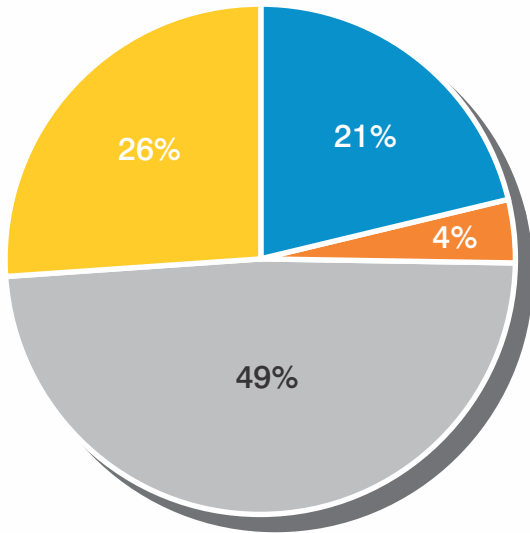
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Shareholding 2016



- Domestic Body Corporate / Institutional investor
- ESOPs and other Individual investor
- Foreign Body Corporate / Institutional investor
- Promoter Group

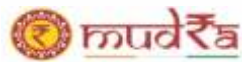
Major Investors





LENDING PARTNERS

Public Sector Banks



Private Sector Banks



Non Banking Finance Companies

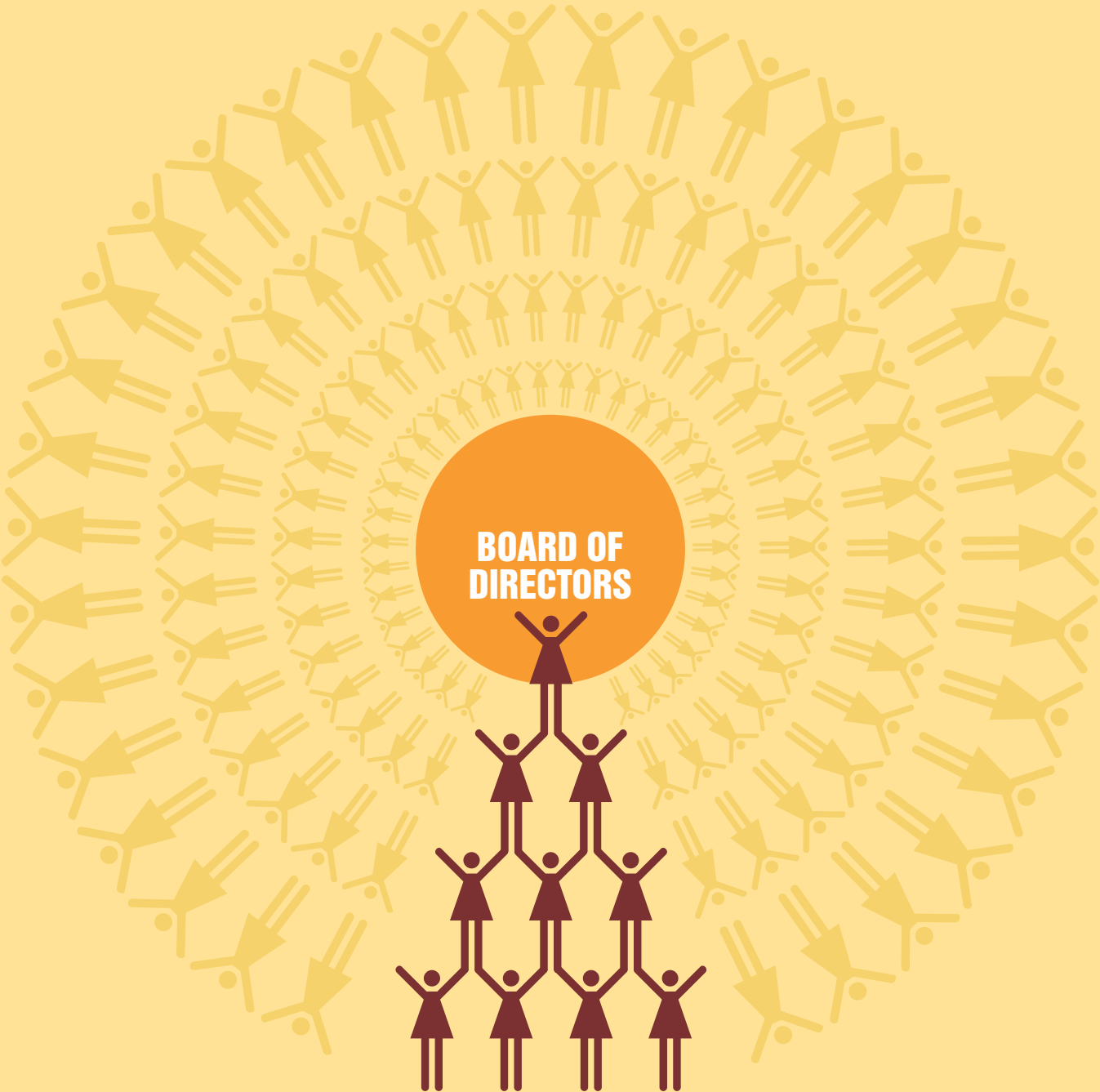


We only do what's right for you



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Dr. Mrs. Sheela Bhide (Chairperson and Independent Director)

Dr. Mrs. Sheela Bhide holds a Doctorate in International Trade from the Institute of International Studies, Geneva; a Masters Degree in Economics from George Mason University and a Masters in Public Policy from John F. Kennedy School of Government, Harvard University. She joined the Indian Administrative Service in 1973 and in the course of her 36 year long career with the GoI, has held various posts such as Chairman and Managing Director, ITPO; Additional Secretary and Financial Advisor, Ministry of External Affairs; Additional Secretary and Financial Advisor, Ministry of Defence and Joint Secretary, Ministry of Corporate Affairs.

Mr. R. Ramachandran (Independent Director)

Mr. R. Ramachandran is an illustrious banker with global experience. He retired as the Chairman & Managing Director of Andhra Bank in December 2011 prior to which he was Executive Director at Syndicate Bank. He is currently a Non Executive Director of SIDBI and an Independent Director in Gati - Kintentsu Express Pvt. Ltd. and a Director of Meliora Asset Reconstruction Company Ltd.

Mr. Mrutunjay Sahoo (Additional Non-Executive Independent Director)

Superannuated at the level of Special Chief Secretary to the Government of Andhra Pradesh, Mr. Mrutunjay Sahoo held positions of Director as Government nominee in many big PSUs including Navratna and Miniratna Companies and also been chairman of a few power sector companies.

Mr. Arun Diaz (Nominee Director)

Mr. Arun Diaz holds a Master's Degree in Management from XLRI. He is currently an entrepreneur consultant and also a trustee and member of the Investment Committee of Aavishkaar Goodwell. He was earlier the head of Reuters Consulting for South Asia and had a distinguished career spanning 28 years at Standard Chartered Bank in various positions and international locations.

Mr. Venkatesh Natarajan (Nominee Director)

Mr. Venkatesh Natarajan has over fourteen years of experience in product development and venture capital at Intel. He has led several equity deals in design software, computing and wireless technology sectors and acted as operational consultant to various MFIs in India. He is an MBA from Cornell University and has an Engineering Degree from Annamalai University.

Mr. Mathew Joseph (Nominee Director)

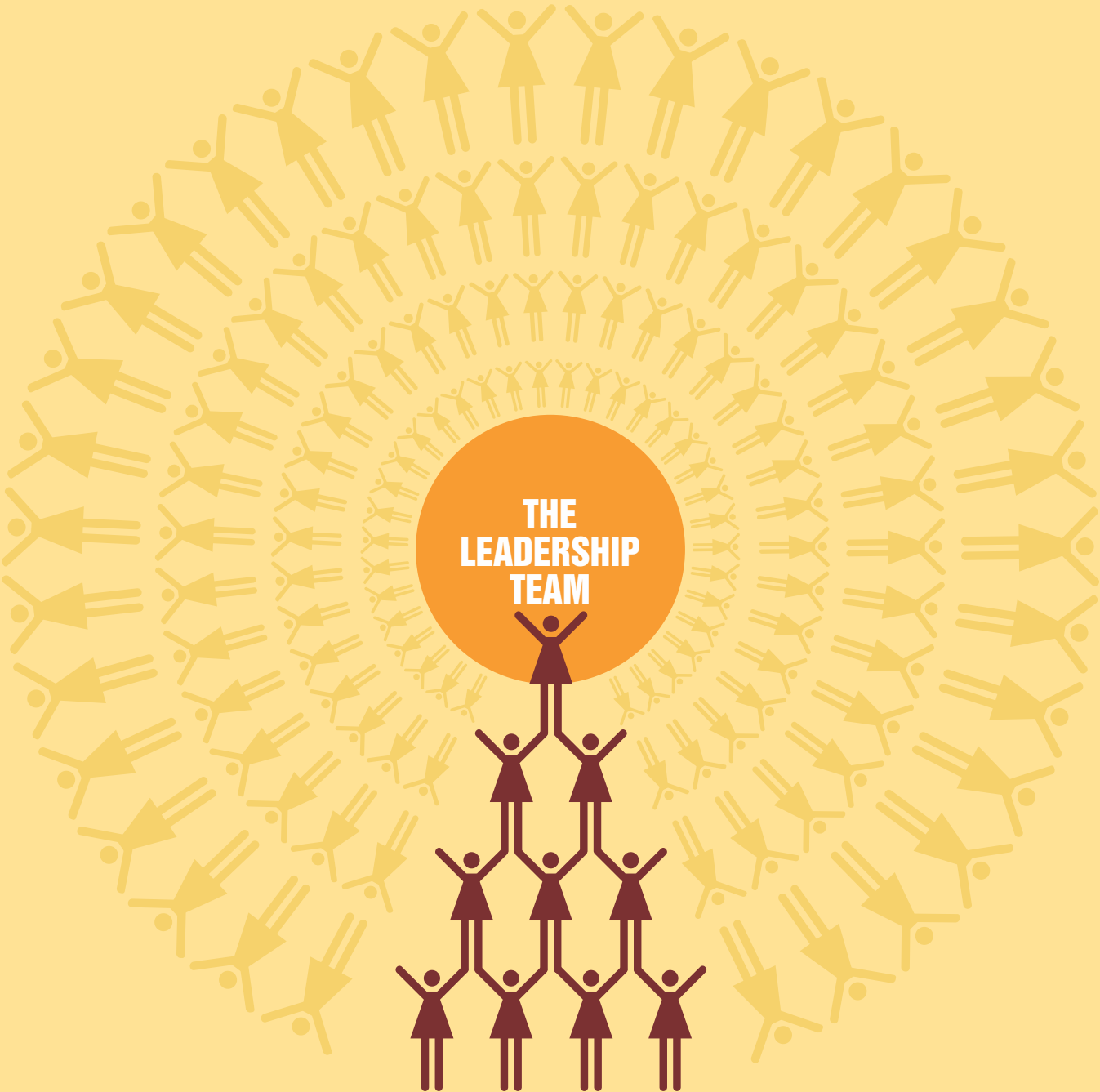
Mr. Mathew Joseph, a Chartered Accountant with over 25 years of experience in Banking and Financial Services, is currently a member of the Executive Management of HDFC Ltd.

Mr. Aleem Remtula (Nominee Director)

Mr. Aleem Remtula is a Vice President in the DWM private equity team. He started his career at JP Morgan as Corporate Finance Analyst. He then moved on as a Senior Associate to New York City Investment Fund and then served as an Investment Associate for Bridges Community Ventures, a UK-based private equity and venture capital firm and in the process gained six years of experience with socially responsible, double and triple bottom line venture capital and private equity funds in the US and Europe. Aleem is an MBA from Harvard Business School and has a Bachelors Degree in Economics and Finance from Princeton University.

Mr. R. Baskar Babu (Managing Director & CEO)

Mr. R. Baskar Babu is an Engineering Graduate from SRM and Management Graduate from School of Management, Pondicherry with over 23 years of experience in Financial Services. He has earlier worked with Cholamandalam, HDFC Bank and GE Commercial Finance in various leadership positions. His dream has been to create a World Class Organisation which will positively impact a sizable percentage of population.



**THE
LEADERSHIP
TEAM**



R. Baskar Babu, Managing Director & Chief Executive Officer

An Engineering and Management Graduate with over 23 years of experience in Financial Services, he has earlier worked with Cholamandalam, HDFC Bank and GE Commercial Finance in various leadership positions.

Narayan Rao, Head - Support Services

An MBA from Symbiosis with over 25 years of work experience spanning Sales, Operations and IT including 6+ years in USA, he has worked in organizations like Motorola-Pagepoint, Intelligroup and PINC.

Vikrant Bhagwat, Head - Business

An EMBA with over 21 years of work experience in Banking and Financial Services, he has worked in organizations like Cholamandalam, HDFC Bank, DCB Bank and Lok Capital.

Yogesh Dixit, Head - Credit, Risk & Policy

A Post Graduate in Technology and Financial Management with over 26 years of work experience in Financial Services, he has worked in organizations like Care Ratings, CRISIL, SBI Capital Markets, Credit Guarantee Fund Trust for Small Industries, SIDBI, NABARD and National Institute of Technology.

Rajeev Panikath, Chief Information Officer

An MBA with over 30 years of work experience, he has worked in organizations like Bank of Baroda, Axis Bank and Wipro.

Sarveish Kharangate, State Head - Maharashtra

A PGDBA with over 19 years of work experience in both Retail Assets and Liabilities in Financial Services, he has worked in organizations like Weizmann Finance, Tata Finance, Cholamandalam and ICICI Bank.

S. Yagnaraman, State Head - Tamil Nadu

An MBA with over 18 years of work experience in Financial Services, he has worked in organizations like Cholamandalam, GE Capital, Citigroup, ING Vysya and DCB Bank.

Ravi Tuli, Head - Business Audit

An MBA with over 20 years of work experience in Auto, Banking and Financial Services, he has worked in organizations like Cholamandalam, Bharti-AXA and DCB Bank.

Narayanan Iyer, State Head - Rajasthan & Madhya Pradesh

A Graduate in Commerce with over 20 years of work experience in Financial Services, he has worked in organizations like Sundaram Finance, Cholamandalam, GE Capital, ICICI Bank and DCB Bank.

Pradeepta Dash, State Head - Odisha

An MBA with over 19 years of work experience in Financial Services, he has worked in organizations like Access Fincomark, Tata Finance, ICICI Bank and HDFC Bank.

Rajendra Samant, AVP - Shopkeeper Loan and IL

A Graduate in Commerce with over 19 years of work experience in Financial Services, he has worked in organizations like Cholamandalam, HDFC Bank and DCB Bank.

Sreekanth Vangol, AVP - SME

An MBA and MPM with over 21 years of work experience in Marketing, Advertising and Banking and Financial Services, he has worked in organizations like GE Countrywide, Max New York Life, HDFC Bank, ING Vysya Bank.



Vipul Vadhiya, DVP - Retail Liabilities

An Engineering Graduate with over 13 years of work experience, he has worked in organizations like Innovative Education Systems, ABN AMRO Bank, HDFC Bank, and Kotak Mahindra Bank.

Anil Birla, Head - MSME

A Post Graduate in Finance with over 19 years of work experience in Banking and Financial Services, he has worked in organizations like Mafatlal Finance, Citigroup, RBL and India Factoring & Finance Solutions.

Shridhar Iyer, VP - Corporate Social Responsibility

A Post Graduate in Commerce with over 35 years of work experience in Banking and Financial Services, he has worked in organizations like Bank of Maharashtra, Lloyds Finance, HDFC Bank, IDBI Bank, IndusInd Bank and Axis Bank.

Viswanathan Krishnamoorthy, VP - Legal & Compliance

A Post Graduate in Commerce and Financial Management with over 31 years of work experience in Banking & Financial Services, he has worked in organizations like Dena Bank, The Fuji Bank, Abudhabi Commercial Bank, ING Vysya Bank and India Factoring & Finance Solutions.

Bhavin Damania, VP - Finance & Chief Finance Officer

A Chartered Accountant with over 12 years of work experience in Banking and Financial services, he has worked in organizations like Jayant Shah & Co., ICICI Bank, Credit Suisse Bank and KPMG.

Ganesh P. V., VP - Operations

A Post Graduate in Labour Welfare with over 19 years of work experience in Banking and Financial Services, he has worked in organizations like ICICI Bank, IndusInd Bank, Orient Bank, Syntel and Kotak Mahindra Bank.

S. Subramanian, VP - Corporate Communications

A Post Graduate in Marketing with over 28 years of work experience in marketing and brand building, he has worked in organizations like NELCO, Bharat Petroleum, Mudra, AMP Sanmar Life Insurance, RK Swamy BBDO, Big 92.7 FM, Showspace Solutions, Marg Group, Sankalpa and Jain Housing.

Pravin Thigle, VP - Human Resources

A Science Graduate with over 16 years of work experience in HR, he has worked in organizations like Asian Paints, Welspun Corp, Reliance Capital, Dewan Housing Finance and Weizmann.

Rakesh Shetty, VP - Business Correspondent and Agent Banking

A Post Graduate in Business Administration with around 20 years of work experience, he has worked in organizations like Larsen & Toubro, ABN Associates, Bajaj Allianz Life Insurance, Metlife Insurance, IndusInd Bank, Axis Bank and Mudra Micro Finance.

Aniket Sapre, VP - Products

An MBA with around 11 years of work experience, he has worked in organizations like ICICI Bank, Axis Bank, Yes Bank and BCG.

Kallol Chatterjee, VP - HL & LAP

An Engineering Graduate with over 23 years of work experience, he has worked in organizations like SBI Home Finance, Ashok Leyland Finance, Oriental Bank of Commerce, IDBI Home Finance and Grameen Koota Financial Services.

Jyoti Tatikonda, VP - Customer Experience

A Commerce Graduate with over 15 years of work experience, she has worked in organizations like TATA Infomedia, Hutchison Max Telecom, TATA AIG Insurance, Reliance Securities and Edelweiss Capital.



Raman Krishnan Kumbakonam Kalyani, VP - IT

A Commerce Graduate with over 21 years of work experience, he has worked in organizations like Axis Bank, First Merchant Bank, Unit Trust of India, Swede (India) Ltd., Mini Circuits, Sridhar & Santhanam, Indchem Electronics and Soumag Electronics.

Priya Vishwanathan, Company Secretary

An ACS with Post Graduate degrees in Commerce and Law, she has over 7 years of work experience as Company Secretary.

Venkatesh Raghavan, AVP - Strategy

An MBA with over 10 years of work experience, he has worked in organizations like Capgemini, Centrum Capital, CFO Bridge and India Value Fund.

Anupam Saikia, VP - Partnership Products

A Post Graduate in Business Entrepreneurship and Management with over 19 years of work experience, he has worked in organizations like Exim India Oil Co., Kotak Mahindra Old Mutual Life Insurance and Kotak Securities.

Sameer Ranade, AVP - Treasury

An MBA with over 17 years experience in Investment Banking, Institutional Broking and Proprietary Fund. He has worked in organizations like VS Infrastructure Capital, GeeCee Ventures and PINC

Pawan Kumar Somani, AVP - Treasury

A Chartered Accountant with around 8 years of work experience, he has worked in organizations like MM Nissim & Co., Deutsche Asset Management and Bank of Maharashtra.

K. Anand Balaji, AVP - Operations

An MBA with over 25 years of work experience in handling backoffice operations, he has worked for organizations like Cholamandalam and PINC.

Pandurang Dixit, AVP - Process Audit

A Post Graduate in Commerce with over 23 years of work experience in Financial Services, he has worked in organizations like Access Fincomark, Electronica Finance and Sadguru Bank.

B. G. Shiva Shankar Adiga, AVP - MIS/Analytics

A Graduate in Commerce with over 15 years of work experience in Credit, Operations and MIS, he has worked in organizations like GE Capital and DCB Bank.

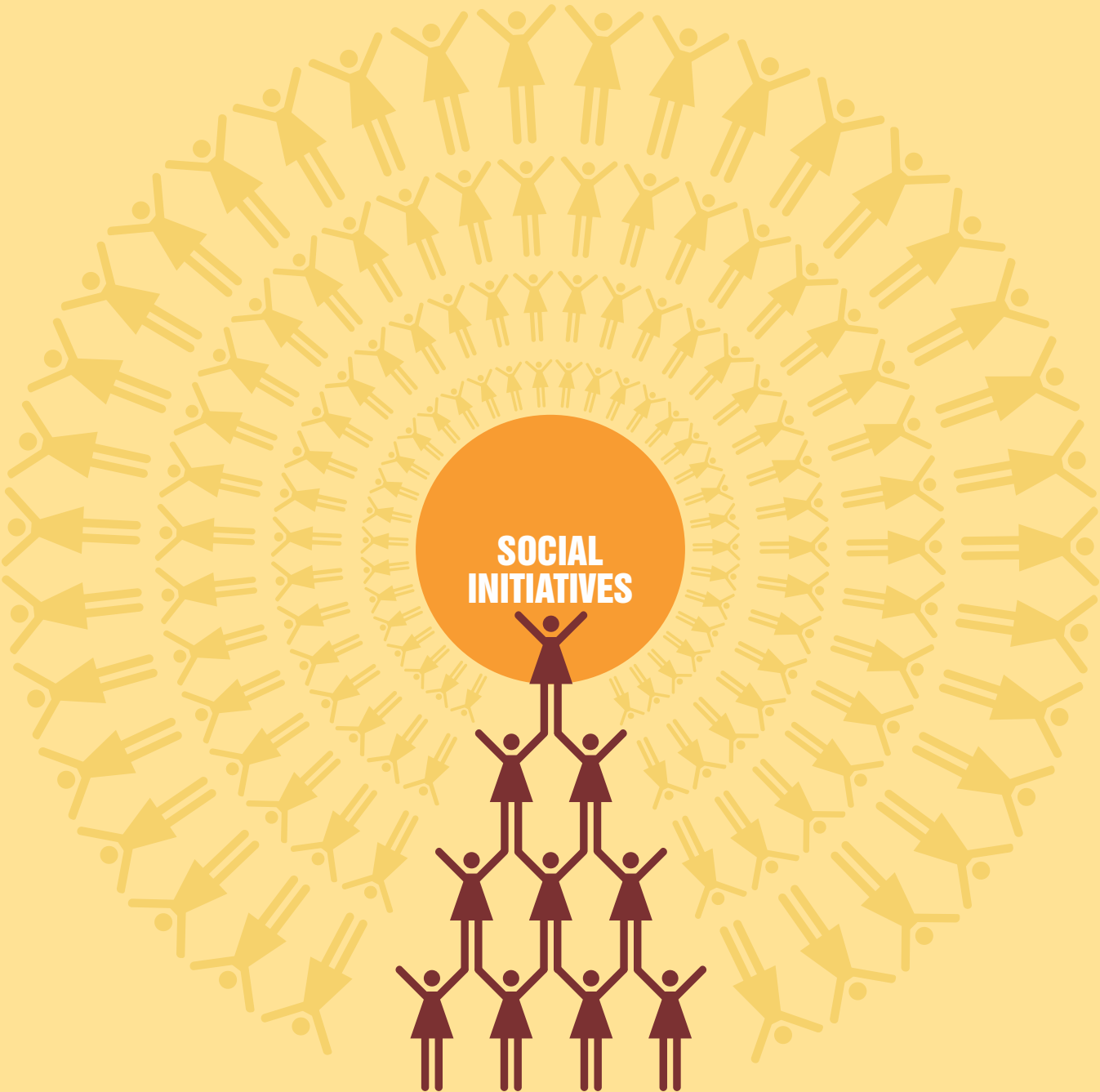
Bhuvneshwar Singh, AVP - Information Technology

A PGDCA and MCA with over 14 years of experience in IT Systems and Applications, he has worked for organizations like Hewlett Packard GlobalSoft, Atyati Technologies, Oak Systems and Nelito.

Sajitha Chougale, AVP - Accounts

A CA with over 14 years of work experience in Banking and Financial Services, she has worked in organizations like Zero Octa Selective Sourcing India and ICICI Securities.





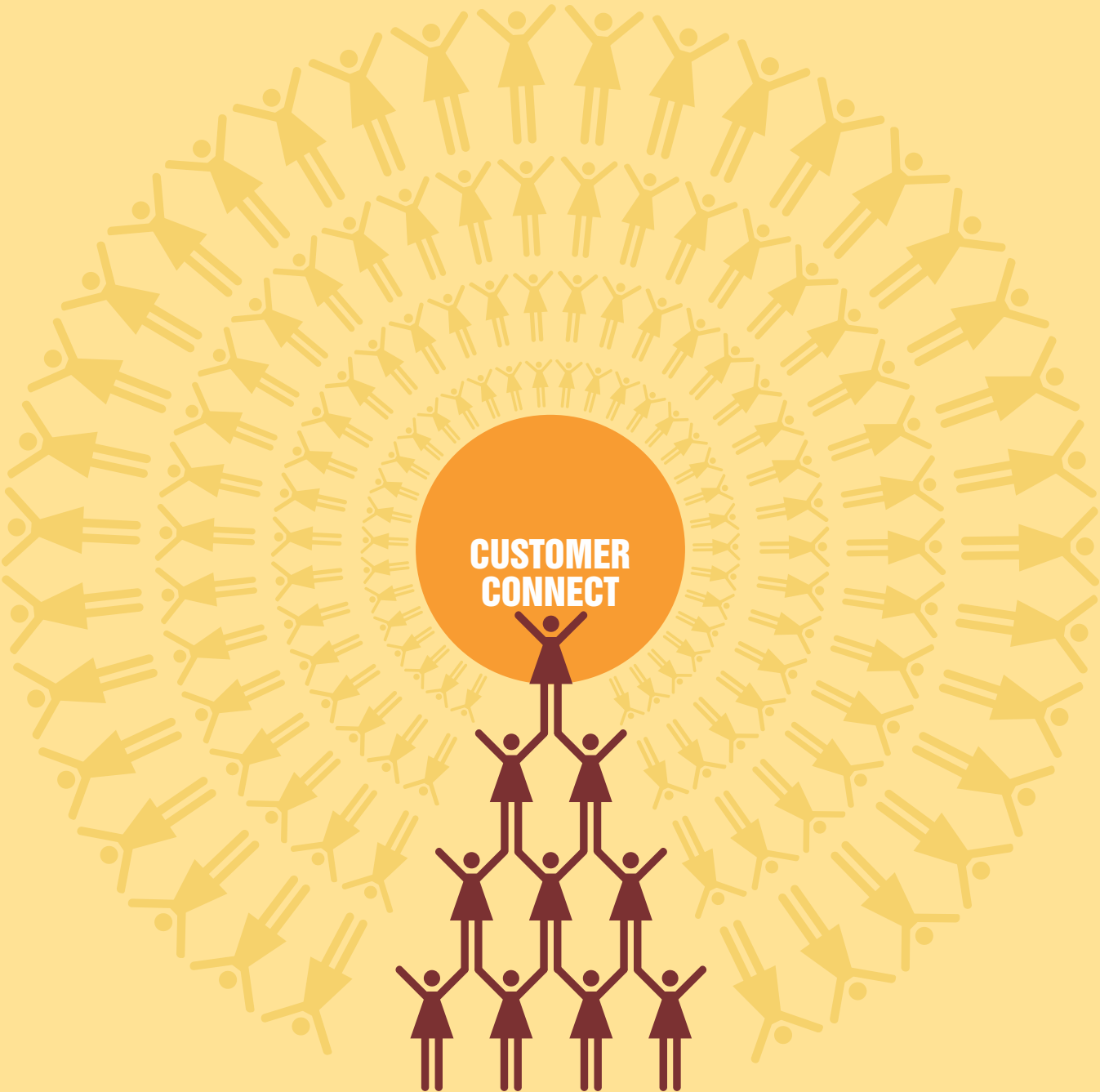
**SOCIAL
INITIATIVES**



Beyond Financial Literacy

At Suryoday, the focus is not just on Financial Inclusion by providing financial services to those who otherwise have no organized source of funding. We not only educate our customers and non-customers through our Financial Literacy Training Programmes (FLT) on financial practices like importance of savings, planning, budgeting, insurance etc. but also conduct skill development programs so that they have a sustained income from a new skill. For example, when our women members in Solapur in Maharashtra lost their livelihood when the Beedi manufacturers shut shop owing to Government's regulation on the pictorial warning on Cigarettes and Beedis, we helped many of them find a new source of livelihood through skill development programs such as 'Papad making', 'Candle making', 'Sewing' etc. We are associated with organizations like ISMW and skill imparting NGOs and hold free medical checkup camps for our members and non members and their families.





**CUSTOMER
CONNECT**

Customer Connect

We at Suryoday believe that we exist because of our customers. And to keep them constantly delighted is our responsibility. For us 'Customer Delight' is all about going that extra mile, every time. We endeavor to exceed their expectations by staying in touch with them at every stage of our relationship and ensure they have a pleasant experience in every transaction of theirs.

Suryoday has been a pioneer in many of the engagements with the customer. Be it the out bound calling, started in 2009 or setting up a multi-lingual technology enabled Customer Connect Centre for both in bound and out bound calls the focus has always been the customer. We have a toll free number for inbound calls so that there is no cost to the caller. Our initiatives on upgrading the Customer Connect Center with an integrated CRM Solution with a well distributed Customer Connect agents' network helps us engage with them even better. We have connected with over 4 Lakh customers in the year that went by.

We constantly update our Customer and Process Verification information and frequently engage in formal Customer Satisfaction Feedback which then helps us set internal benchmarks to stay focused on creating 'Customer Delight'.

We believe Customer Delight is about being our customer's cheerleader. It is also about listening to their concerns. And above all, being there for them when it matters. Because we know we exist because of them.





CUSTOMER SUCCESS STORY

Name: Mrs. Lakshmi
Age: 48 Years
Place: Irumbuliyur
Centre Name: Balraman Street 1
Loan Amt: ₹20,000
Branch : Tambaram



Mrs. Lakshmi from Irumbuliyur has a good story to share with us. Having lost her husband's support, Lakshmi lives with her 3 sons and was finding it difficult to run the family. Suryoday provided her a loan of ₹20,000 two years ago to start a Candle Making Business.

She spent the money to purchase equipments needed for the business. Today Lakshmi proudly says that she is able to take a monthly income of ₹7,000 from this business by selling the candles to the nearby shops in Perungalathur.

Lakshmi says, "I am really happy with Suryoday's help. Suryoday's loan helped me when I was in trouble. The business also helped me educate my sons. I am very grateful to Suryoday".

Lakshmi is ready to receive another loan amount of ₹30,000 from Suryoday, for expanding her business.



Name: Mrs. Megar Banu
Place: Tiran Nagar - 4
Loan Amt: ₹10,000

Mrs. Megar Banu a house wife, took a loan from Suryoday a year back to start a textile & tailoring business. She says "Now my business is doing very well and I earn around ₹10,000/- per month which I use for my children's education and other family needs. More over I am now able to save on a regular basis. I am very happy with my business and I thank Suryoday for encouraging and helping me become financially independent.



CUSTOMER SUCCESS STORY

Name: Ujawala Sanjay Chikhale
Centre Name: Sant Tukaram Nagar - 01
Loan Amt: ₹40,000
Branch: Bhosari



Mrs. Ujawala Chikhale has been our customer for the last 3 years. Five months ago, she took a Vikas loan of ₹40,000/- and invested in her Cloth shop for purchase of new material & to buy furniture for the shop. She is into this business since the last 6 years. She now earns ₹15,000 to ₹20,000 monthly. Her husband supports her in the business. The family is now happy. She is aware about Financial planning through our FLT's.

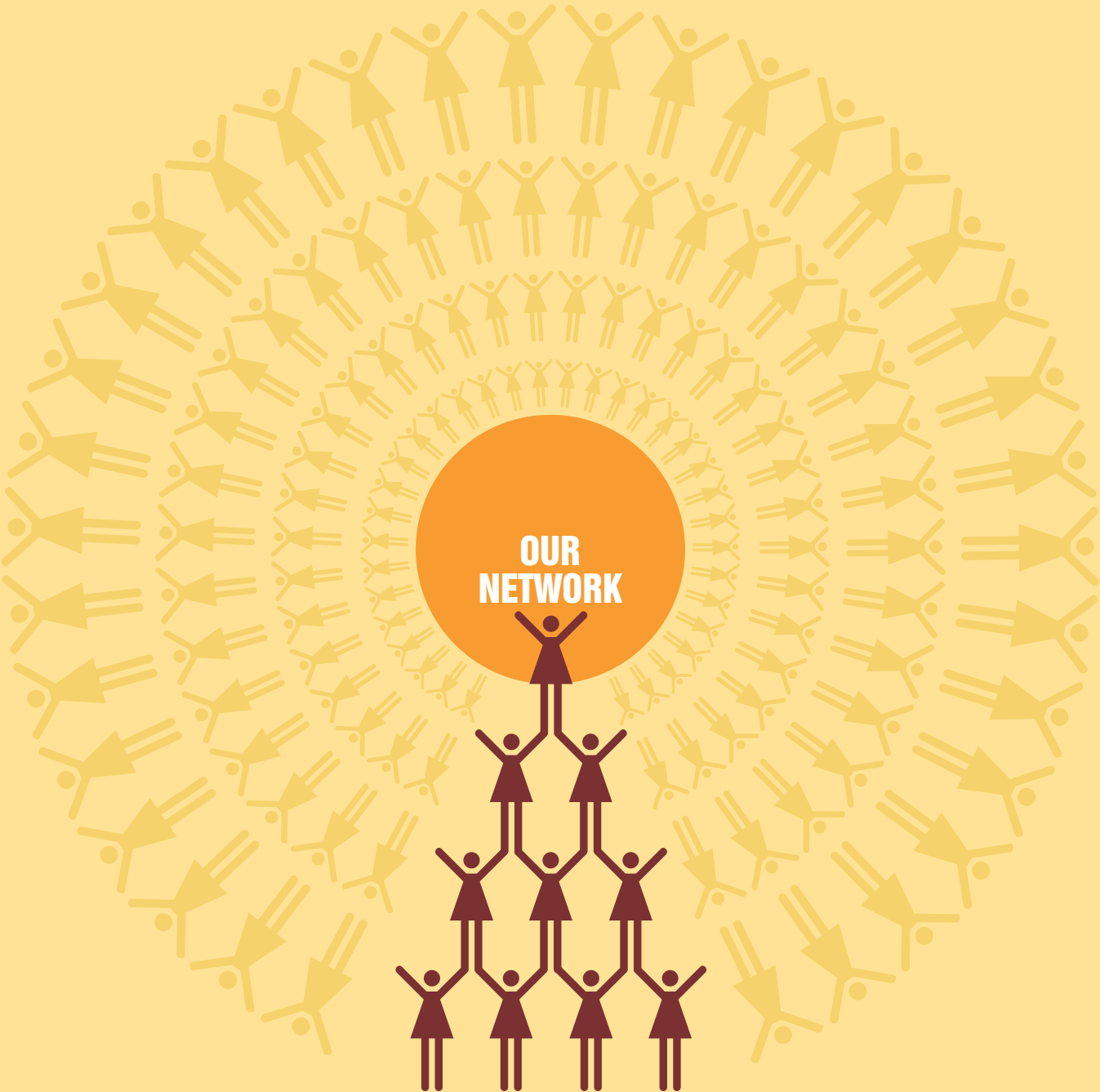
Name: Mr. Jeyachitra
Age: 35 Years
Place: New Perungalathur
Loan Amt: ₹20,000



Mrs. Jeyachitra lives in the village of New Perungalathur with her husband and a male child Harinath. She has completed BA and earns about ₹10,000 every month. Jeyachitra runs a Browsing centre at Perungalathur. Jeyachitra got a loan of ₹20,000 from Suryoday of which she has already paid 10 EMIs. The loan has been used to get 2 new personal computers to the existing browsing centre which had 3 personal computers. Running a browsing centre with 5 computers makes Jeyachitra happy as a business person in her area.

“ I am very happy. Because of Suryoday's timely help my dreams are coming true. I want to improve my business even further with the increased support from Suryoday” said Jeyachitra proudly.

Jeyachitra plans to get IBL loan of ₹70,000 from Suryoday and improve her business.



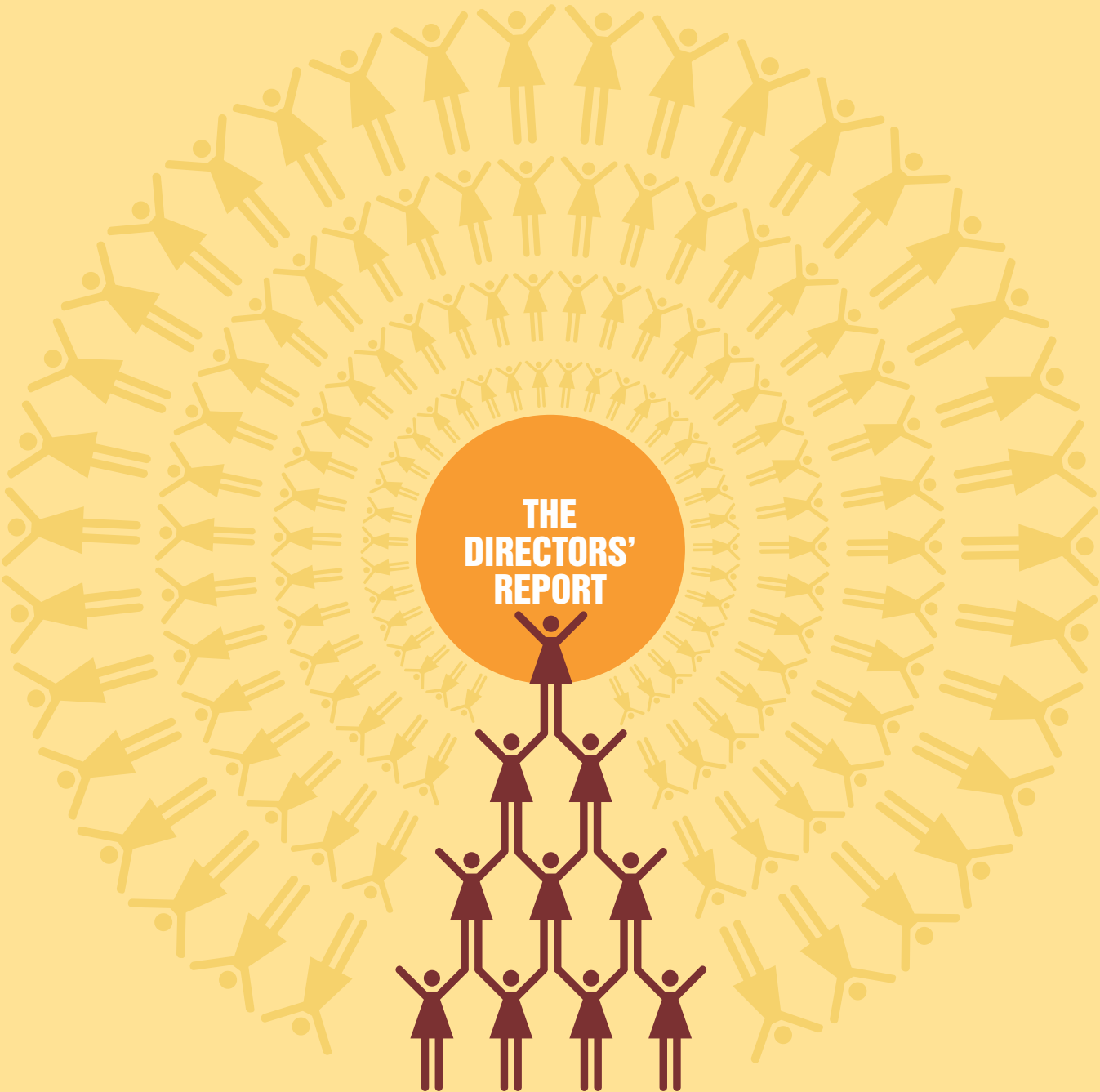


OUR NETWORK



*Puducherry is included in Tamilnadu

Figures in States indicate the number of branches



**THE
DIRECTORS'
REPORT**



To
The Members,
Suryoday Micro Finance Limited
[Formerly Suryoday Micro Finance Private Limited]

Your Directors have pleasure in presenting the Eighth Annual Report of the Company together with the Financial Statements for the year ended 31st March, 2016.

Financial Results

The Company's Performance during the year ended 31st March, 2016 as compared to the previous financial year, is summarized below:

Particulars (₹ in Crores)	For the financial year ended 31 st March, 2016	For the financial year ended 31 st March, 2015
Income	188.73	110.54
Other Income	11.28	7.73
Total Income	200.01	118.27
Less: Expenses	158.20	92.78
Profit/(Loss) before Tax	41.81	25.49
Less: Provision for Tax	14.37	8.64
Profit After Tax	27.44	16.85

Review of Operations

There was no change in nature of the business of the Company, during the year under review. The details of the operations are given in the annexed Management Discussion and Analysis Report. During the year under review, your Company did not have any subsidiary, associate and joint venture company.

In-principle approval from RBI to set up a Small Finance Bank

Your Company was granted an in-principle approval by the Reserve Bank of India ("RBI") on 7th October, 2015 to set up a Small Finance Bank in the private sector under Section 22 of the Banking Regulation Act, 1949. Your Company is currently in the process of transforming itself into a Small Finance Bank.

Dividend

With a view to conserve resources, your Directors have thought it prudent not to recommend any dividend for the financial year under review.

Compliance with RBI Guidelines

Your Company being an NBFC-MFI has complied with all applicable regulations of the Reserve Bank of India for NBFC-MFIs. As per Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year.

Conversion to Public Company

Your Company has become a Public Limited Company pursuant to the Special resolution passed by the shareholders at the Extra-ordinary General Meeting of the Company held on 14th May, 2015 and a fresh Certificate of Incorporation dated 16th June, 2015 in the name of "Suryoday Micro Finance Limited" has been obtained from the Registrar of Companies, Mumbai, Maharashtra in this regard. Fresh Certificate of Registration in the name of "Suryoday Micro Finance Limited" has also been obtained from RBI, Regional Office Mumbai on 9th December, 2015.

Credit Rating

ICRA has assigned the Company a grading of M2+ in April 2015. It has also assigned a [ICRA]BBB+ to your company in September 2015, for its long term Bank facilities of ₹350 Crores and rating of ICRA BBB+ Stable for its NCD of ₹229.50 Crores and for its Sub-ordinated debts.



Sources of Funds

Your Company raised ₹746 Crores by way of debt facilities from various lenders and ₹72 Crores by way of loan portfolio securitization.

Issuance of Equity Shares

Your Company has issued 43,95,907 equity shares to the existing investors of the Company by way of rights issue in July 2015. The capital was raised to ensure adequate capital to support growth and expansion, including enhancing your Company's solvency and capital adequacy ratio and for general corporate purposes. The Company issued and allotted 10,00,000 equity shares to Mr. R. Baskar Babu on a preferential basis. The same was approved by the members of the Company at their Extraordinary General Meeting held on December 24, 2015.

During the year under review, 1,82,500 equity shares were allotted to the employees of your Company in respect of the equity stock options exercised under the Employee Stock Option schemes of the Company.

As at 31st March, 2016, the issued, subscribed and paid-up capital of the Company stood at ₹38.34 Crores comprising 38,335,221 shares of ₹10 each.

Capital Adequacy

The Company had a Tier I capital of 18.44% and a Tier II capital of 4.01% and total capital adequacy ratio was 22.45% as against the minimum stipulated ratio of 15% for NBFC-MFIs.

Revision of Financial Statement

There was no revision of the financial statements for the year under review.

Corporate Governance

Clause 49 of the Listing Agreement the Corporate Governance report under this clause is not applicable to the Company, however a Corporate Governance report is attached and forms part of the Directors' Report.

Extract of Annual Return

In accordance with Section 92 (3) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format (MGT-9) is appended as "Annexure-I" to this Board Report.

Number of meetings of the Board during the financial year 2015-16

During the year under review, eight Board Meetings were convened and held. The details of the number of meetings of the Board held during the Financial year 2015-16 forms part of the Corporate Governance Report.

Director's Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors of the Company hereby confirms that:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- c. they have taken sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. they have prepared annual accounts on a going concern basis;
- e. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
- f. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Declaration by Independent Directors

A statement on declaration given by Independent Directors under sub-section (6) of section 149.

The Company has received necessary declaration of independence from each of its Independent Directors under Section 149 (7)



of the Companies Act, 2013, that he/she meet the criteria of independent director envisaged in Section 149(6) of the Companies Act, 2013.

The Declaration of Independence read as under:

- I possess relevant expertise and experience to be an Independent Director in the Company;
- I am / was not a promoter of the company or its holding, subsidiary or associate company;
- I am not related to promoters / directors / persons occupying management position at the board level or level below the board in the company, its holding, subsidiary or associate company;
- Apart from receiving director sitting fees / remuneration, I have / had no pecuniary relationship / transactions with the company, its promoters, its directors, its senior management or its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- none of my relatives has or had any pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to 2% or more of its gross turnover or total income or ₹ 50 Lakhs or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- Neither me nor any of my relatives:
 - holds or has held the position of a key managerial personnel or is or has been employee/executive of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year;
 - is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year of;
 - a. a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - b. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;
 - holds together with my relatives 2% or more of the total voting power of the company; or
 - is a Chief Executive or Director, by whatever name called, of any non-profit organization that receives 25% or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the company; or
- I am not a material supplier, service provider or customer or a lessor or lessee of the company;
- I am not less than 21 years of age.

Directors

Pursuant to Section 149(10) of the Companies Act, 2013 read with the Rules framed thereunder, the members had at the Annual General Meeting of the Company held on 24th September, 2015, approved the appointment of Independent Directors (viz. Dr. (Mrs). Sheela Bhide and Mr. R. Ramachandran) from 24th September, 2015 to 23rd September, 2020 i.e. for 5 consecutive years Further pursuant to the Section 149 (13) and 152 of the Companies Act, 2013, provisions for retirement of rotation of directors shall not apply to such Independent Directors.

All Independent Directors have given declaration that they meet the criteria of Independence as laid down under Section 149 (6) of the Companies Act, 2013.

The Board of Directors appointed Mr. Mrutunjay Sahoo as an Additional Non-executive Director of the Company in the category of Independent Director w.e.f. 1st December, 2015 and he shall hold the office till the date of the ensuing Annual General Meeting.

Key Managerial Personnel

Mr. Sanjay Tiwari, erstwhile Chief Financial Officer resigned from the services of the Company and Mr. Bhavin Damania has been appointed as the Chief Financial Officer of the Company w.e.f. 14th March, 2016.

Board Evaluation

Pursuant to provisions of the Companies Act, 2013, the Board of Directors ("Board") has carried out at annual performance evaluation of its own performance and that of its Committees and individual director.

Employee Stock Option Scheme

The Nomination and Remuneration Committee of the Board of Directors of the Company, administers and monitors the Employee



Stock Option Scheme of the Company in accordance with the applicable SEBI guidelines.

The applicable disclosure is stipulated by the guidelines with regard to Employee Stock Option Scheme are provided in 'Annexure II' to this report.

Corporate Social Responsibility (CSR) Initiatives

The brief outline of the CSR policy of the Company and its initiatives undertaken by the Company on CSR activities during the year are set out in 'Annexure III' of this report in the format prescribed in Company (CSR Policy) Rules, 2014. The Policy is also available on the Company's website.

Related Party Transactions

All related party transactions that were entered into during the financial year were on arm's length basis and were in the ordinary course of the business. Since all related party transactions entered into by the Company were in ordinary course of business and were on an arms length's basis. Form AOC - 2 is not applicable to Company.

Audit

In the last Annual General Meeting held on 24th September, 2015, M/s. BSR & Co. LLP Chartered Accountants, Mumbai have been appointed as Statutory Auditors for a period of 5 years. Ratification of appointment of Statutory Auditors is being sought from the members of the Company at this Annual General Meeting. Further, the report of Statutory Auditors along with notes to Schedules is enclosed to this report. The Auditor report does not contain any qualification, reservation or adverse mark.

Secretarial Audit

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Management Personnel) Rules, 2014, the Company has appointed M/s. Aabid & Co., Practicing Company Secretaries to conduct Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year ended 31st March, 2016 is annexed herewith as 'Annexure IV' to this report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Particulars of Employees

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are given below:

1) Mr. R. Baskar Babu, Managing Director & Chief Executive Officer employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than Sixty Lakh Rupees;

No.	Particulars	Details
1	Designation	Managing Director & Chief Executive Officer
2	Remuneration received	₹77.67 Lakhs
3	Nature of employment, whether contractual or otherwise	Permanent
4	Qualifications and experience of the employee	B.E., MBA Mr. Baskar Babu is a B.E. and MBA with more than 23 years of experience in banking and financial services.
5	Date of commencement of employment	10-11-2008
6	Age	46 years
7	The last employment held by such employee before joining the company	Infinity.Com Securities Limited, Head - Institutional Equities
8	The percentage of equity shares held by the employee in the company	6.46%

Material changes and commitments, affecting the financial position of the Company

On 14th March, 2016 the Board of Directors approved the issue of 37,05,882 equity shares on a private placement basis to Mr. P. Surendra Pai and Mr. P. S. Jagdish at a price of ₹85/- per equity shares. The Board of Directors also approved the increase of Authorized share capital from ₹50 Crores to ₹75 Crores in March 2016. Both the increase of Authorized share capital and private placement issue was approved by the shareholders at the Extra-ordinary General Meeting of the Company held on 15th April,



2016. The Company successfully completed the private placement issue and the shares were allotted on 29th April, 2016 subsequent to the year ended 31st March, 2016. The total proceeds received in this issue was ₹31.5 Crores.

Apart from the above private placement issue, there are no material changes affecting the financial position of the Company, subsequent to the close of the fiscal year 2016 till the date of this report.

Policy

The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a Nomination and Remuneration policy for the Directors, Key Managerial Personnel and other employees.

Vigil Mechanism

The Company in compliance with the Section 177 of the Companies Act, 2013 has established a Whistle Blower Policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behaviour, act or suspected fraud or violations of the company's Code of Conduct.

Risk Management Policy

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

The details in respect of adequacy of Internal Financial Controls (IFC) with reference to the Financial Statements

Details of internal financial control and its adequacy are included in the Management Discussion and Analysis Report, which forms part of this Report.

Significant and Material Orders passed by the Regulators or Courts or Tribunal

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

Detail of shares with differential voting rights

Your Company has not issued any equity shares with differential rights during the year.

Details of issue of sweat equity shares issued

Your Company has not issued any sweat equity shares during the year.

The details of deposits which are not in compliance with the requirements of Chapter V of the Act

Not applicable; the Company has not accepted any deposits during the year.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

Since the Company does not cover any manufacturing facility, the particulars relating to Conservation of energy and technology absorption are not applicable.

The foreign exchange earnings and outgo were ₹1.05 Crores (USD 160,000) and ₹0.25 Crores (USD 40,000) respectively.

Compliance of Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013

The Company is in compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was no case filed pursuant to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Acknowledgements

The Directors would also like to thank all the customers, shareholders, bankers, stakeholders and other service agencies, their continuous support given by them to the Company and their confidence in its management. The Directors wish to convey their appreciation for the dedicated services rendered by the employees of the Company at all levels and the constructive company co-operations extended by them.

sd/-

Dr. (Mrs.) Sheela Bhide

Chairperson

Date: May 6, 2016

Place: Chennai

sd/-

Mr. R. Baskar Babu

Managing Director & CEO



ANNEXURE I

Extract of Annual Return in Form MGT-9 as on the financial year ended on March 31, 2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. REGISTRATION AND OTHER DETAILS:

CIN	: U65923MH2008PLC261472
Registration Date	: November 10, 2008
Name of the Company	: Suryoday Micro Finance Limited
Category / Sub-Category of the Company	: NBFC-MFI
Address of the Registered office and contact details	: 1101, Sharda Terraces, Plot No.65 Sector 11, CBD Belapur, Navi Mumbai - 400614
Whether listed company	: Yes Equity shares are not listed; however, NCDs of the Company are listed with Bombay Stock Exchange
Name, Address and Contact details of Registrar and Transfer Agent, if any:	: Sharepro Services(India) Private Limited 13AB, Samhita Warehousing Complex, 2 nd Floor, Sakinaka Telephone Exchange Lane, Off. Andheri-Kurla Road, Sakinaka, Andheri (East) Mumbai - 400 072 Phone: +91 22 67720300 e-mail: sharepro@shareproservices.com website: www.shareproservices.com

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

Non Banking Finance Company engaged in the Micro Finance Lending Business

All the business activities contributing 10% or more of the total turnover of the company shall be stated:-

Sl. No.	Name and Description	NIC Code of the Product/ service of main products / services	% to total turnover of the company
1	Micro Finance Lending	64990	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

The Company does not have any holding, subsidiary or any associate company

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity):

i. Category-wise Share Holding:

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	Nil	1,476,435	1,476,435	4.48%	1,000,000	1,476,435	2,476,435	6.46%	1.98%
b) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) State Govt(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
d) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total(A)(1):	Nil	1,476,435	1,476,435	4.48%	Nil	2,476,435	2,476,435	6.46%	1.98%
(2) Foreign									
a) NRIs - Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other - Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A)(2):	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total shareholding of Promoter (A) = (A)(1) + (A)(2)	Nil	1,476,435	1,476,435	4.48%	Nil	2,476,435	2,476,435	6.46%	1.98%
B. Public Shareholding									
(1) Institutions	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
a) Mutual Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) State Govt(s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
g) FIs	6,268,299	16,149,317	22,417,616	68.0%	8,606,761	17,000,325	25,607,086	66.80%	(1.2%)
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Others (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (B)(1):	6,268,299	16,149,317	22,417,616	68.0%	8,606,761	17,000,325	25,607,086	66.80%	(1.2%)
(2) Non-Institutions									
a) Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Indian	Nil	710,762	710,762	2.16%	7,527	1,472,465	1,479,992	3.86%	(1.7%)
ii) Overseas	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Individual shareholders holding nominal share capital upto ₹ 1 Lakh	Nil	88,200	88,200	0.27%	2,500	95,700	98,200	0.25%	(0.01%)



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii) Individual shareholders holding nominal share capital upto ₹ 1 Lakh	5,955,066	2,321,223	8,276,289	25.10%	7,351,255	1,322,253	8,673,508	22.63%	(2.47%)
c) Others (specify)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total(B)(2):	5,955,066	3,120,185	9,075,251	27.53%	7,361,282	2,890,418	10,251,700	26.74%	(0.79%)
Total Public Shareholding (B) = (B)(1) + (B)(2)	12,223,365	19,269,502	31,492,867	95.52%	15,968,043	19,890,743	35,858,786	93.54%	(1.98%)
C. Shares held by Custodian for GDRs & ADRs	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Grand Total (A+B+C)	12,223,365	20,745,937	32,969,302	100%	15,968,043	22,367,178	38,335,221	100%	-

ii. Shareholding of Promoters

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Mr. R. Baskar Babu	1,476,435	4.48%	Nil	2,476,435	6.46%	1.83%	1.98%

iii. Change in the Promoters' shareholding (please specify, if there is no change):

Sl. No.	Name of the Shareholder	Shareholding at the beginning of the year		Date	Reason	Increase/Decrease in shareholding		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Mr. R. Baskar Babu	1,476,435	4.48%	28-12-2015	Issue of shares	1,000,000	2.61%	2,476,435	6.46%



iv. SHAREHOLDING PATTERN OF TOP TEN SHAREHOLDERS (OTHER THAN DIRECTORS, PROMOTERS AND HOLDERS OF GDRS AND ADRS):

Sl.	Name of Top 10 Shareholders	Date wise increase / decrease in promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Mr. P. Surendra Pai					
	At the beginning of the year		4,829,400	14.65%	4,829,400	14.65%
	Transfer of shares from domestic investor	06.10.2015			1,103,500	
	At the end of the year				5,932,900	15.48%
2.	Sarva Capital LLC (Formerly known as Lok Capital II LLC)					
	At the beginning of the year		3,777,449	11.46%	3,777,449	11.46%
	Transfer of shares from Aavishkaar Goodwell India Micro finance Development Company Limited	10.06.2015			800,000	
	Allotment of equity shares through rights issue	30.07.2015			1,538,462	
	At the end of the year				5,719,072	14.92%
3	Aavishkaar Goodwell India Micro Finance Development Company II Ltd					
	At the beginning of the year		5,719,072	17.35%	5,719,072	14.92%
	No increase / decrease in shareholding during the year					
	At the end of the year				5,719,072	14.92%
4	International Financial Corporation					
	At the beginning of the year		3,333,333	10.11%	3,333,333	10.11%
	Allotment of equity shares through rights issue	30.07.2015	444,444		444,444	
	At the end of the year				3,777,777	9.85%
5	DWM (International) Mauritius Limited					
	At the beginning of the year		3,280,000	9.95%	3,280,000	9.95%
	Allotment of equity shares through rights issue	30.07.2015	437,333		437,333	
	At the end of the year				3,717,333	9.70%
6	LOK Capital LLC					
	At the beginning of the year		2,490,850	7.56%	2,490,850	7.56%
	No increase / decrease in shareholding during the year					
	At the end of the year				2,490,850	6.50%



Sl.	Name of Top 10 Shareholders	Date wise increase / decrease in promoters shareholding during the year	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
7	Aavishkaar Goodwell India Micro Finance Development Company Ltd					
	At the beginning of the year		2,862,857	8.68%	2,862,857	8.68%
	Transfer of equity shares to Sarva Capital LLC	10.06.2015			800,000	
	At the end of the year				2,062,857	5.38%
8	HDFC Holdings Limited					
	At the beginning of the year		954,055	2.89%	954,055	2.89%
	Allotment of equity shares through rights issue	30.07.2015			110,089	
	At the end of the year				1,723,286	4.50%
9	HDFC Standard Life Insurance Company Limited					
	At the beginning of the year		703,235	2.13%	703,235	2.13%
	Allotment of equity shares through rights issue	30.07.2015			769,230	
	At the end of the year				1,472,465	3.84%
10	Mr. P. S. Jagdish					
	At the beginning of the year		825,666	2.50%	825,666	2.50%
	Allotment of equity shares through rights issue	30.07.2015			769,230	
	At the end of the year				935,755	2.44%

v. Indebtedness:

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

(Figures in ₹)	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	5,737,506,889	200,000,000	-	5,937,506,889
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	74,852,708	-	-	74,852,708
Total (i+ii+iii)	5,812,359,597	200,000,000	-	6,012,359,597
Change in Indebtedness during the financial year				
• Addition	7,310,000,000	150,000,000	-	7,460,000,000
• Reduction	3,841,109,274	-	-	3,841,109,274
Net Change	3,468,890,726	150,000,000		3,618,890,726



	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the end of the financial year				
i) Principal Amount	9,206,397,615	350,000,000		9,556,397,615
ii) Interest due but not paid				
iii) Interest accrued but not due	106,825,173	-	-	106,825,173
Total (i+ii+iii)	9,313,222,788	350,000,000		9,663,222,788

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

Sl. No. Particulars of Remuneration	Name of the Managing Director Mr. R. Baskar Babu
1 Gross salary	
(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7,368,792
(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	87,061
(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
2 Stock Option	-
3 Sweat Equity	-
4 Commission	-
- as % of profit	-
- others, specify	
5 Others, please specify	
Total (A)	7,455,853
Ceiling as per the Act	No ceiling

B. Remuneration to other Directors:

Sr. No. Particulars of Remuneration	Name of the Directors			Total Amount	
1. Independent Directors	Dr. (Mrs.) Sheela Bhide	Mr. R. Ramachandran	Mr. Mrutunjay Sahoo		
Fees for attending board / committee meetings	195,000	330,000	15,000	540,000	
Commission	Nil	Nil		Nil	
Others, please specify	Nil	Nil		Nil	
Total (1)	195,000	330,000	15,000	540,000	
2. Other Non-Executive Directors	Mr. John Arun Kumar Diaz	Mr. Venkatesh Natarajan	Mr. Mathew Joseph	Mr. Aleem Remtula	
Fees for attending board / committee meetings	405,000	165,000	45,000	Nil	615,000
Commission	Nil	Nil	Nil	Nil	
Others, please specify	Nil	Nil	Nil	Nil	
Total (2)	405,000	165,000	45,000	Nil	615,000
Total (B) = (1+2)					1,155,000
Total Managerial Remuneration				8,610,853	
Overall Ceiling as per the Act	Sitting fees payable to a director for attending Board / Committee Meeting shall not exceed ₹1,00,000/- per Meeting and the Company is well in compliance of the same			Nil	



C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD:

Sl.	Particulars of Remuneration	Key Managerial Personnel				Total Amount
		Mr. R Baskar Babu - CEO	Mr. Bhavin Damania - CFO (w.e.f.14.3.2016)	Mr. Sanjay Tiwari - CFO (till 14.3.2016)	Ms. Priya Vishwanathan - CS	
1	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	7,368,792	166,743	2,134,775	1,556,232	11,226,542
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	87,061	-	-	-	87,061
	(c) Profits in lieu of salary under section 17(3) Income tax Act, 1961	-	-	-	-	-
2	Stock Option	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-
4	Commission	-	-	-	-	-
	- as % of profit	-	-	-	-	-
	- others, specify	-	-	-	-	-
	Total (A)	7,455,853	166,743	2,134,775	1,556,232	11,313,603

VII. Penalties / Punishment / Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority RD / NCLT / COURT]	Appeal made, if any (give Details)
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A. COMPANY

Penalty					
Punishment				NIL	
Compounding					

B. DIRECTORS

Penalty					
Punishment				NIL	
Compounding					

C. OTHER OFFICERS IN DEFAULT

Penalty					
Punishment				NIL	
Compounding					

sd/-

Dr. (Mrs.) Sheela Bhide

Chairperson

Date: May 6, 2016

Place: Chennai

sd/-

Mr. R. Baskar Babu

Managing Director & CEO



ANNEXURE II

Employees Stock Options as on 31st March, 2016

ESOP Plan	Options Opening Balance 1 st April, 2015	Options granted	Options grant price	Options vested	Options exercised and shares allotted	Exercise price	Options forfeited / lapsed	Total Options in force as on 31 st March, 2016
ESOP Scheme 2010	165,300	-	-	165,300	164,700	₹ 10	3,000	-
ESOP Scheme 2014	521,500	-	-	208,600	17,800	₹ 36	56,200	447,500
Total	686,800			373,900	182,500		59,200	447,500

Options vested	373,900
Options exercised during the aforesaid period	182,500
Options vested and yet to be exercised	190,800
Perquisite tax amount collected during the above period	1,958,156
Employee wise details of options granted during the year to :	None
i) KMP	Nil
ii) Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	Nil
iii) Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of the grant.	Nil

sd/-

Dr. (Mrs.) Sheela Bhide

Chairperson

Date: May 6, 2016

Place: Chennai

sd/-

Mr. R. Baskar Babu

Managing Director & CEO



ANNEXURE III

Corporate Social Responsibility (CSR) Policy

[Pursuant to clause (o) of sub-section (3) of Section 134 of the Act and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014]

Brief outline of the CSR Policy

Your Company has been undertaking CSR programs focused on creating sustainable livelihoods and development and providing financial literacy. In line with the requirements of Section 135 of the Companies Act, 2013, the Company has instituted a CSR Policy duly approved by the Board. The Company's CSR Policy can also be found on the website of the Company.

Composition of the CSR Committee

The Company has also constituted a Board-level CSR Committee to govern the implementation of the policy. The composition of the Committee is as follows:

- a) Dr. (Mrs.) Sheela Bhide, Chairperson and Independent Director
- b) Mr. R. Ramachandran, Independent Director
- c) Mr. R. Baskar Babu, Managing Director & Chief Executive Officer
- d) Mr. John Arunkumar Diaz, Nominee Director
- e) Mr. Venkatesh Natarajan, Nominee Director
- f) Mr. Mathew Joseph, Nominee Director
- g) Mr. Aleem Remtula, Nominee Director

Average Net Profit of the Company for last three Financial Years

Particulars	₹ in Lakhs
Profit / (Loss) - 2014-15	2,549
Profit / (Loss) - 2013-14	1,288
Profit / (Loss) - 2012-13	286
Average Profit for the purpose of Section 135	1,374
2% of Average Profit/(loss) for last three Financial Years	27.49



Details of CSR spent during the financial year

- (a) Total amount spent during the financial year: ₹64 Lakhs
- (b) Amount unspent, if any; NIL
- (c) The manner in which the amount is spent during the financial year is detailed below:

S.No	CSR Project or activity identified	Sector in which the project is covered	Project or programmes local area or other Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects Direct Expenditure on projects and programs was undertaken or Overheads	Cumulative Expenditure up to the reporting period implementing	Amount spent Direct or Through agency
1	Promoting Preventive health care	Health care, nutrition, sanitation, and safe drinking water	Pune, Salem, Ahmedabad, Akalkot, Akluj, Amravati, Asara, Athani, Barshi, Belgum, Bidar, Daund, Dhule, Dindigul, Erode, Halol, Gobichettipalayam, Mumbai, Thane, Gokak, Nagpur, Latur, Jalgaon, Kolhapur, Kuttur, Nasik, Chennai, Tanjaore, Madurai, Nagarcoil, Pandarpur, Woraiyur	-	62	62	Direct Suryoday
2	Enhancing vocational skills of women	Educational and vocational development	Pune, Latur, Nagpur, Nasik, Jalgaon, Dhule, Belgaum	-	2	2	Direct Suryoday
			TOTAL		64	64	





In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

Not applicable as the expenditure is higher than the statutory requirement.

A responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

The CSR Committee Chairperson confirms that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and policy of your Company.

sd/-

Dr. (Mrs.) Sheela Bhide

Chairperson, CSR Committee

Date: May 6, 2016

Place: Chennai

sd/-

Mr. R. Baskar Babu

Managing Director & CEO



FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016

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

To,
The Members,
Suryoday Micro Finance Limited
Mumbai

We have conducted the Secretarial Audit of the compliances of applicable statutory provisions and the adherence to the good corporate practices by Suryoday Micro Finance Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing opinion thereon.

Based on our verifications of the Books, Papers, Minute Books, Forms and Returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the Company has, during the audit period covering the Financial Year ended on 31st March, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Books, Papers, and Minute Books, Forms and Returns filed and other records maintained by Suryoday Micro Finance Limited as given in **Annexure-I** for the Financial Year ended on 31st March, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the Rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder.
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder.
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder is not applicable to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;



(vi) The other Laws applicable specifically to the company is Annexed with this Report as **ANNEXURE- II**.

It seems that the Company is not listed on any Stock Exchange in India, therefore only clause (i) and (iv) are applicable to the Company.

We have also examined Compliance with the applicable clauses of the following:

- (I) Secretarial Standards issued by the Institute of Company Secretaries of India.
- (ii) The Company is not listed on any Stock Exchange of India, hence compliance related to Listing Agreements is not applicable to the Company.

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

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

Adequate notices are given to all Directors to schedule the Board Meetings, Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exist for seeking and obtaining further information and clarification on the agenda items before the meeting and for meaningful participation at the meeting.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable Laws, Rules, Regulations and Guidelines.

Place: Mumbai

Date: 06/05/2016

FCS No.: 6579

C. P. No.:6625

For Aabid & Co

sd/-

(Mohammad Aabid)

Partner

Note: This report is to be read with our letter of even date which is annexed as '**Annexure-III**' and forms an integral part of this report.



ANNEXURE - I

List of documents verified

1. Memorandum & Articles of Association of the Company.
2. Annual Report for the financial year ended 31st March, 2015.
3. Minutes of the meetings of the Board of Directors, Audit Committee, Nomination & Remuneration committee, along with Attendance Register held during the financial year under report.
4. Minutes of General Body Meetings held during the financial year under report.
5. Agenda papers submitted to all the directors/members for the Board Meetings and Committee meetings.
6. Declarations received from the Directors of the Company pursuant to the provisions of Section 184 of Companies Act, 2013.
7. E-forms filed by the company, from time to time, under applicable provisions of the Companies Act, 1956 and Companies Act, 2013 and attachments thereof during the financial year under report.
8. Statutory Registers viz
 - Register of Directors & KMP
 - Register of Members
 - Register of Charges
 - Register of Contract
 - Register of Loans and Investments

ANNEXURE – II

List of applicable laws to the Company

List of applicable laws to the company and its Branches situated at:

Registered office :

Unit no.1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai, Maharashtra

Corporate office :

Unit No. 1101, Sharda Terraces, Plot No. 65, Sector 11, CBD Belapur, Navi Mumbai, Maharashtra.

Under the Major Group and Head :

1. The Apprentices Act, 1961.
2. The Maharashtra Labour Welfare Fund Act, 1953.
3. The Contract Labour (Regulation & Abolition) Act, 1970.
4. The Payment of Bonus Act, 1975.
5. The Equal Remuneration Act, 1976.
6. The Maternity Benefit Act, 1961.
7. The Payment of Gratuity Act, 1972.
8. The Maharashtra Shops & Establishment Act, 1972.
9. The Payment of Wages Act, 1936.
10. The Minimum Wages Act, 1948.
11. The Employment Exchange Act, 1959.
12. The Employee's State Insurance Act, 1948.
13. Employee's Compensation Act, 1923.
14. The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975.
15. The Maharashtra Private Security Guards [Regulation of Employment and Welfare] Act, 1981.
16. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
17. The Maharashtra Mathadi, Hamal And other Manual Workers (Regulation of Employment And Welfare) Act, 1969.
18. The Employees Provident Funds and Miscellaneous Provisions Act, 1952.



ANNEXURE-III

To,

The Members,

Suryoday Micro Finance Limited.

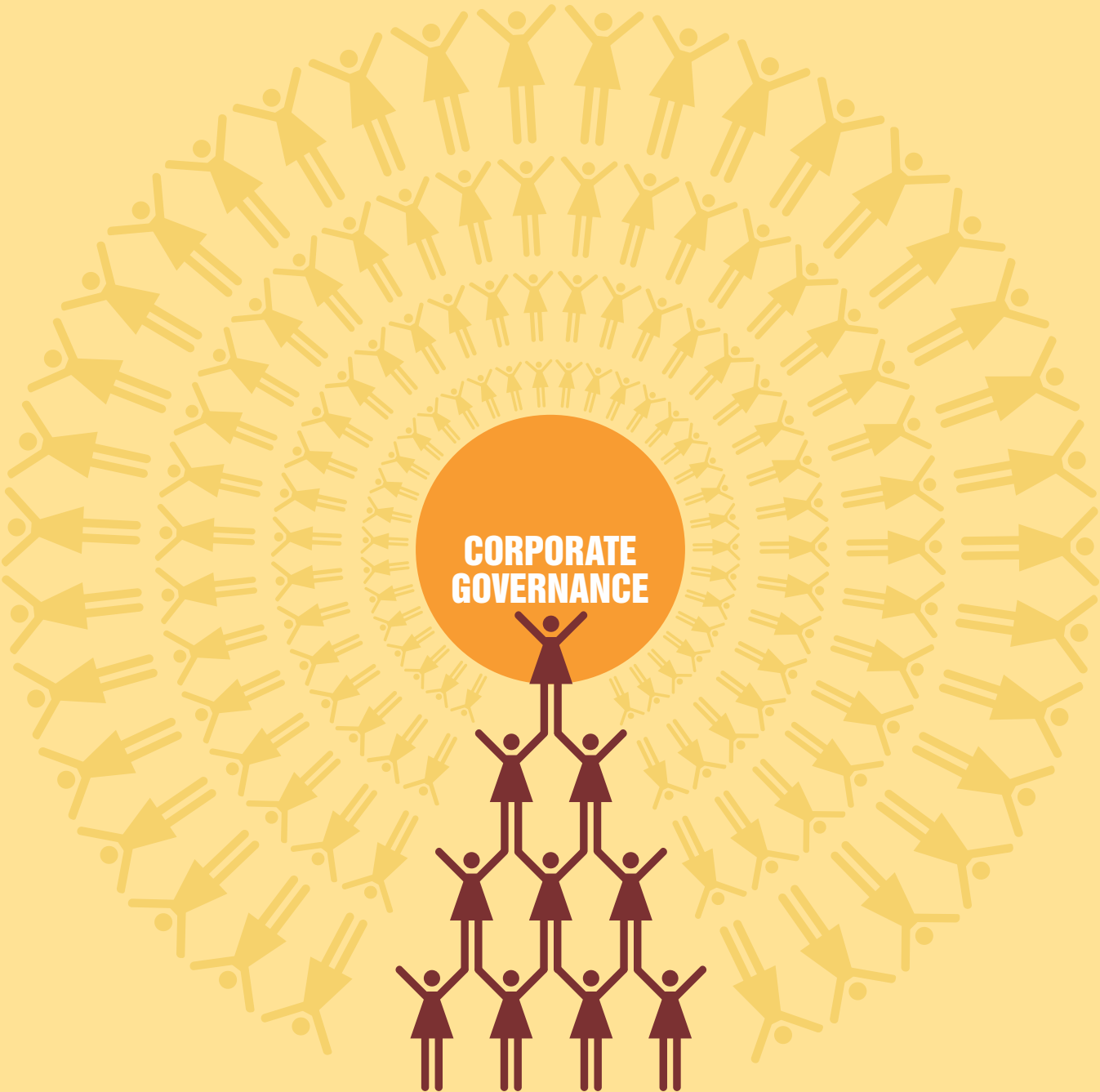
Our report of even date is to be read with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of Secretarial records. The verification was done on a test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of accounts of the Company.
4. Wherever required, we have obtained Management Representation about the compliance laws, rules and regulations, and happening of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on a test basis.
6. The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.



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**CORPORATE
GOVERNANCE**

**BOARD OF DIRECTORS**

As on March 31, 2016 the Company's Board comprised of eight (8) Directors, including 3 Independent Directors. The Chairperson of the Board is a non-executive independent director. The Composition of the Board is in conformity with Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, which stipulates that one third of the Board should be independent.

The Board of Directors met 8 (Eight) times on 4th May, 2015, 18th May, 2015, 13th Aug., 2015, 15th Oct. 2015, 2nd Nov., 2015, 10th Dec., 2015, 18th Dec., 2015 and 14th March, 2016.

The gap between any two meetings did not exceed one hundred and twenty days.

The number of board meetings eligible to be attended and actually attended by the members of the Board of Directors are as follows:-

Name of the Director

	No. of Board Meetings held during their tenure	No. of meetings attended
Dr. (Mrs) Sheela Bhide	8	5
Mr. R. Ramachandran	8	8
Mr. John Arunkumar Diaz	8	7
Mr. Venkatesh Natarajan	8	5
Mr. Mathew Joseph	8	2
Mr. Aleem Remtula	8	4
Mr. Mrutunjay Sahoo	3	1
Mr. R. Baskar Babu	8	8

Brief terms of reference:

The items / matters which are required to be placed before the board interalia include:

- Approval of annual business and operating plans and budgets and half yearly results of the Company
- Company's annual financial results, financial statements, auditors' report and Board's report
- Minutes of meetings of the Audit Committee and other Committees of the Board
- Appointment, remuneration and resignation of Directors
- Formation/reconstitution of Board Committees
- Terms of reference of Board Committees
- Disclosure of Directors' interest and their shareholding
- Appointment or removal of key managerial personnel
- Appointment of Internal Auditors and Secretarial Auditors
- Dividend declaration, if any
- Significant changes in accounting policies and internal controls
- Statement of significant transactions, related party transactions and arrangements
- Issue of securities including debentures
- Recommending appointment of and fixing of remuneration of the Auditors as recommended by the Audit Committee
- Internal Audit Findings and External Audit Reports (through the Audit Committee)
- To discuss the company's strategy to transform into a Small Finance Bank (SFB)
- Undertaking CSR-related activities
- Review of fraud and service quality on a quarterly and annual basis
- To take note of compliance on a periodic and annual basis



COMMITTEES OF THE BOARD - Composition as on 31st March, 2016

AUDIT COMMITTEE

Committee composition:

Dr. (Mrs.) Sheela Bhide, Chairperson & Independent Director

Mr. R. Ramachandran, Independent Director

Mr. John Arunkumar Diaz, Nominee Director

Meetings held:

During the year FY 2015-16, the Committee met three times. The meetings were held on May 18, 2015, November 14, 2015 and March 14, 2016.

Terms of reference:

- Examination of the Company's financial reporting process and the disclosure of its financial information to ensure that the company's financial statements are correct, sufficient and credible.
- The recommendation for appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and their terms of appointment.
- Examination of the quarterly/half yearly and annual financial statements before submission to the board for approval, with particular reference to
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - b. Changes, if any, in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgement by management.
 - d. Significant adjustments made in the financial statements arising out of audit findings.
 - e. Compliance with accounting and other legal requirements relating to financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
- Review with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
- Review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discuss with internal auditors any significant finding and follow up thereon.
- Review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

NOMINATION AND REMUNERATION COMMITTEE

Committee composition:

Dr. (Mrs.) Sheela Bhide, Chairperson & Independent Director

Mr. R. Ramachandran, Independent Director

Mr. John Arunkumar Diaz, Nominee Director

Mr. Venkatesh Natarajan, Nominee Director

Meetings held:

The Committee met three (3) times in a year. The meetings were held on May 18, 2015, November 2, 2015 and March 14, 2016.



Terms of reference:

- To formulate a criteria for determining qualifications, positive attributes and independence of a Director
- To ensure 'fit and proper' status of proposed/existing Directors
- To recommend to the Board the appointment and removal of Senior Management
- To carry out evaluations of Director's performance and recommend to the Board appointment/removal based on his / her performance
- To formulate, administer the ESOP scheme
- To review the compensation of members of the Board, KMP and the Senior Management

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Committee composition:

Dr. (Mrs.) Sheela Bhide, Chairperson & Independent Director

Mr. R. Ramachandran, Independent Director

Mr. John Arunkumar Diaz, Director

Mr. Venkatesh Natarajan, Director

Mr. Mathew Joseph, Nominee Director

Mr. Aleem Remtula, Nominee Director

Mr. R. Baskar Babu, Managing Director & Chief Executive Officer

Meetings held:

The Committee met once during the year under review on March 14, 2016

Terms of reference:

- To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013
- To recommend the amount of expenditure to be incurred on these activities
- To monitor the Corporate Social Responsibility Policy of the company from time to time
- To perform such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws

RISK MANAGEMENT COMMITTEE

Committee composition:

Dr. (Mrs.) Sheela Bhide, Chairperson & Independent Director

Mr. John Arunkumar Diaz, Director

Mr. Venkatesh Natarajan, Director

Mr. Mathew Joseph, Nominee Director

Terms of reference:

- To review operation risk (including sub risk for operation risk), information technology risk and integrity risk.
- To address concerns regarding asset liability mismatches and interest rate risk exposures.
- To take strategic actions to mitigate the risk associated with the nature of the business.
- To achieve optimal return on capital employed, while maintaining acceptable levels of risk including and relating to liquidity, market and operational aspects and adhering to the policies and regulations.
- To prepare a report on statement of short-term dynamic liquidity, structural liquidity and interest rate sensitivity to the RBI.
- To appraise the Board of Directors at regular intervals regarding the process for putting in place a progressive risk management system and risk management policy and strategy.
- To review and approve the loan facilities (on-balance sheet and /or off-balance sheet) and borrowing within the limits specified.
- To review the facilities beyond their limits and thereafter, propose to the Board.
- To nominate and designate representative(s) to carry out the required documentation for the facilities approved by the Committee.



- To review annual budget and revisions made to the business plan, and make specific recommendations to the Board on its adoption, including where desirable, comments on expenses, levels, revenue structures, fees and charges, adequacy of the proposed funding levels as also adequacy of provision for reserves.
- To review the funding mix from time to time to ensure mitigation of risk concentration in terms of specific lender or lender class.
- To review the cash flows in comparison to the liquidity metric.
- To review the targeted credit limits (funnel).

RESOURCING COMMITTEE

Committee composition:

Mr. R. Baskar Babu, Managing Director & Chief Executive Officer

Mr. John Arunkumar Diaz, Nominee Director

Mr. Venkatesh Natarajan, Nominee Director

Mr. Mathew Joseph, Nominee Director

Mr. R. Ramachandran, Independent Director

Meetings held:

The Committee met 11 (eleven) times in a year. The meetings were held on June 15, 2015, July 6, 2015, July 29, 2015, September 22, 2015, December 21, 2015, December 24, 2015, January, 18, 2016, February 09, 2016, March 21, 2016, March 23, 2016 and March 29, 2016.

This Committee was constituted to approve transactions/proposal/arrangements for sale / assignment / securitization of the loan receivables of the Company on such terms and conditions as to discounting rate, interest rate or otherwise as it thinks fit.

STEERING COMMITTEE

Committee composition:

Mr. R. Ramachandran, Independent Director

Mr. John Arunkumar Diaz, Nominee Director

Mr. Venkatesh Natarajan, Nominee Director

Mr. R. Baskar Babu, Managing Director & CEO

Meetings held:

The Committee met two (2) times in a year. The meetings were held December 10, 2015 and February 09, 2016.

The company recently constituted the Steering Committee to review its SFB proposal and contribute on the strategic front as well as in the requisite implementation.

GENERAL SHAREHOLDERS'S INFORMATION

COMPANY REGISTRATION DETAILS:

The Company is registered in the state of Maharashtra, Mumbai, India and CIN allotted to the Company by the Ministry of Corporate Affairs is U65923MH2008PLC261472 and RBI Registration Number N-13.02106.

ANNUAL REPORT: The Annual Report for financial year 2015-16 which is circulated to the members and other entitled thereto, containing inter-alia; balance sheet, profit and loss account, directors' report, cash flow statements, notes to accounts.

LISTING: The Company's equity shares are unlisted. However, the Company's debt securities are listed on the BSE Ltd. (BSE)

The Trustees for the debentures are as under:

1. IDBI Trusteeship Services Limited
Asian Building, Grd Floor,
R. Kamani Marg,
Mumbai - 400 001



2. GDA Trusteeship Limited
Office No. 1, 2 & 3, 4th Floor,
Rehematoola House,
7th Homji Street, Off . P.M. Road,
Fort, Mumbai - 400 002
3. Axis Trustee Services Limited
Axis House, 2nd Floor,
Wadia International Centre,
Pandurang Budhkar Marg,
Worli, Mumbai - 400 025

The Annual Listing fees for FY 2016-17 has been paid by the Company to BSE by April 30, 2016.

PAYMENT OF DEPOSITORY FEES.

Annual custodian fees for the year 2016-17 will be paid by the Company to NSDL and CDSL on receipt of the invoice.

SEBI COMPLAINTS REDRESSAL SYSTEMS (SCORES)

The Company being a debt listed company is registered with SEBI Complaints Redressal Systems (SCORES) for resolving complaints arising out of issues that are covered under SEBI Act, Securities Contract Regulation Act, Depositories Act and rules and regulation made there under and provisions that are covered under section 24 of Companies Act, 2013. Till the date of the report the status of the investor complaints is Nil.

REGISTRAR AND SHARE TRANSFER AGENT FOR EQUITY SHARES AND NON-CONVERTIBLE DEBENTURES

Sharepro Services (India) Private Limited
13 AB, Samhita Warehousing Complex,
2nd Floor, Sakinaka Telephone Exchange Lane,
Off. Andheri-Kurla Road, Sakinaka,
Andheri (E), Mumbai - 400 072
Tel: 91-22-6772 0300/400
Fax: 91-22-2859 1568
Email: sharepro@shareproservices.com

GREEN INITIATIVE:

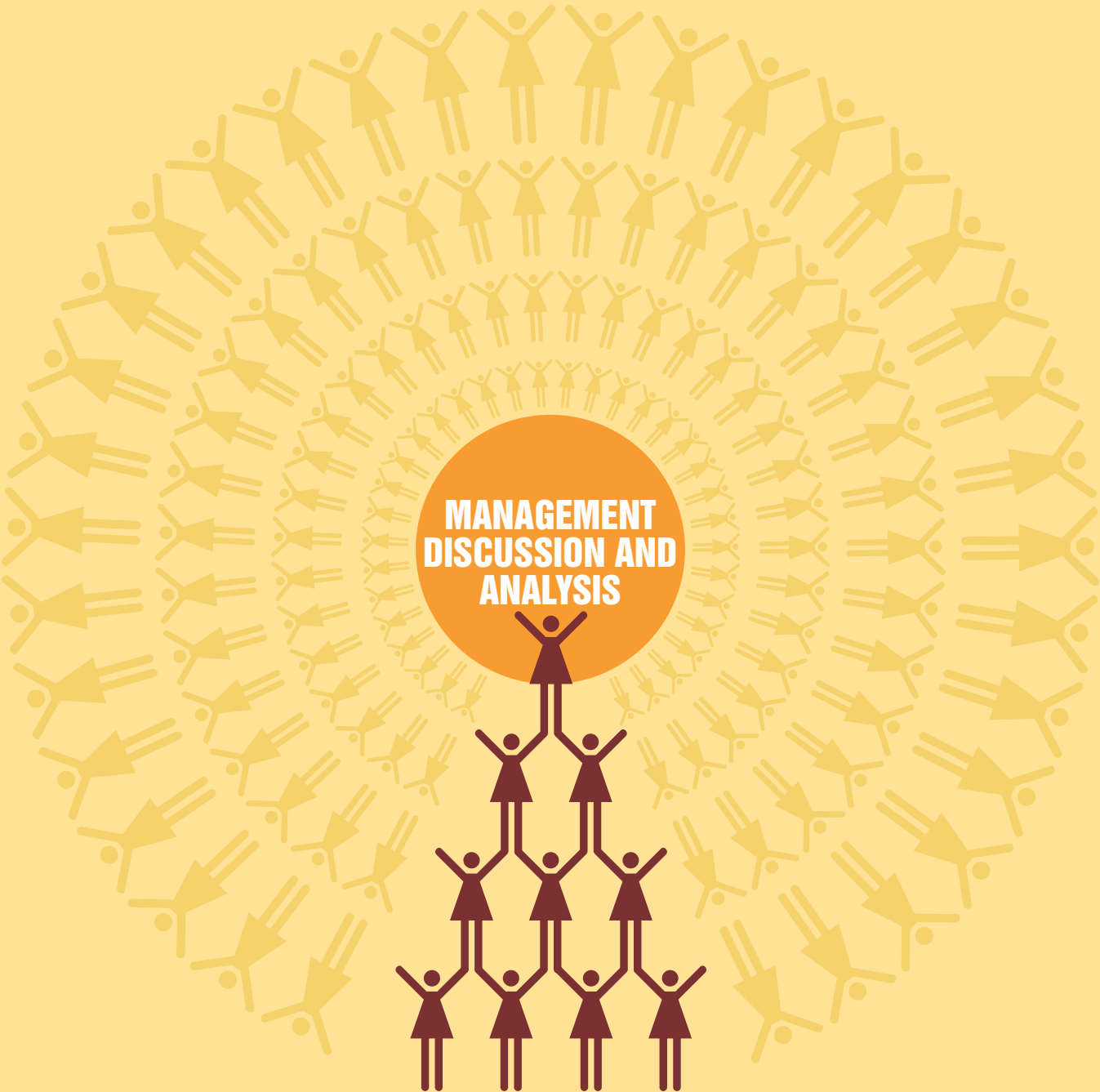
In support of the “Green Initiative” undertaken by Ministry of Corporate Affairs, the Company had during the Financial Year 2015-16 sent various communications by email to those Members whose email addresses were registered with the Company or the Registrar and Transfer Agents. Physical copies were sent to only those Members whose email addresses were not available.

sd/-
Dr. (Mrs.) Sheela Bhide
Chairperson

sd/-
Mr. R. Baskar Babu
Managing Director & CEO

Date: May 6, 2016

Place: Chennai

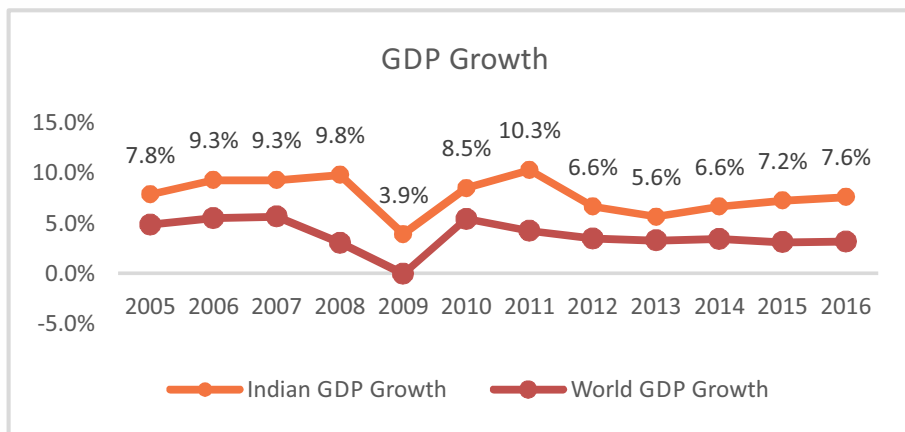




Macroeconomic environment

Globally, the macro economic environment remained subdued during fiscal 2016 and even in first quarter of fiscal 2017 due to colossal event of Britain exiting European Union (EU) ('Brexit' event) in June 2016. Developed economies of US and Europe have not seen significant upturn during 2016 except for raising of 25 bps in policy rate by US federal reserve and indicated that the rate increase would be steady. Possibility of Greece exiting EU and recent Britain exit have left EU undecided on future course and felt shock across industrial houses and financial institutions since most have their head offices / branches / dealing house in London. Germany in history issued 10 year bond with negative interest rate which shows the aftermath of Brexit will have impact longer and wider than expected. Asian economies grew at steady rate due to economic slowdown in China though India grew at healthy rate as expected. Crude prices noted significant volatility due to higher supply than expected. US dollar rate noted appreciation against most currencies including emerging economies due to factors mentioned above. All these events add up to significant volatility in global environment.

Indian economy grew at 7.6% during 2015-16 as per the Advance Estimates of National Income released by Central Statistics Office (CSO) as compared to the growth of 7.2% in 2014-15. The world economy grew at 3.2% during 2015-16. India's stable economic growth against a dynamic and volatile global environment signifies growing opportunities while noting caution to the external economy challenges.



Headline inflation as reflected by the consumer price index (CPI) reduced from 5.3% in March 2015 to 4.8% in March 2016. The fall was largely on account of drop in international commodity prices, especially crude oil which saw almost 45% reduction in prices as per Ministry of Petroleum and Natural Gas. However, strengthening of the US economy during 2015-16 depreciated the Rupee to 65.04 per USD (average during April 2015-January 2016). Further depreciation of the Rupee would partially offset the deflationary factors. With regards to the future outlook, growth rate of 7%-7.5% is estimated in FY 2016-17 as per various projections compared to IMF's projections of 3.2% growth in 2016 for the global economy.



In India, a stable government led to an improvement in market sentiment and there was recovery in key economic parameters during the year. Economic growth improved, inflation moderated, the current account deficit and exchange rates remained stable and interest rates came down during the year. The government has taken several steps to improve the operating environment and also announced several reforms such as Pradhan Mantri Jan Dhan Yojna, scheme to support startups, smart cities concept, 'Indradhanush' scheme for public sector banks etc. These measures are expected to positively influence economic conditions going forward.

However, the concerns around performance and recovery from corporate community alarm the central bank to clean up the books of large public and private sector banks. On RBI direction, many public and private sector banks have to early recognize provision on stressed portfolio and have to provide additional 10% on restructured assets. Reforms in the form of bankruptcy law and focused approach of central bank will help to revive the broader sentiment coupled with lower interest rate regime in FY 16-17.

During the current year, Government laid strong emphasis on reforms in the Indian banking and financial sector with particular focus on enhancing financial inclusion. Key central programmes aimed at greater financial access for individuals including Jan Dhan Yojna and Aadhaar made significant progress during the year with the JAM agenda (Jan Dhan, Aadhaar and Mobile) gaining importance. Both Jan Dhan and Aadhaar have had exponential growth in outreach with 2 and 4 million accounts per week being created respectively. Aadhaar currently boasts of 1 billion card holders, while almost 200 million accounts have been created under Jan-Dhan Yojna with deposits of more than ₹30,000 Crores. The passage of 'The Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill' in March 2016 further emphasizes the key role that Aadhaar will play in reaching out to those currently excluded from basic financial services.

Similarly, the Pradhan Mantri Mudra Yojana (Mudra Initiative) launched in April 2015 aims to improve sources of finance for Micro, Small and Medium Enterprises (MSMEs). The Indian MSME sector is predominantly informal in nature with almost 95% being unregistered (Ministry of MSME, 2014). Study by International Finance Corporation (IFC) (2012) has noted a gap of ₹21 trillion in formal financing for MSME's. The Action Committee for Formal Finance for Non-corporate Small Businesses notes that less than 4% of the enterprises have access to institutionalized finance. The Government's Mudra Initiative has disbursed more than ₹53,000 Crores up to April 2016, yet there is significant unmet demand.

Key regulatory measures impacting micro finance sector announced since April 2015 (through June 30, 2016) were:

- In April 2015, RBI issued guidelines amending the master director issued to NBFC-MFI. Following are the key amendments as per the circular:
 - Eligible annual household income increased from ₹60,000 to ₹100,000 for semi-urban and ₹100,000 to ₹160,000 for urban households.
 - Limit for total indebtedness for borrower increased from ₹50,000 to ₹100,000.
 - Loan amount per cycle increased from ₹35,000 in first cycle to ₹60,000 and from ₹50,000 to ₹100,000 in subsequent cycle.
 - Aggregate amount of loan given for income generation reduced from 70% to 50% and balance can be utilized for other purposes such as housing repairs, medical etc.

The upward revision of the various limits mentioned above are in line with the increased recognition of the need and role of MFI's in financial inclusion and improving access to finance.

- In September 2015, RBI granted in-principle approval to set up Small Finance Banks (SFB) to 10 applicants including the Company. In August 2015, RBI also granted license to set up payments banks to 11 applicants. Out of 11 applicants for payment banks, 3 applicants have withdrawn their plans to set up payments bank. RBI has given 18 month timeline from the date of granting in-principle approval to set up the SFB. It's a major step from RBI to meet the Government's objective of financial inclusion.



Microfinance Industry Overview

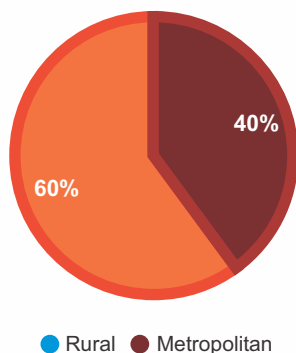
The Indian microfinance industry witnessed a dynamic year with 8 operating MFI's receiving in-principle approval to establish a Small-Finance Bank (SFB). The industry cater to 325 lakh customers with a GLP of ₹53,233 Crores as on March 31, 2016 (MFIN Micrometer, 2016).

Parameters	31 - Mar - 16*	31 - Mar - 15
Branches	9,669	7,934
Employees	85,888	62,407
Clients~ (Crores)	3.25	2.26
GLP(₹ Crores)	53,233	28,940

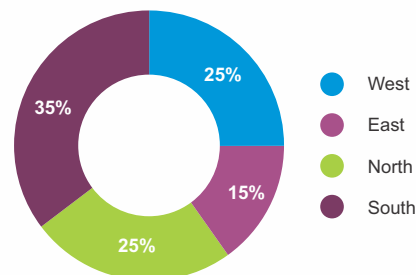
*The current year excludes data for Bandhan Microfinance, having converted into Bandhan Bank.

The geographical spread of the Industry covers a total of 30 states and union territories with South India contributing almost 35% of the total outstanding portfolio. The top 10 states with respect to GLP include Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh and Madhya Pradesh which account for almost 60% of total portfolio (MFIN Micrometer, 2016). The rural – urban portfolio mix stands at 40:60 as on March 31, 2016.

GEOGRAPHICAL COVERAGE OF MFI IN INDIA



MICROFINANCE - REGIONAL DISTRIBUTION OF GLP



The market supply however remains concentrated with 20 MFI's having 91% share of the total GLP and the top 10 MFI's account for 72% of the outstanding portfolio.

Particulars	Large	Medium	Small	Total
No. of MFIs	22	22	12	56
GLP (in ₹ Crores)	48,205	4,274	755	53,234
Branches	7,800	1,474	395	10748
Customers	2.9	0.29	0.05	3.25
% share in GLP	91%	8%	1%	-
Average Customer per branch	3,723	1,968	1,348	3,358
Average O/S per branch (₹ in Crores)	5.51	2.90	1.91	5.51

Source: MFIN Micrometer, March 2016

With regards to availability and cost of funds, there has been significant change in the funding mix with non-bank lending contributing almost 38% of the total debt as on March 31, 2016 as compared to 26% in FY 2014-15. The average cost of funds is estimated to be in the range of 14% - 15.5% during the year with further reduction in FY 2016-17 expected owing to reduction in RBI lending rates. In parallel the interest yield on MFI loans range between 19.5% - 26% showing a downward trend on account of access to low cost funds, improved refinance facilities as well as increasing competition. Further, securitization of portfolio increased significantly by 9,632 Crores resulting into lower borrowing cost to fund incremental portfolio.



Key challenges facing the industry include monitoring lending discipline to ensure asset quality which has remained below 1% as per MFIN data. Vulnerability to changes in regional and local environment including political, community and natural phenomenon drive the uncertainty in the MFI customer segment. Continued focus on operational efficiencies and credit policy robustness would be key to stable growth with the Industry outlook for the coming years envisages stable growth of 30% - 35%.

As noted earlier, the Indian Banking and Finance sector including the MFI sector is in a state of transition with 8 of the leading MFIs expected to transform into SFBs by March 2017. The Company's outlook as an SFB is also briefly discussed earlier in 'Transition to Best-in-class Small Finance Bank'.

Business and Financial Review

Summary

The year FY 2015-16 was a landmark year for Suryoday's operations as it received the in-principle approval from RBI for converting into a Small Finance Bank. The company achieved a GLP of ₹1,040 Crores as on March 31, 2016 and a net profit of ₹27.44 Crores with an annual growth rate of 78% and 61% in the AUM and net profit respectively.

Net interest income increased to ₹93.93 Crores from ₹55.48 Crores last year reflecting an increase of 69% in interest earning assets.

Non-interest income increased by 46% primarily due to increase in interest on fixed deposits kept as collateral against borrowings with banks and financial institutions. Further, increase is on account of grant received from International Finance Corporation of ₹1.05 Crores in current year compared to ₹0.24 Crores last year for achieving socio-economic targets and conducting financial literacy program for the benefit of socially and economically backward class.

Interest expense have increased by 72% in line with increase in borrowings to fund the loan growth.

Non-interest expense have increased primarily to fund to incremental business need and the transformation cost to convert into small finance banking company. Major increase is seen in employee related expenses for banking transformation and non-employee related expenses for meeting business growth during the year.

Provision has been in line with RBI guidelines at 1% of the total portfolio of the Company. The non-performing portfolio, net of write off (Gross NPA), have remained low at 0.18% compared to 0.13% in FY 2015.

Networth increased from ₹131.95 Crores to ₹197.54 Crores primarily due to right issuance made during the year of 51.8 lakhs shares and profit accretion of ₹27.44 Crores.

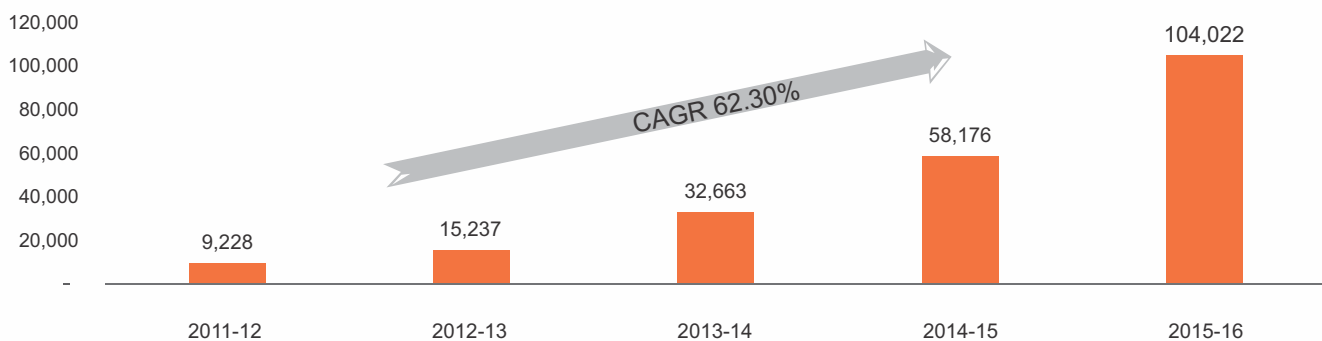
The Company continued to increase its branch network during the year from 145 branches at the beginning of the year to 179 branches as at March 2016.

The Company is subject to Capital adequacy norms prescribed by RBI for NBFCs. The Company maintained healthy capital adequacy ratio of 22.43% as against regulatory requirement of 15%.

1. Loan growth analysis

Loan portfolio has shown substantial growth with a CAGR of 62% from FY 2011-12 to FY 2015-16. The Company has strengthened its position as an important NBFC-MFI within its core geographies. Maharashtra and Tamil Nadu continue to contribute significant proportion of the total portfolio outstanding with 64% coverage.

Growth in Portfolio (₹ in Lakhs)



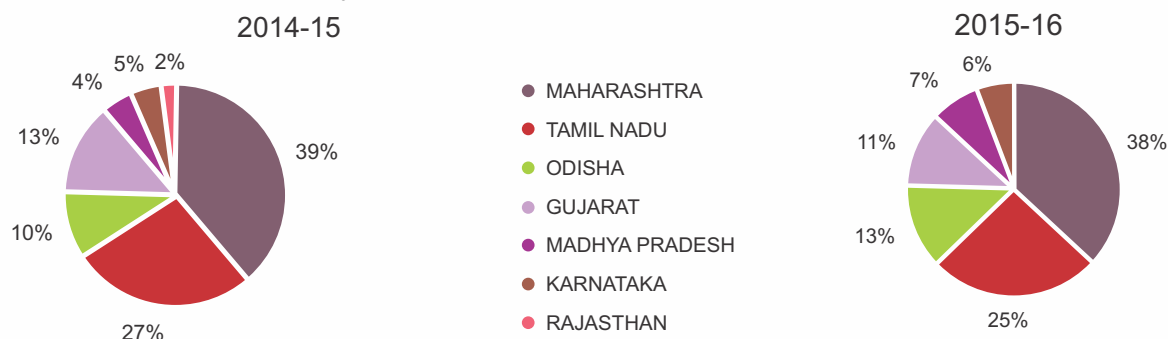


The Company operates in seven states and one union territory as on March 31, 2016. During the year, new branches were opened primarily in Odisha, Madhya Pradesh, Karnataka and Tamil Nadu with a focus on diversifying the portfolio. The Company started operations in Odisha in 2012-13 with 3 branches and currently operates 29 branches with a year-on-year growth in GLP of 136%. Similarly, business and branch expansion in Madhya Pradesh from 12 to 18 branches contributed to a more than 200% growth in the States' portfolio almost doubling the share of MP to 7% of the total portfolio. Share of Maharashtra and Tamil Nadu have reduced marginally showing management's effort to reduce the concentration. Operations in Rajasthan have been gradually reduced due to multiple issues faced by the Company.

In line with our focus on customer needs and product innovation, the Company launched new products during the year including 'Vikas' loan in Pune region which is an entirely cashless product with disbursement and repayment managed through NEFT / ECS. Total amount of Vikas Loans disbursed during the year amounts to ₹62 Crores with a customer reach of more than 13,000 members as on March 2016.

State	Sum of AUM FY 15	Branches FY 15	Sum of AUM FY 16	Branches FY 16	% of AUM FY 15	% of AUM FY 16
Maharashtra	23,855	54	40,294	56	41%	39%
Tamil Nadu	15,383	27	26,503	33	26%	25%
Odisha	5,552	16	13,102	29	10%	13%
Gujarat	7,267	21	11,202	25	12%	14%
Madhya Pradesh	2,440	12	7,493	18	4%	7%
Karnataka	2,684	10	5,411	16	5%	5%
Rajasthan	998	5	18	2	2%	0%
Total	58,179	145	104,022	179	100%	100%

During the year, the company disbursed loans amounting to ₹1,279 Crores as against ₹650 Crores in FY 2014-15 showcasing an increase of almost 100% over last year.

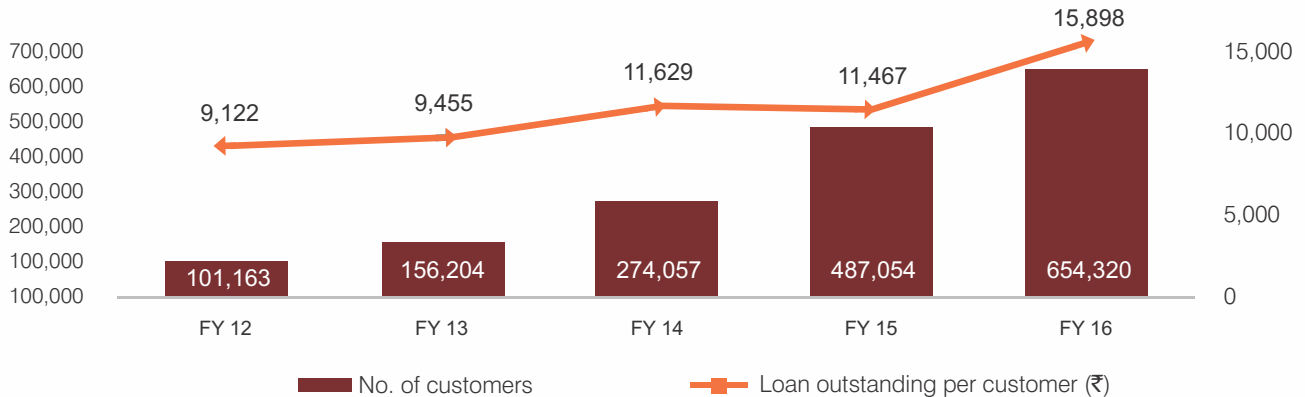


Branch and employee productivity has also shown significant improvement with average outstanding portfolio per branch at ₹5.8 Crores and average disbursements per branch of ₹7.1 Crores.

Key Productivity Ratios	FY 12	FY 13	FY 14	FY 15	FY 16
Customers per branch (#)	3,747	3,396	3,915	3,454	3,655
Loan outstanding per branch (₹ in Crores)	3.4	3.3	4.7	4.1	5.8
Loan disbursement per branch (₹ in Crores)	4.6	3.7	5.2	4.6	7.1
Customers per field employee (#)	755	717	781	695	658
Loan outstanding per field employee (₹ in Crores)	0.7	0.7	0.9	0.8	1.0
Loan disbursement per field employee (₹ in Crores)	0.9	0.8	1.0	0.9	1.3



Our overall customer base stands at 654,320 customers with almost 100% of our members being women. The average loan outstanding per customer is ₹15,898 as on March 31, 2016, while average disbursement per customer is ₹22,000 during FY 2015-16.

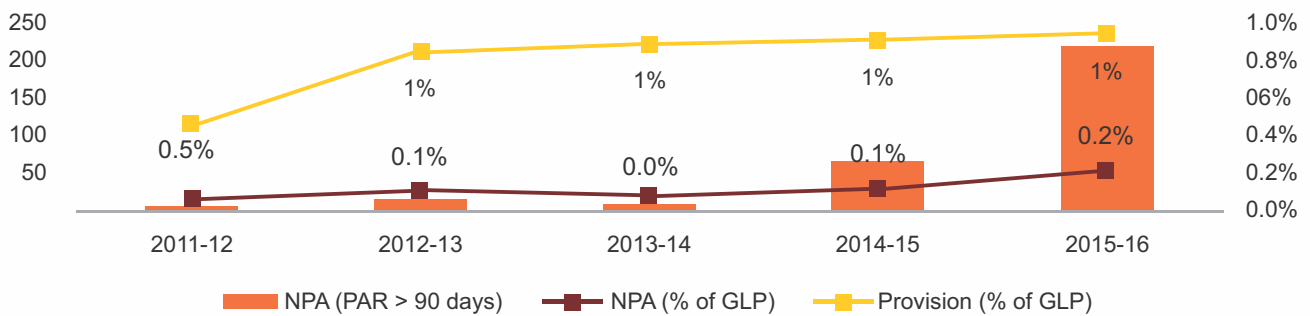


Asset Quality

The asset quality of the loan portfolio as on March 31, 2016 remained within MFI market benchmarks with a gross NPA ratio, net of write off, of 0.18% and net NPA ratio, net of write off, of 0.04%. The company recognizes any loan having an overdue of more than 90 days as a NPA and follows RBI guidelines for provisioning issued for micro finance companies. As per RBI guidelines, the Company recognizes NPA provision higher of 1% of the total outstanding portfolio or 50% of the overdue amount for more than 90 days and 100% for overdue amount for more than 180 days.

During the year, the Company written off loan outstanding amounting to ₹66 Lakhs for portfolio which are matured and outstanding for more than 365 days.

NPA and Provisioning



2. Income Statement and Balance Sheet Analysis

During the year, the Company earned profit after tax of ₹27.4 Crores as against ₹16.8 Crores in the previous year with an annual growth of 63%.

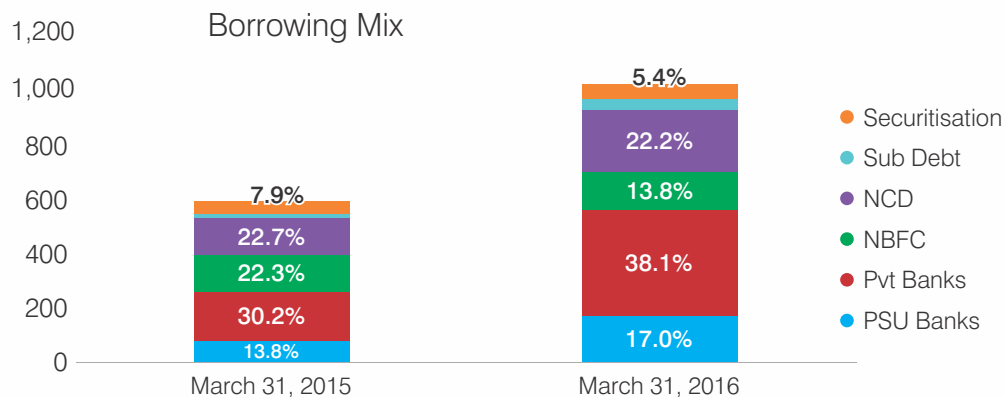
Particulars	FY 2016	FY 2015	YOY%
Interest Income	17,587	10,402	69%
Service Charges	1,289	653	98%
Other Financial Income	1,128	773	46%
Total Income	20,001	11,827	69%
Finance Cost	9,480	5,506	72%
Employee Benefit Expenses	4,179	2,452	70%



Particulars	FY 2016	FY 2015	YOY% Δ
Admin Expenses	1,574	961	64%
Depreciation	134	119	12%
Operating Expenses	5,887	3,532	67%
Standard Asset Provisioning	452	239	89%
Total Expenses	15,819	9,277	71%
PBT	4,182	2,549	64%
Tax	1,437	865	66%
PAT	2,744	1,685	63%

- Interest income on advances noted growth of 69% as compared to the previous year. During the current year, the Company revised the interest rates it charges on its microfinance loans leading to a marginal drop in the overall yield from 25.2% to 23.6% (monthly average basis). Service charges refer to 1% loan processing fees charged on disbursements and has accordingly increased in line with the growth in disbursements.
- During the year, the Company received ₹1.05 Crores as Grant from IFC (Previous year ₹0.25 Crores) under the "Performance Based Grant Initiative for Access to Finance" for creation of Financial Literacy Centers. Under the initiative, 71 Financial Literacy Centre have been established across six states up to March 2016. The Company earned ₹8.5 Crores on cash collaterals in the form of fixed deposits kept with various banks and financial institutions (Previous year ₹5.65 Crores).
- Average cost of borrowings reduced from 15.3% in FY 2015 to 14.2% in FY 2016 primarily due to rate reduction by RBI during the year. Overall increase in borrowing cost is due to significant borrowings done during the year of ₹745.7 Crores to fund the business growth as compared to ₹517.4 Crores during FY 2015.

The following chart presents the borrowing mix as on the year end date.



- Increase in employee cost by 70% is primarily due to increase in no. of employees from 1,367 to 1,708 as on March 31, 2016. The average monthly headcount increased from 972 in FY 2014-15 to 1,576 in FY 2015-16 which is an increase of 62%, partly contributed by the addition of 34 branches. New recruitment also includes hiring done for setting up Small Finance Bank.
- Other operating expenses increased primarily due to branch expansion during later part of last year and in the current year. During October 2014 to May 2015 the Company added 80 new branches hence relative change in other expenses noted significant increase. The Company continues to strengthen its operating efficiency with an OER of 7.6% for FY 2015-16 and cost to income of 54.7%.

Increase in asset provisioning by 89% is mainly due to increase in overall asset base, since the company follows RBI norms of providing at the rate of one percent on the outstanding portfolio as at balance sheet date. Total outstanding portfolio is ₹984.9 Crores (on book) as on March 2016 against which provision held at ₹9.83 Crores.



Balance Sheet Extract (₹ in Crores)	FY 16	FY 15	% change
Equity and Liabilities			
Net worth	197.5	131.9	50%
Borrowings	955.6	593.7	61%
Provisions	10.1	5.7	78%
Other Liabilities	32.4	25.5	27%
Subtotal	1,195.7	756.8	58%
Assets			
Fixed Assets	2.4	1.7	43%
Loans receivables	984.9	531.7	85%
Cash and Bank	143.2	167.6	-15%
Other Assets	65.1	55.9	16%
Subtotal	1,195.7	756.8	58%

- Increase in networth is primarily due to right issuance made during the year of ₹38 Crores and profit accretion of ₹27.4 Crores. Increase in borrowings is to support loan growth of 70% during the year.
- Growth in loan is supported by increased branches during past 18 months and have crossed ₹1,000 Crores mark for the first time in history of Suryoday. Gross loan portfolio, including securitized portfolio, stands at ₹1,040 Crores.
- Increase in cash and cash equivalents is primarily due to increase in fixed deposits kept as collateral with banks and financial institutions as security for borrowings. Further, to maintain adequate liquidity to meet business requirement, the Company kept high cash and bank balance at year end.
- Other assets primarily includes interest accrued on loans given, prepaid expenses, advance tax net of provision for taxation and miscellaneous receivables. Other liabilities primarily include interest accrued on borrowings and miscellaneous payables to various vendors and provision for expenses.

2. Key Ratios

Particulars	FY 15	FY 16
Debt / Equity (x)	4.5	4.8
Return on Assets (ROA)	2.9%	2.8%
Return on Equity (ROE)	15.4%	16.7%
Cost to income ratio	53.9%	54.7%
Operational Expense Ratio	7.5%	7.6%

- Debt equity ratio is higher due to new borrowings made to support business growth of 70%. During the year, the Company raised equity of 38 Crores as against increase in borrowing by 360 Crores leading to spike in leverage ratio.
- ROA has remained stagnant due to increase in asset base by 58% compared to FY 2015. ROE has improved in line with increase in profitability.

Operating performance ratios - cost to income has increased primarily due to increase in expenses during the year and operating expense ratio has remained stable due to increase in asset base offsetting the impact of the incremental cost incurred during the year.



2. Capital Adequacy

Particulars	31 Mar 15	31 Mar 16
Risk Weighted Assets (₹ in Crores)	582	1,018
Tier I Capital	124.88	187.50
Tier II Capital	25.68	40.83
Total Capital	150.56	228.33
Tier I Capital Ratio	21.5%	18.4%
Tier II Capital Ratio	4.4%	4.0%
Capital Adequacy	25.9%	22.4%

The Company maintained healthy capital adequacy ratio of 22.4% as compared to RBI requirement of 15%. Tier I capital ratio comprised of equity capital and accounts for 18.4% of the capital adequacy ratio. Tier II capital comprise of subordinated debt of ₹31 Crores and standard assets provisioning of ₹9.8 Crores. Ratio has dropped marginally compared to FY 2015 primarily due to significant growth in risk weighted assets (RWA) as against marginal growth of 56 crore in capital funds, net off adjustments as required under RBI guidelines.

A. Risk Management and Policy (including credit rating)

Suryoday has formulated and adopted a robust credit and risk management framework. The identification, measurement, monitoring and management of risks remain key focus areas for the organization. The policies and procedures established for this purpose are continuously benchmarked with best practices. The Board of Directors has oversight on all the risks assumed by the Company. Briefly, oversight of risk is facilitated through following measures:

- Credit history check with Credit Bureau is an important aspect of regulatory environment in microfinance and financial services industry. All loan applications at Suryoday are processed only after a valid credit history check as per RBI / MFIN norms.
- To ascertain the quality of applications and to eliminate the negative profiles, the Company has developed a system with in-built de-duplication function to act as a gate keeper prior to credit history check.
- In order to mitigate the risks in sourcing at the field level, a separate vertical of Business Audit (Field verification) scrutinizes each application prior to the disbursement. A dedicated Audit Officer (AO) in every branch is responsible for 100% pre-disbursement house check as part of the customer on-boarding process.
- With regards the concentration risk, we have been diversifying our portfolio across states and have focused on reducing individual state exposure as compared to the net-worth.
- The Audit Committee of the Board provides direction to and monitors the quality of the internal audit function and also monitors compliance with inspection and audit reports of regulators and statutory auditors.
- The Asset Liability Management Committee is responsible for managing liquidity and interest rate risk and reviewing the asset-liability position of the Bank.

As part of risk management process and considering the nature of business, the Company appointed BSR & Co. LLP to conduct statutory audit due to their significant expertise in auditing various micro finance and banking companies. Further, the Company appointed Haribhakti & Co. to carry our internal audit function due to their domain expertise and wide experience. This shows the management's commitment to ensure highest quality standards and timely monitoring and compliance of various policies and processes.



Table below portray various risks and its mitigation technique employed by the Company:

Credit Risk	Recovery Efficiency Multiple checks on credit approval
Operational Risk	Audit Officer at each branch Strict compliance procedures Intense staff training
Market and Liquidity Risk	Diversified sources of funding Healthy debt/ equity and capital adequacy ratio Monitoring liquidity gaps
Concentration Risk	Diversified portfolio across 7 States and PSL categories Company policy of reducing state exposure to 1.25 times Network
Regulatory Risk	Strengthening the compliance department
Reputation Risk	Customer Service Strict Compliance System

Preparatory Work for conversion into a Small Finance Bank

The Company is in the process of drafting policies for the proposed banking organization. As an SFB, the Company will be subject to high quality of risk management framework as set out by RBI and will have various aspects of risk to be covered though credit risk will continue to be of significant concern. The policies include those relating to various facets of banking as well as risk management from the perspective of:

- Credit Risk: Credit risk or default risk involves inability or unwillingness of a customer or counterparty to meet commitments in relation to lending and other financial transactions.
- Operational Risk: Operational Risk involves risks arising in various parts of the bank in the process of carrying out various activities of the bank.
- Market and Liquidity Risk: Risk arising from liquidity mismatch and adverse changes in market variables, such as interest rate, commodity price etc.
- Reputation and Regulatory Risk: Reputation risk relates to the risk of loss resulting from damages to a bank's reputation.
- Regulatory Risk: Risk arising from noncompliance of regulations.

Development of scorecards for various banking products, besides micro finance loans, like individual business loans, unsecured and secured MSME loans (Micro, Small and Medium Enterprises), housing loans are expected to play an important role in ensuring right selection of borrowers and faster turn-around time of credit proposals. Credit evaluation methodologies and processes are being put in place to ensure the credit appraisal process is rigorous enough for the various types of exposures.

Credit Rating

During the year, the Company's ratings was upgraded to BBB+ by ICRA. An extract from the report is given below. As per the report, the upgrade in the rating reflects Suryoday's ability to scale up the operations while diversifying its portfolio across 7 states and maintaining good asset quality and profitability indicators as well as prudent credit policies, and strong internal audit and control systems.

In August 2016, the Company received credit rating of 'A-' and short term credit rating of 'A1'. This shows significant improvement in the business performance and more importantly success in managing risk.

Instrument	Rating Action (September 2015)
Long term/ Short Term Bank Facilities	[ICRA]BBB+(stable) / [ICRA]A2; upgraded from [ICRA]BBB(Stable)/ [ICRA]A3+
Non-Convertible Debenture Programme	[ICRA]BBB+(stable); upgraded from [ICRA]BBB(Stable)
Subordinated Debt Programme	[ICRA]BBB+(stable); upgraded from [ICRA]BBB(Stable)
Non-Convertible Debenture Programme	[ICRA]BBB+(stable) assigned
Subordinated Debt Programme	[ICRA]BBB+(stable) assigned



A. Internal Controls and Compliance Framework

Suryoday has been built on a culture of the highest levels of corporate governance and compliance, right from its inception. This has been demonstrated, supported and prioritized over the years by the board and management. The company ensures compliance to all statutory, regulatory and industry standards and norms. To facilitate effective compliance monitoring the Company has implemented RICAGO - a Compliance Management Solution that enables us to create a library of all compliance requirements to monitor, track and ensure 100% adherence.

The Company conducted review of its internal financial controls through a reputed consultancy firm to ensure the operation effectiveness of firm wide controls. Haribhakti & Co. conducted internal audit of the Company with no serious control lapses identified during the audit.

In line with the regulatory requirement as a SFB, the Company has established a Compliance department which is responsible for ensuring the adherence to the regulatory and internal policies and processes. The compliance of the above is ensured on a continuous basis through constant monitoring process. The monitoring process involves – 1) identification of non-compliance issues raised by any employee 2) identification of issues raised by the process compliance team.

Process Compliance

Suryoday has a strong, well trained audit team which has regional risk-based approach. The team visits the branches on a regular basis to ascertain whether all the branch activities are carried out as per laid down policies / procedures. The audit plan is not disclosed with the auditee. The observations are discussed with the branch staff, area manager and area audit manager and the branch is guided on the process lapses and steps to be taken to avoid recurrence of such issues and the report is submitted to the top management for preview where, issues are discussed in-depth, through a root cause analysis.

The remedial measures and/or the corrective actions taken by the branch post raising the observations by the audit team are shared with the Process Compliance Team within TAT as per policy. The scoring shall determine the frequency of the audit.

Non-Compliance Reporting

Non-compliance process is guided under the framework of ensuring that all the activities are performed in the organization diligently with due care and adherence to the laid down processes.

Every employee is duty bound to report any instance of non-compliance. Such instances of non-compliances are reported and recorded at compliance department. The compliance department has a well-defined process of ensuring final closure of such issues. The process involves, analyzing the instance, causes, seeking explanation from the staff, collecting evidences, conducting hearings and taking actions. The process works on a fair and transparent mechanism.

Human Resources

Human resources team has partnered in the growing & challenging demands with business by recruiting & inducting 900+ new employees during FY 2015-16. Capability building is one of the main focus area to successfully meet the challenges of an ever evolving business environment in the financial service sector. The Company undertook various initiatives to increase productivity of the staff and to have higher retention rate of employees. The Company values the existing talent and regularly carries out training programmes for its employees as it transitions into an SFB. We value & celebrate the success of our employees by rewarding them in appropriate manner so as to set benchmark for other employees. Suryoday is a place of great diversity – the Company has taken conscious steps to ensure diversity of workforce devoid of any discrimination. Management believes that this helps bring in more professionalism and cross pollination of ideas helps us achieve a vibrant work environment. We celebrate our women employees and in recent years, we have launched Women-Only Branches in Mumbai and Pune with a plan to extend this across the country. Such branches have only women employees for every function – our effort at empowering women by giving them opportunities across the spectrum of operations.

At the Human Resources function the major focus is to manage the talent of the Company to have a continued growth phase along-with a seamless & successful transformation into a Small Finance Bank. As part of this transformation process the key focus areas for Human Resources include Talent Acquisition, Employee engagement, Employee Communication, Capability Building & robust Performance Management System.



**TRANSITION
TO SMALL
FINANCE BANK**



Beginning of new era: Best-in-class Small Finance Bank (SFB)

Reserve Bank of India's key step towards establishing Small-finance banks (SFB) and Payments Banks is critical to improving access to finance for financially excluded individuals and enterprises. The Company has received in-principle approval from Reserve Bank of India (RBI) on 7 October 2015 to establish SFB under section 22 of the Banking Regulation Act, 1949. RBI granted in-principal approval to another 9 entities in addition to the Company. As per regulatory requirement, the Company has 18 months from the date of receiving in-principle approval to set-up SFB. The Company has received final licence from RBI in August 2016 and is in the process of transformation to banking setup.

Key milestones achieved and to be achieved for SFB conversion are detailed below.

- Capital infusion - The Company successfully raised ₹131 Crores to meet the regulatory requirement as prescribed by RBI in its in-principal approval letter to the Company. As per regulatory requirement, the Company has to bring down its foreign shareholding to 49% with domestic shareholding at 51%. Promoter stake in the proposed bank is to be maintained at 26% with lock-in period of five years. The Company is adequately capitalized to support the transition and to support its operation as a small finance bank. New Shareholding pattern as at date is as under:

Name of the Equity Shareholder	% holding
Promoter group	
Mr. R. Baskar Babu	4.63%
Mr. P. Surendra Pai	16.37%
Mr. P. S. Jagdish	4.42%
Mr. G. V. Alankara	0.58%
Total (A)	26.00%
Domestic investors	
HDFC Standard Life	4.32%
ASK Wealth Advisors Private Limited	4.00%
ASK Pravi Capital Advisors Pvt Ltd	0.98%
IDFC Bank Limited	4.98%
ARPWOOD Investments Advisors LLP	2.69%
Polaris Banyan Holding Pvt Ltd	1.27%
Kiran Vyapar Ltd.	2.75%
Aravind Srinivasan	0.88%
Gaja Trustee Company Private Limited	0.25%
Individual Investors	3.12%
Total (B)	24.25%
Foreign investors	
Evolve India Fund II Ltd	4.98%
respons Ability Participations Mauritius	4.98%
Gaja Capital Fund II Limited	4.73%
New Tech Investments Ltd.	4.19%
Sarva Capital LLC	11.91%
HDFC Holdings Ltd.	3.36%
International Finance Corporation	7.36%
DWM (International) Mauritius Ltd.	7.24%
Total (C)	48.75%
Grand Total (A+B+C)	100.00%



Change management - The Company has hired senior management personnel for its proposed SFB and is in the process of developing team underneath. Key organization personnel for proposed SFB are disclosed under leadership team section. Change in management structure and culture is considered to be the biggest driving factor for any company and so also for Suryoday. The Company believes each new hire will play a crucial role in the transition and to operate as Small Finance Bank and compete with the matured banking industry in the country.

System enhancement - The Company's board of directors approved implementation of a new core banking system for the proposed SFB – 'FIS'. New system will significantly improve productivity and will bring in efficiency in the daily business activities. FIS brings in significant experience and expertise with itself and a system that can support any banking company globally. The selection of new system went through rigorous process of understanding various functionalities, capability, efficiency, knowledge of people implementing the system, past records, recent implementation experience, cost effectiveness amongst others. After more than 4 months of discussions and brainstorming, board and management decided to go ahead with FIS. Globally, FIS supports various banking and financial institution companies and is also been implemented in one of the new universal bank started operating last year.

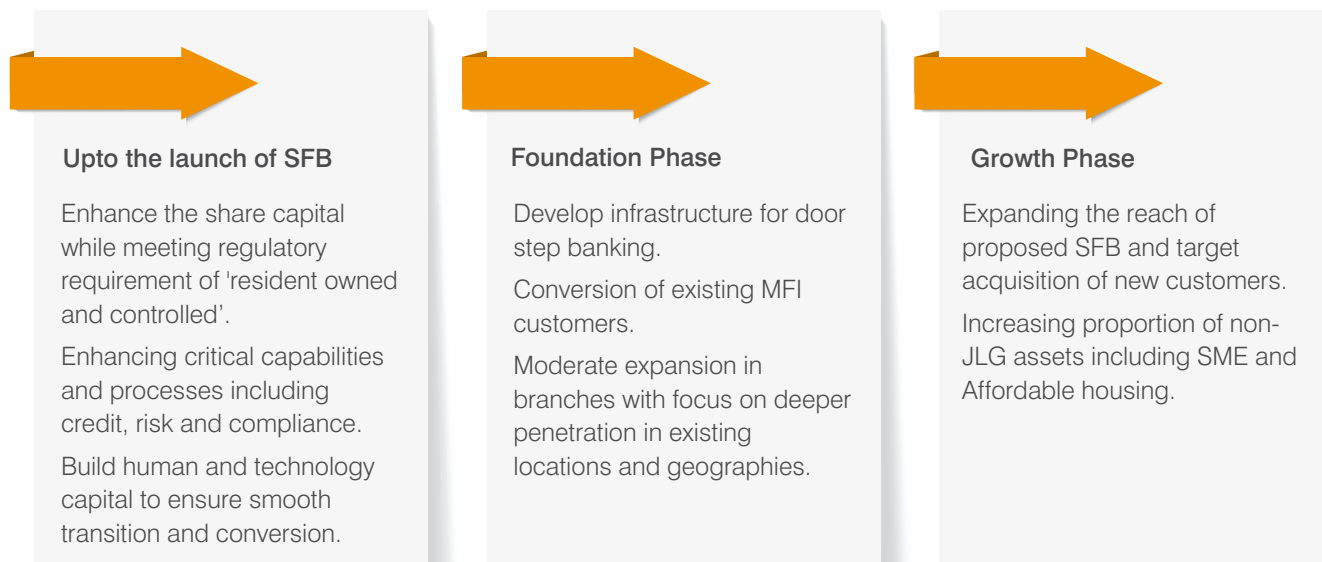
Infrastructure - The Company has identified locations for setting up new bank branches in addition to branches catering to micro finance business. As per regulatory guidelines, the proposed SFB will have 25% of its bank branches in unbanked areas. Selection of bank branch location is dependent on many factors such as target customer profile, competition in the region, cost effectiveness etc. Along with branches, the Company is in the process of setting up offices catering to operations of the SFB.

Operational capability - The Company is in the process of developing operational strength to support the banking operations. Capability is being developed through new hiring and identifying external reliable vendors to outsource activities to support cost control and enhance internal productivity. One of the prominent differentiator for the proposed SFB is the operating capability to support its new products and business growth. New system along with operational capability will determine the proposed SFB's strength to cater to large customer base and to operate as a best in class organization.

Branding and marketing - The Company has laid down well-defined marketing strategy and will initiate branding and marketing activity near to the date of convergence. Though the Company has started marketing activity on small scale through various experiments of launching new products and variants in existing products and to attract the target customers who can also be SFB customers. Proposed SFB will need to gain the trust and understand the thrust of the target customers' hence branding and marketing plays immensely important role in the success of the SFB.

Training and development - The Company has appointed various external consultants to support its transition and provide the training to existing and new staff. Consultants include veteran bankers, professional management consultant and training institutes. Training and development of staff plays significant role in making them understanding the banking culture and products. Weekly training organized to educate the existing and new staff is playing vital role in enhancing morale of the employees and gaining confidence to cater to banking customers.

Phases of transformation



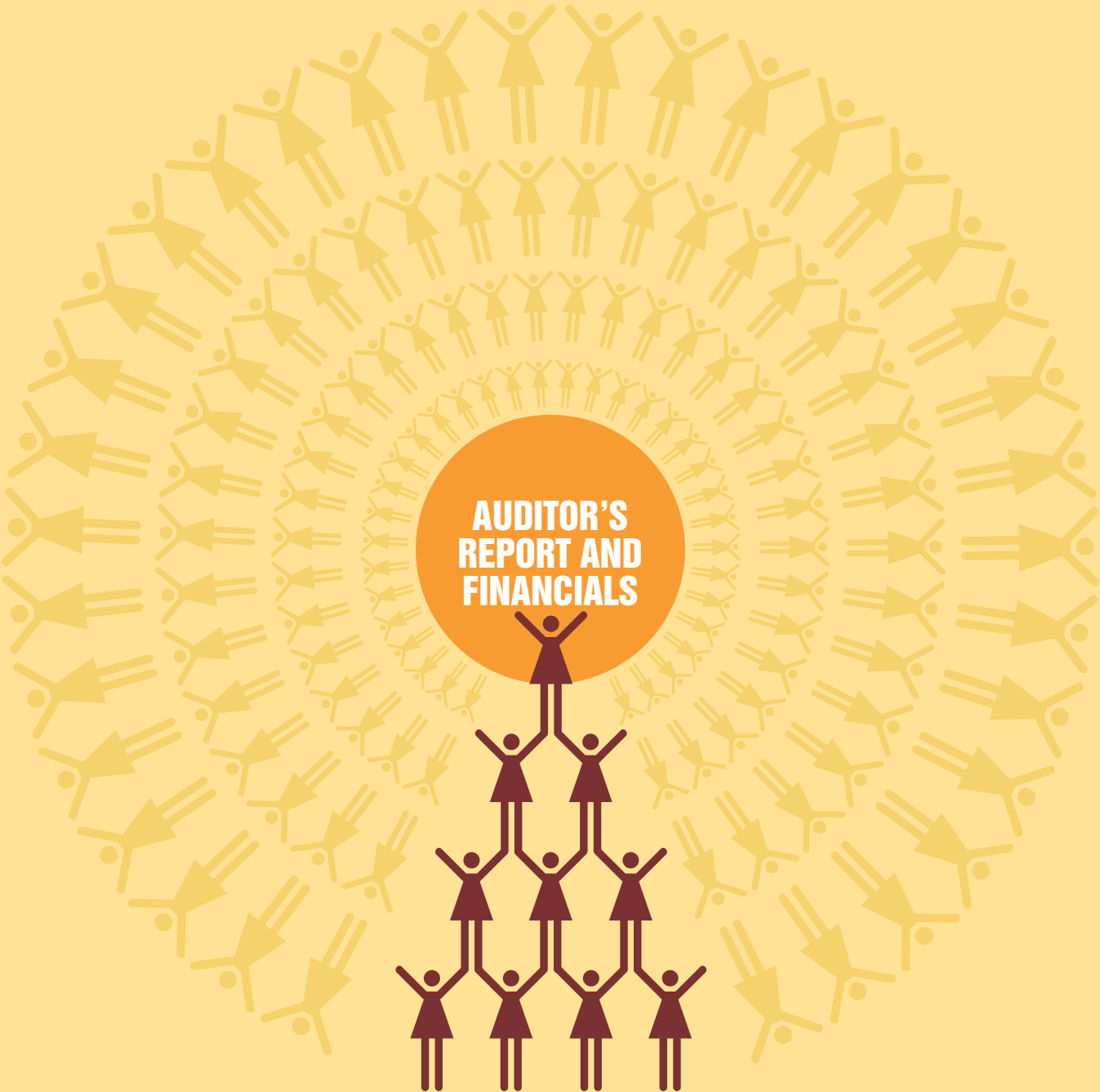


Opportunities and challenges of Small Finance Bank

Management believes that following are the key opportunities and challenges as an SFB

Opportunities	Challenges
Access to low cost funding - Deposits (current and savings account).	Significant increase in regulatory compliances and oversight since banking is a systemic risk.
Diversification of products and customer base to manage risk.	High cost infrastructure including IT systems.
Lending to unserved sections including micro and small enterprises.	High cost of marketing and branding and to gain customer confidence and reputation.
Access to inter-bank short term funding to manage daily asset-liability mis-match.	Compete with matured banking system to build liability franchise
Improved customer service with new technology, infrastructure and reach.	Significant one-time cost of deploying banking infrastructure and systems and year on year maintenance cost to support the banking foundation.
Meeting financial inclusion goal to serve banking to unbanked section of the society.	Cost of CRR and SLR to have initial drag on profitability until deposit base stabilizes.
Mitigating political risk due to diversification and higher regulatory controls.	SFBs cannot operate as Business Correspondents.





**AUDITOR'S
REPORT AND
FINANCIALS**



To the Members of
Suryoday Micro Finance Limited

Report on the financial statements

We have audited the accompanying financial statements of Suryoday Micro Finance Limited (formerly known as Suryoday Micro Finance Private Limited) ('the Company'), which comprise the Balance Sheet as at 31 March 2016, the Statement of Profit and Loss, the Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, 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 on the financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at 31 March 2016, its profit and cash flows for the year ended on that date.

Report on other legal and regulatory requirements

As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in paragraphs 3 and 4 of the Order.



Suryoday Micro Finance Limited

Report on other legal and regulatory requirements

As required by Section 143 (3) of the Act, we report that:

- (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) in our opinion proper books of accounts 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 aforesaid financial statement comply with the Accounting Standards referred to in section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of written representations received from the Directors as on 31 March 2016, and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 March 2016, from being appointed as a Director in terms of Section 164 (2) of the Act;
- (f) with respect to the adequacy of internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"; and
- (g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) the Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 29 to the financial statements;
 - ii) the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For BSR & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai

Partner

Membership No: 046882

Chennai

6 May 2016



Suryoday Micro Finance Limited

“Annexure A” to the Independent Auditors’ Report

(Referred to in our report of even date)

- i. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified annually. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed upon such verification during the year.
- (c) The Company does not have any immovable properties. Accordingly paragraph 3 (i) (c) of the Order is not applicable.
- ii. The Company is a Non-Banking Financial Company (NBFC), engaged in the business of providing loans. Accordingly, it does not hold any inventories. Thus, paragraph 3(ii) of the Order is not applicable.
- iii. According to the information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Thus, paragraph 3(iii) of the Order is not applicable.
- iv. According to the information and explanations given to us, the Company has not provided any loans, investments, guarantees, and security provisions in accordance with section 185 and 186 of the Act. Thus paragraph 3(iv) of the Order is not applicable to the Company.
- v. According to the information and explanations given to us, the Company has not accepted any deposits to which the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under apply. Thus, paragraph 3(v) of the Order is not applicable.
- vi. The Central Government has not prescribed the maintenance of cost records under sub- section (1) of Section 148 of the Act, for any of the services rendered by the Company. Thus, paragraph 3(vi) of the Order is not applicable.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the books of account, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including income tax, service tax, provident fund, Employees State Insurance and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of Sales tax, Wealth tax, Excise duty and Customs duty. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, service tax, provident fund, Employees State Insurance, and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, other than those stated in the following table, there are no dues of income tax or service tax or provident fund or Employees State Insurance or cess and other material statutory dues which have not been deposited by the Company on account of disputes.

Sr No.	Nature of dues	Amount (₹ in Lakhs)	Period to which it relates	Forum where dispute is pending/Status
1	Service tax amount	59.94	2009-2011 2011-2012	The company would be filing appeal in CESTAT against the order of Additional Commissioner of service tax

The Company has subsequently paid ₹13.12 Lakhs for the period 2009-2011 including interest and penalty on 7th April, 2016

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or dues to debenture holders.
- ix. In our opinion and according to the information and explanations given to us, there were no money raised by initial public offer and the moneys raised by term loans taken by the Company have been applied for the purpose for which they were raised.



Suryoday Micro Finance Limited

“Annexure A” to the Independent Auditors' Report (Continued)

- x. According to the information and explanations given to us, the management has identified fraud relating to misappropriation of funds by certain employees amounting to ₹726,218 of which ₹708,470 has been recovered during the year. Further, no fraud by the Company has been noticed or reported during the year.
- xi. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. According to the information and explanations given to us, the company is not a Nidhi Company as per the Act. Thus, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with the Section 177 and 188 of the Act where applicable, and details have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanation given to us, the Company has not made any private placement of shares during the year under audit. Thus, paragraph 3(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us, the Company has not entered into any non-cash transaction with directors or persons connected with him. Thus, paragraph 3(xv) of the Order is not applicable.
- xvi. According to the information and explanations given to us, the Company is required to be registered under Section 45-IA of the Reserve Bank of India act, 1934 and it has obtained certificate of registration no. N-13.02106 dated 9 December 2015 (issued in lieu of N-07-00776 dated 22 April 2009).

For B S R & Co. LLP

Chartered Accountants

Firm's Registration No: 101248W/W-100022

Manoj Kumar Vijai

Partner

Membership No: 046882

Chennai

6 May 2016



Suryoday Micro Finance Limited

**“Annexure B” to the Independent Auditor’s Report of even date on financial statements of
Suryoday Micro Finance Limited**

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (‘the Act’)

We have audited the internal financial controls over financial reporting of Suryoday Micro Finance Limited (formerly known as Suryoday Micro Finance Private Limited) (‘the Company’) as of 31 March 2016 in conjunction with our audit of financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on “the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’)”. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (‘the Guidance Note’) and the Standards on Auditing, issued by the ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.



Suryoday Micro Finance Limited

“Annexure B” to the Independent Auditor’s Report of even date on financial statements of Suryoday Micro Finance Limited (Continued)

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For B S R & Co. LLP

Chartered Accountants

Firm’s Registration No: 101248W/W-100022

Manoj Kumar Vijai

Partner

Membership No: 046882

Chennai

6 May 2016

**Suryoday Micro Finance Limited** (Formerly known as Suryoday Micro Finance Private Limited)**Balance Sheet as at March 31, 2016**

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

Particulars	Notes	March 31, 2016	March 31, 2015
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	4	3,834	3,297
Reserves and surplus	5	15,920	9,898
Non-current liabilities			
Long-term borrowings	6	52,719	29,719
Long term liabilities	7	3	42
Long term provisions	8	252	64
Current liabilities			
Short-term borrowings	9	12	42
Trade payables	10	82	92
Other current liabilities	11	45,990	32,019
Short-term provisions	12	760	508
TOTAL		119,572	75,681
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	226	148
Intangible assets		17	21
Deferred tax assets (net)	14	429	240
Long-term loans and advances	15	22,681	7,594
Other non current assets	16	3,023	2,998
Current assets			
Current investments	17	-	88
Cash and bank balances	18	14,324	16,761
Short-term loans and advances	19	77,070	46,758
Other current assets	16	1,802	1,073
TOTAL		119,572	75,681

Summary of significant accounting policies

3

The accompanying notes are an integral part of the financial statements.

As per our report of even date attached

For B S R & Co. LLP
Chartered AccountantsICAI Firm's registration number:
101248W/W-100022**Manoj Kumar Vijai**
Partner

Membership no. 046882

For and on behalf of the Board of Directors
Suryoday Micro Finance Limited**R. Baskar Babu**
Managing Director and
Chief Executive Officer
(DIN No- 02303132)**Sheela Bhide**
Independent Director
and Chairperson
(DIN No- 01843547)**Bhavin Damania**
Chief Financial Officer**Priya Vishwanathan**
Company SecretaryPlace: Chennai
Date: May 06, 2016Place: Chennai
Date: May 06, 2016



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Statement of profit & loss for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

Particulars	Notes	March 31, 2016	March 31, 2015
Revenue			
Revenue from operations	20	18,873	11,054
Other income	21	1,128	773
Total revenue		20,001	11,827
Expenses			
Finance costs	22	9,480	5,506
Employee benefit expense	23	4,179	2,452
Depreciation and amortisation expense	24	134	119
Other expenses	25	2,027	1,201
Total Expenses		15,820	9,278
Profit before tax		4,181	2,549
Tax expense:			
Current tax		1,627	983
Deferred tax (credit)	14	(190)	(119)
Profit for the year		2,744	1,685
Earnings per equity share [nominal value of share Rs.10/-]	26		
Basic earnings per share (Rs/-)		7.59	5.38
Diluted earnings per share (Rs/-)		7.52	5.35
Summary of significant accounting policies	3		

The accompanying notes forms an integral part of the financial statements.

As per our report of even date attached

For B S R & Co. LLP
Chartered Accountants

ICAI Firm's registration number:
101248W/W-100022

Manoj Kumar Vijai
Partner

Membership no. 046882

Place: Chennai
Date: May 06, 2016

For and on behalf of the Board of Directors
Suryoday Micro Finance Limited

R. Baskar Babu
Managing Director and
Chief Executive Officer
(DIN No- 02303132)

Priya Vishwanathan
Company Secretary

Place: Chennai
Date: May 06, 2016

Sheela Bhide
Independent Director
and Chairperson
(DIN No- 01843547)

Bhavin Damania
Chief Financial Officer



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Cash flow statement for the year ended March 31, 2016
(All amounts are in Indian Rupees in lakhs unless otherwise stated)

Particulars	March 31, 2016	March 31, 2015
Cash flow from operating activities		
Profit before tax	4,181	2,549
Adjustments for :		
Depreciation and amortisation	134	119
Employee stock option expenses	34	45
Interest income on bank and other deposits	(847)	(565)
Profit on sale of fixed assets	(0.1)	0.1
Provision for standard and non performing assets	452	239
Bad Debts Writen Off	66	
Dividend income - liquid mutual funds	(144)	(162)
Provision for expenses	121	78
Unamortised borrowing cost	538	371
Operating profit before working capital changes	4,535	2,675
Changes in working capital :		
(Decrease)/ increase in trade payables	(10)	56
Increase in provisions	441	271
Increase in other current liabilities	621	1,284
(Increase) in bank deposits (having maturity within 12 months)	(2,442)	(2,040)
(Increase)/ decrease in long-term loans and advances	(15,389)	690
(Increase) in loans and advances	(31,100)	(25,483)
(Increase) in other non current assets	(17)	(1,538)
(Increase) in other current assets	(612)	(325)
Cash (used in) operating activities before tax	(43,973)	(24,411)
Income tax paid	(1,593)	(974)
Net cash (used in) operating activities (A)	(45,566)	(25,385)
Cash flows from investing activities		
Proceeds from sale of shares of IASC (Indian association for savings & credit)	88	-
Dividend income - liquid mutual funds	144	162
Interest received on fixed deposits	721	294
Purchase of fixed assets	(208)	(185)
Proceeds from sale of fixed assets	0	1
Net cash flows from investing activities (B)	745	272



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Cash flow statement for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

Particulars	March 31, 2016	March 31, 2015
Cash flows from financing activities		
Proceeds from issuance of equity share capital (inclusive of issue expenses)	3,782	2,715
Repayment of loans	(38,411)	(22,159)
Proceeds from borrowing	74,570	51,738
Net cash flow from financing activities (C)	39,941	32,294
Net increase in cash and cash equivalents during the year (A + B + C)	(4,879)	7,181
Cash and cash equivalents at the beginning of the year	12,551	5,370
Cash and cash equivalents at the end of the year	7,672	12,551
Components of cash and cash equivalents		
Cash on hand	197	21
Balance with banks - in current account and fixed deposits	7,463	10,014
Liquid mutual funds	12	2,516
Total cash and cash equivalents (note 18)	7,672	12,551

As per our report of even date

For B S R & Co. LLP
Chartered Accountants

ICAI Firm's registration number:
101248W/W-100022

Manoj Kumar Vijai
Partner

Membership no. 046882

Place: Chennai
Date: May 06, 2016

For and on behalf of the Board of Directors
Suryoday Micro Finance Limited

R. Baskar Babu
Managing Director and
Chief Executive Officer
(DIN No- 02303132)

Priya Vishwanathan
Company Secretary

Place: Chennai
Date: May 06, 2016

Sheela Bhide
Independent Director
and Chairperson
(DIN No- 01843547)

Bhavin Damania
Chief Financial Officer



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial Statements for the year ended March 31, 2016

1. Background and nature of operations

"Suryoday Micro Finance Limited ('the Company') (Formerly known as Suryoday Micro Finance Private Limited) was incorporated on November 10, 2008. The Company is engaged in extending micro credit to economically weaker women who are otherwise unable to access finance from the mainstream banking channels. During the year, the Company have provided small value collateral free loans ('micro credit' or 'Portfolio loan') up to Rs. 50,000/- for a tenor of 12 months to 24 months with monthly repayment in compliance with RBI Guidelines. The Company broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group. Name of the company has changed from Suryoday Micro Finance Private Limited to Suryoday Micro Finance Limited w.e.f. 16th June, 2015."

"The Company obtained registration with Reserve Bank of India (RBI) for carrying on micro finance activity on April 22, 2009 and is a non-deposit taking non-banking finance company (NBFC-ND). From the financial year 2012-13, the Company is a Systemically Important NBFC-ND. The Company has obtained the NBFC- MFI registration on December 9, 2013, as required vide circular No.DNBS.CC.PD.No. 250/03.10.01/2011-12 dated December 02, 2011. The Company has 179 Branches and presence in 7 States and 1 union territory as at March 31, 2016. During the year, the NBFC-MFI company received 'In-principle' approval from RBI to establish small finance bank in the private sector under section 22 of the Banking Regulation Act, 1949."

2. Basis of preparation of financial statements

The financial statements have been prepared and presented under the historical cost convention and accrual basis of accounting, unless otherwise stated, and in accordance with the generally accepted accounting principles in India ("Indian GAAP") and conform to the statutory requirements, circulars and guidelines issued by the RBI from time to time to the extent they have an impact on the financial statements and current practices prevailing in India. The financial statements have been prepared to comply in all material respects with the Accounting Standards ("AS") notified under Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 to the extent applicable, the provisions of the RBI as applicable to a NBFC-MFI and NBFC-ND. The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

3. Summary of significant accounting policies

A. Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments, estimates and assumptions that affect the application of accounting policy and the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are evaluated on an on-going basis by management. Any revisions to accounting estimates are recognised prospectively in the current and future periods.

B. Current –non- current classification

All assets and liabilities are classified into current and non-current.

Assets

An asset is classified as current when it satisfies any of the following criteria:

- a) It is expected to be realised in the Company's normal operating cycle;
- b) It is expected to be realised within 12 months after the reporting date; or



- c) It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a) It is expected to be settled in the Company's normal operating cycle;
- b) It is due to be settled within 12 months after the reporting date; or
- c) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

Operating cycle

Operating cycle is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents.

C. Revenue Recognition

Revenue is recognized 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 is recognised on accrual basis. Interest income on non-performing assets, sub-standard assets and loss assets is recognized upon realisation as per prudential norms of RBI.
- (ii) Loan processing fees is recognized as income when due.
- (iii) Interest income on deposits with banks and financial institutions is recognized on a time proportion basis taking into account the amount outstanding and the implicit rate of interest.
- (iv) Dividend is recognised as income when the right to receive is established.
- (v) Gain/Loss on sell down of loan assets is recognised as per the extant RBI guidelines.

D. Securitisation / Assignment of Loans and Advances

The Company undertakes sale by way of assignment of its micro credit loans. In most cases, post assignment/securitisation, the Company continues to service the loans transferred to the assignee in the capacity of a servicing agent on negotiated commercial terms.

The Company follows the requirement of minimum holding period, minimum retention requirement and amortization of gain arising on assignment transactions as per the provisions of 'Revisions to the Guidelines on Securitisation Transactions' vide circular no DNBS. PD. No. 301/3.10.01/2012-13 dated 21 August 2012 ('the guidelines') issued by the RBI. Loss arising on assignment transaction is recognized immediately in the Statement of profit and loss and the profit/ premium arising from securitisation is amortised over the life of the underlying portfolio loans/ securities.



Expenditure incurred on securitisation are fully charged off in the year in which the securitisation is effected to the Statement of profit and loss as per the extant RBI guidelines.

E. Fixed Assets And Depreciation

Tangible Fixed Assets

Fixed assets are stated at cost less accumulated depreciation/amortization and impairment loss, if any. The cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Depreciation is charged over the estimated useful life of the fixed asset on written down value basis from the date asset is put to use considering residual value of 5% of the cost.

The details of useful life are as under:

Class of Assets	Estimated useful life
Office equipment	5 years
Computers & Accessories	3 years
Furniture and fittings	10 years

Leasehold Improvements : Improvements to leasehold premises are amortized over the primary period of lease.

Intangible Assets

Intangible assets such as software are amortized over a period of 36 months or license period whichever is lower on a straight line basis with zero residual value.

Assets individually costing ₹5,000 or less are fully depreciated in the year of purchase.

F. Retirement and Other Employee Benefits

(i) Defined Contribution Plans

Retirement benefits in the form of provident fund and employee state insurance scheme are defined contribution schemes and the contributions are charged to the Statement of profit and loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Defined Benefit Plan

The Company operates a defined benefit scheme for its employees, viz., gratuity scheme. The costs of providing benefits under this plan is determined on the basis of actuarial valuation at each year-end. Separate actuarial valuation is carried out for each plan using the projected unit credit method. In accordance with the gratuity fund's rules actuarial valuation of gratuity liabilities is calculated based on certain assumptions regarding rate of interest, salary growth, mortality and staff alteration as per projected unit credit method.

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





G. Income Taxes

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. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

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

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

H. Provisions, Contingent Liabilities And Contingent Assets

Provisions are recognized only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. 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.

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 recognized 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 recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

I. Leases

Operating Lease

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term are classified as operating leases in accordance with Accounting Standard 19, Leases. The office premises are generally rented on cancellable terms on renewable at the option of both the parties.

J. Foreign Currency Transactions

- (i) Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.
- (ii) Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

All exchange differences are recognized as income or as expenses in the period in which they arise.



K. Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

Diluted earnings per equity share reflect the potential dilution that could occur if securities or other contracts to issue equity shares were exercised or converted to equity during the year. Diluted earnings per equity share are computed using the weighted average number of equity shares and potential dilutive equity shares outstanding during the period except where the results are anti-dilutive.

L. Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

M. Classification and Provision for Loans and Advances

Loans are classified as per the Company's policy given below. Provision for loans are made based on management's estimates, subject to the minimum provisioning required as per the master circular "Non Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) - Directions" dated 1 July 2015.

Asset Classification	Provisioning percentage used by the Company
Standard Assets - Not overdue and overdue for less than 89 days	1%
Non Performing Assets (NPA):	
Sub-Standard Assets - Overdue for 90 days and more but less than 179 days	50%
Doubtful Assets - Overdue for 180 days and more	100%
Loss Assets - Assets which are identified as loss asset by the Company.	100%

The aggregate loan provision is maintained at the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

Overdue refers to interest and / or principal remaining unpaid from the date it became receivable.

The Company, for other retail loans, assess all receivables for their recoverability and accordingly recognises provision for non performing loans as per prudential norms for asset classification prescribed by RBI for NBFCs. A general provision of 0.25% has been made on standard assets as prescribed by RBI in its circular for Non-banking financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time.

N. Impairment of Assets

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 recognized wherever 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.

O. Employee Stock Compensation Cost

Employees (including senior executives) of the Company receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the Council of the Institute of Chartered Accountants of India, the cost of equity-settled transactions is measured using the fair value method and recognized, together with a corresponding increase in the "Employees 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.

P. Segment Reporting

The Company operates in a single reportable segment of 'Micro Credit' in accordance with Accounting Standard 17 "Segment Reporting".

Q. Investment

Purchase and sale of investments are recorded on trade date basis. 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.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. Current Investments are stated at lower of cost or market value determined based on published sources such as quotes published by recognised stock exchanges, asset management companies etc.

For long term investment, 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 its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

R. Borrowing cost

Borrowing cost includes arranger fees, processing fees, stamp duty on issuance of debenture certificates and other associated transaction cost related to borrowing from banks and other financial institutions. In accordance with Accounting Standard 16, borrowing costs are recognised over the tenor of the borrowings.



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

4. Share Capital

	March 31, 2016	March 31, 2015
Authorised shares		
50,000,000 (Previous year 50,000,000) equity Shares of ₹10 each	5,000	5,000
Issued, subscribed and paid-up shares		
38,335,221 (Previous year 32,969,302) equity shares of ₹10 each	3,834	3,297
	3,834	3,297

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

	March 31, 2016		March 31, 2015	
	No. of shares	Amount	No. of shares	Amount
At the beginning of the year	32,969,302	3,297	26,702,713	2,670
Issued during the year	5,183,419	519	6,088,889	609
Shares issued on exercise of stock option	182,500	18	177,700	18
Outstanding at the end of the year	38,335,221	3,834	32,969,302	3,297

b. Terms / rights attached to equity shares

"The Company has only one class of equity shares having a par value of ₹10/- per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company has not declared / proposed any dividend in the current year and previous year."

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the Company. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% shares in the Company (Equity shares of ₹10/- each fully paid)

	March 31, 2016		March 31, 2015	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Aavishkaar Goodwell India Microfinance Development Company Limited	2,062,857	5.38%	2,862,857	8.68%
Aavishkaar Goodwell India Microfinance Development Company II Limited	5,719,072	14.92%	5,719,072	17.35%
Lok Capital LLC	2,490,850	6.50%	2,490,850	7.56%
Sarva Capital LLC (Lok Capital II LLC)	6,115,911	15.95%	3,777,449	17.35%



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

	March 31, 2016		March 31, 2015	
	No. of shares	% holding in the class	No. of shares	% holding in the class
Baskar Babu	2,476,435	6.46%	1,476,435	4.48%
Ganesh Rao	-	0.00%	1,103,500	3.35%
P Surendra Pai	5,932,900	15.48%	4,829,400	14.65%
International Finance Corp (IFC)	3,777,777	9.85%	3,333,333	10.11%
DWM (International) Mauritius Ltd.	3,717,333	9.70%	3,280,000	9.95%

d. Shares reserved for issue under employee stock options

	March 31, 2016		March 31, 2015	
	No. of shares	Amount	No. of shares	Amount
Under Employee Stock Option Scheme, 2014	445,700	75	521,500	45
Under Employee Stock Option Scheme, 2010	-	-	165,300	16

5. Reserves and Surplus

	March 31, 2016	March 31, 2015
Securities premium account		
Balance at the beginning of the year	7,019	4,917
Add: Premium on issue of equity shares	3,267	2,145
Less: Amounts utilized toward share issue expenses	4	43
Balance at the end of the year	10,282	7,019
Statutory reserve		
(Created pursuant to Section 45 IC of Reserve Bank of India Act, 1934 as amended by RBI (Amendment) Act 1997)		
Balance at the beginning of the year	582	245
Add: Transferred from Statement of profit and loss (@ 20% of Profit after tax as required by section 45-IC of the Reserve Bank of India Act ('RBI Act'), 1934)	549	337
Balance at the end of the year	1,131	582



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

	March 31, 2016	March 31, 2015
General Reserve		
Balance at the beginning of the year	3	3
Add: Transferred from employee stock option outstanding on forfeiture	1	0.2
Balance at the end of the year	4	3
Employee Stock Options Outstanding Account		
Balance at the beginning of the year	60	29
Add: Employee Compensation Expense for the year	34	45
Less: Transferred to Securities Premium Account/share capital on exercise of stock options	18	14
Less: Transfer to General Reserve for Non- exercise of ESOP's	1	0.25
Balance at the end of the year	75	60
Surplus in the statement of profit and loss		
Balance at the beginning of the year	2,233	885
Profit for the year	2,744	1,685
Less: Appropriations		
Transfer to statutory reserve under Section 45-IC of RBI Act, 1934	549	337
Net surplus in the Statement of profit and loss	4,428	2,233
Balance at the end of the year	15,920	9,898

6. Long-term borrowings

	March 31, 2016	March 31, 2015
Secured		
Loan from banks	23,421	8,785
Loan from Non-banking financial institutions	3,448	3,684
"Non-convertible debentures - private placements (Refer note 40)"	22,350	15,250
Unsecured		
Loan from Non-banking financial institution	1,000	1,000
"Non-convertible debentures - private placements"	2,500	1,000
Total	52,719	29,719



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

7. Long term liabilities

	March 31, 2016	March 31, 2015
Deferred gain on securitisation / assignment	3	42
Total	3	42

8. Long-term provisions

	March 31, 2016	March 31, 2015
Provisions for employee benefits		
Provision for gratuity	29	41
Other provisions		
Provision for Standard and Non-Performing Assets	223	23
Total	252	64

9. Short-term borrowings

	March 31, 2016	March 31, 2015
Book overdraft and working capital loans		
From Banks - Secured	-	42
- Unsecured	12	-
Total	12	42

Overdraft and working capital loans are repayable on demand or within a maximum period of one year and are secured against fixed deposits placed with banks except for overdraft drawn against business correspondent model which is unsecured.

10. Trade Payable

	March 31, 2016	March 31, 2015
Payable for expenses	82	92
Total	82	92



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

11. Other current liabilities

	March 31, 2016	March 31, 2015
Advance received against sale of an investment	-	43
Current maturities of long-term borrowings (Refer note 11.1)	42,845	29,656
Interest accrued on borrowings	1,068	749
Statutory dues payable	173	108
Employee related payables	128	23
Payable for trade receivables assigned	1,112	697
Instalments received in advance	320	441
Deferred gains relating to securitisation	86	247
Others	258	55
Total	45,990	32,019

There is no overdue amount payable to Micro and Small Enterprises as defined under The Micro, Small and Medium Enterprises Development Act, 2006 (MSMED). Further, the Company has not paid any interest to any Micro and Small Enterprises during the current year.

11.1 Current maturities of long-term borrowings

	March 31, 2016	March 31, 2015
Secured		
Loan from banks	35,454	19,663
Loan from Non banking financial institution	6,808	8,660
Non-convertible Debentures - Private placements	583	1,333
Total	42,845	29,656

12. Short-term provisions

	March 31, 2016	March 31, 2015
Provision for Standard and Non-Performing Assets	760	508
	760	508

Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

13. Fixed Assets

Tangible assets

Categories	Gross Block			Depreciation		Net Block				
	As at April 1, 2015	Additions	Deletions	As at March 31, 2016	For the year	Deletions	As at March 31, 2016	As at April 1, 2015	As at March 31, 2016	
Computers and accessories	138	63	0	201	53	0	139	86	62	52
Furnitures and fittings	136	41	0	177	26	0	106	79	71	57
Office equipments	81	32	-	113	32	-	74	42	39	39
Vehicle	-	38	-	38	9	-	9	-	29	-
Lease Improvement	-	27	-	27	2	-	2	-	25	-
Total	355	201	0	556	122	0	330	208	226	148
Previous Year (2014-15)	197	160	2	355	111	1	208	98	148	

* Since the amount of deletion is below 1 lakh, the amount is appearing as zero.

Intangible assets

Categories	Gross Block			Amortisation		Net Block				
	As at April 1, 2015	Additions	Deletions	As at March 31, 2016	For the year	Deletions	As at March 31, 2016	As at April 1, 2015	As at March 31, 2016	
Computer software	36	8	-	44	12	-	27	15	17	21
Total	36	8	-	44	12	-	27	15	17	21
Previous Year (2014-15)	13	23	-	36	8	-	15	7	21	



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

14. Deferred Tax (liability) / asset

	March 31, 2016	March 31, 2015
Deferred Tax Liability	-	-
Gross deferred tax liability	-	-
Deferred Tax Asset		
Depreciation	36	24
Impact of expenditure charged to the Statement of profit and loss in the current year but allowed for tax purposes on payment basis	53	36
Provision for standard assets and non-performing assets	340	180
Gross deferred tax asset	429	240
Net deferred tax asset	429	240

15. Long-term loans and advances

	March 31, 2016	March 31, 2015
Unsecured considered good		
Micro credit loans	22,128	7,264
Other retail loans	34	9
Rental deposits	104	85
Security deposits	13	13
Cash collaterals	-	89
Employee advances	38	-
Unamortised borrowing cost	268	-
Advances tax and tax deducted at source (Net of provision of ₹1,570 Lakhs; March 31, 2015: ₹587 Lakhs)	84	119
Unsecured considered doubtful		
Others (substandard and doubtful receivables as per the Company's provisioning policy)	12	15
Total	22,681	7,594

Of the above, loans exceeding six months from the due date aggregates to ₹112 Lakhs (previous year ₹34 Lakhs). Also refer note 32 for provision for substandard and doubtful loans and advances.



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

16. Other assets

	Non-current		Current	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Other Receivables	-	-	52	-
Interest accrued on loans and advances	-	-	1,244	685
Interest accrued but not due on Deposits				
- with banks	77	68	502	386
- others	-	1	4	2
Other FD Deposits	2,946	2,929	-	-
Total	3,023	2,998	1,802	1,073

17. Current investments

	March 31, 2016	March 31, 2015
Nil (March 31, 2015: 293,936) Equity shares of ₹10 each fully paid-up in Indian Association for Savings and Credit (IASC). Also refer note 33).	-	88
Total	-	88

18. Cash and bank balances

	March 31, 2016	March 31, 2015
Cash and cash equivalents		
Balances with banks:		
On current accounts	4,968	2,472
Deposits with original maturity of less than three months*	2,495	7,542
Cash on hand	197	21
Units of Mutual Funds**	12	2,516
Sub-total	7,672	12,551
Other Bank Balances:		
Deposits maturing within 12 Months	6,652	4,210
Sub-total	6,652	4,210
Total	14,324	16,761

* Deposits with banks include ₹9,079 Lakhs (March 31, 2015: ₹5,165 Lakhs) under lien marked towards term loans and overdraft facility availed from banks, financial institutions and towards cash collateral placed in connection with assignment / securitisation of receivables.

**Includes lien marked liquid mutual funds of ₹5.5 Lakhs [March 31, 2015: ₹1,700 Lakhs].



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements as at March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

19. Short-term loans and advances

	March 31, 2016	March 31, 2015
Unsecured considered good		
Micro credit loans	75,889	45,702
Other retail loans	320	124
Capital advances	0.3	1
Rental deposits	32	21
Cash collaterals	105	287
Employee advances	44	50
Prepaid expenses	21	14
Unamortised borrowing cost	270	371
Balances with revenue authorities	17	14
Other advances	32	122
Retention Money for Securitisation	229	-
Unsecured considered doubtful		
Others (substandard and doubtful receivables as per the Company's provisioning policy)	111	52
Total	77,070	46,758



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

20. Revenue from operations

	March 31, 2016	March 31, 2015
Interest income		
Interest income on portfolio loans	17,113	10,076
Gain on assignment / securitisation	474	325
Other operating income		
Loan processing fee	1,286	653
Revenue from operations	18,873	11,054

21. Other Income

	March 31, 2016	March 31, 2015
Interest income - Fixed deposits	847	565
Interest on staff loan	-	-
Profit on sale of fixed assets	0.13	-
Bad debts recovered	1	1
Dividend on liquid mutual funds	144	162
Interest on income tax refund	5	2
Grant received from International Finance Corporation (Refer note 38)	105	24
Miscellaneous Income	26	19
Total	1,128	773

22. Finance costs

	March 31, 2016	March 31, 2015
Interest on borrowings	9,193	5,360
Other finance cost	287	146
Total	9,480	5,506



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

23. Employee benefit expenses*

	March 31, 2016	March 31, 2015
Salaries, wages and bonus	3,635	2,075
Contribution to provident and other funds	349	211
Employee stock option expenses	34	45
Gratuity expense	55	46
Staff welfare expenses	106	75
Total	4,179	2,452

* Includes CSR expenditure of ₹57 Lakhs incurred during the year (March 31, 2015 - 24 Lakhs). (Refer note 39)

24. Depreciation / amortisation on Tangible and Intangible assets

	March 31, 2016	March 31, 2015
Depreciation / amortisation on Tangible and Intangible assets	134	119
Total	134	119



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

25. Other expenses

	March 31, 2016	March 31, 2015
Rent	271	169
Electricity	39	20
Insurance	45	32
Travel and conveyance	143	111
Communication expenses	141	93
Business promotion expenses	55	14
Directors sitting fees	11	5
Repairs and maintenance		
- Building	16	12
- Others	148	107
Software expenses	1	-
Legal and professional fees	264	129
Payment to auditors (refer details below)	31	20
Rates and taxes	84	63
Printing and stationery	144	61
Provision for standard assets and non-performing assets [refer note 31(j)]	452	239
Bad debts written off	66	-
Miscellaneous expenses *	116	126
Loss on sale of fixed assets	-	0
Total	2,027	1,201

* Includes CSR expenditure of ₹7 Lakhs incurred during the year (March 31, 2015 - 7 Lakhs). (Refer note 39)

Details of payment to auditors:

As auditor:

Statutory audit	24	15
Tax audit	3	0
Certification	3	3
Other services	-	0.2
Out of pocket expenses	1	2
Total	31	20



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

26. Earnings per share (EPS)

Particulars	March 31, 2016	March 31, 2015
Net profit after tax	2,744	1,685
Weighted average number of equity shares in computing the basic earnings per share	36,152,246	31,905,238
Basic earnings per share	7.59	5.38
Weighted average number of equity shares in computing the diluted earnings per share	36,486,554	32,033,805
Diluted earnings per share	7.52	5.35

27. Related party disclosure

Name of related parties

Enterprises having significant influence over the Company	Aavishkaar Goodwill India Microfinance Development Company Limited, (Mauritius)
	Aavishkaar Goodwill India Microfinance Development Company II Limited, (Mauritius)
	Lok Capital LLC (Lok I)
	Sarva Capital LLC (Lok Capital II LLC)
	DWM (International) Mauritius Ltd.
	HDFC Standard Life Insurance Company Limited
	HDFC Holding Limited
Key management personnel	Mr. R. Baskar Babu, Managing Director[MD] and Chief Executive Officer [CEO]
Relatives of key management personnel	Mrs. Shilpa Baskar Babu (Wife of Mr. R. Baskar Babu)

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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

Related party transactions

Particulars	Enterprises having significant influence over the Company		Subsidiaries / Associates		Key management personnel		Total
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	
Issue of equity shares	396	966	-	-	-	-	966
Mr. R. Baskar Babu, ED and CEO	-	-	-	-	100	-	100
Mr. Surendra Pai	-	18	-	-	-	-	18
Aavishkaar Goodwell India Microfinance Development Company II Limited, (Mauritius)	-	143	-	-	-	-	143
Sarva Capital LLC (Lok Capital II LLC)	154	143	-	-	-	-	154
HDFC Holding	77	-	-	-	-	-	77
HDFC Standard Life Insurance Company Limited	77	-	-	-	-	-	77
DWM (International) Mauritius Ltd.	44	328	-	-	-	-	44
Remuneration	-	-	-	-	78	77	78
Mr. R. Baskar Babu, ED and CEO	-	-	-	-	78	77	78
Insurance Premium Paid	2,350	510	-	-	-	-	2,350
HDFC Standard Life Insurance Company Limited	2,350	510	-	-	-	-	2,350
Balance outstanding:	8	14	-	-	-	-	8
HDFC Standard Life Insurance Company Limited							
- Receivable	4	-	-	-	-	-	4
- Payable	-	10	-	-	-	-	10
Deposits with HDFC Standard Life Insurance Company Limited	4	4	-	-	-	-	4



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

28. Employment benefits – Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on cessation of employment at 15 days salary (last drawn salary) for each completed year of service, subject to a maximum of ₹10 Lakhs. The scheme is funded with LIC of India (up till 1st March 2016) and HDFC Standard Life insurance company. 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.

Statement of Profit and Loss

Net employee benefit expense (recognised in Profit and Loss statement)

	March 31, 2016	March 31, 2015
Current service cost	46	28
Interest cost on benefit obligation	7	4
Expected return on plan assets*	(4)	(3)
Net actuarial loss recognized in the year	6	17
Net (benefit) / expense	55	46
Actual Return on Plan Asset	1	2
* Represents expected returns determined by the actuary		

Balance sheet

Details of Provisions for Gratuity

Present value of the obligation and the fair value of plan assets:

	March 31, 2016	March 31, 2015
Present value of obligation as at the end of the year	140	88
Fair value of plan assets as at the end of the year	111	47
Net liability recognized in balance sheet	29	41

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

	March 31, 2016	March 31, 2015
Opening defined benefit obligation	88	45
Interest cost	7	4
Current service cost	46	28
Benefits paid	(4)	(5)
Actuarial loss/(gain) on obligation	3	16
Closing defined benefit obligation	140	88



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

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

	March 31, 2016	March 31, 2015
Opening fair value of plan assets	47	36
Expected return on plan assets	4	3
Contributions by employer	66	15
Benefits paid	(4)	(5)
Actuarial gain/(loss) on plan assets	(2)	(2)
Fair value of plan assets at end of year	111	47
Estimated employer contributions for the next year	20	20
Actual return on plan assets	1	2

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	March 31, 2016 %	March 31, 2015 %
Discount rate	7.30%	7.80%
Expected rate of return on assets	7.80%	9.00%
Employee turnover	25.00%	25.00%
Salary growth rate	7.50%	7.50%
Mortality Rate	IALM 2006-08 Ult.	IALM 2006-08 Ult.
Expected average remaining working lives of employees	3 years	3 years

Percentage break-down of total plan assets

	March 31, 2016	March 31, 2015
Insurer Managed Funds (non unit-linked)	70%	100%
Insurer Managed Funds (unit-linked)	30%	-

Experience Adjustments	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Present Value of DBO	140	88	45	21
Fair Valuation of Plan Assets	111	47	36	20
Funded Status [Surplus/(Deficict)]	(29)	(41)	(9)	(1)
Experience adjustment on plan liabilities: (Gain) / Loss	0	8	4	(12)
Experience adjustment on plan Assets: Gain / (Loss)	(3)	(2)	(0)	1



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

The Fund is administered by LIC of India (till 1st March 2016) and HDFC Standard Life insurance company. The overall expected rate of return on assets is determined based on the market rate prevailing on that date, applicable to the period over which the obligation is to be settled.

As at the end of the year, the company has appointed HDFC Standard life insurance company to manage gratuity funds. The Funds managed by LIC will be transferred to HDFC Standard life insurance company.

29. Commitments and Contingencies

Contingent liabilities

	March 31, 2016	March 31, 2015
The Company is contingently liable to banks / financial institutions with respect to assignment / securitisation of loans and advances to the extent of cash collateral deposits	527	540
Service tax liability on insurance premium collected	47	-
Guarantee given for Business Correspondent Model	100	-

30. Lease Disclosures

Operating Lease :

The Company has entered into commercial lease for vehicles. There are no restriction placed upon the Company by entering into these leases.

Particulars	March 31, 2016	March 31, 2015
Not less than one year	7	17
Later than one year but not later than five years	8	18
Later than five years	-	-

There are no terms of renewal and escalation clauses in vehicle lease agreements. There are no undue restrictions or onerous clauses in the agreements.



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

31. Additional disclosures as required by circular no DNBS(PD).CC.No.125/03.05.002/2008-2009 dated August 1, 2008 issued by the Reserve Bank of India:

a) Capital to Risk Assets Ratio

Particulars	March 31, 2016	March 31, 2015
CRAR (%)	22.43%	25.86%
CRAR - Tier I Capital (%)	18.42%	21.45%
CRAR - Tier II Capital (%)	4.01%	4.41%

b) Disclosures relating to Securitisation

Sr. No.	Particulars	March 31, 2016	March 31, 2015
1	No of SPVs sponsored by the NBFC for securitisation transactions	3	4
2	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	7,298	5,752
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	229	-
	a) Off-balance sheet exposures		
	* First loss		
	* Others	-	-
	b) On-balance sheet exposures		
	* First loss (In the form of Security deposit)	229	-
	* Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First loss	-	-
	* loss	-	-
	ii) Exposure to third party securitizations		
	* First loss	-	-
	* Others	-	-



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

c) Details of Financial Assets sold to Securitisation Company

Particulars	March 31, 2016	March 31, 2015
Total number of receivables securitised / assigned	22,509	35,043
Aggregate Value (Net of Provision of accounts sold to SC/RC)	1,839	4,252
Aggregate Consideration	1,942	4,567
Aggregate gain / loss over Net book Value	103	315

d) Details of Assignment transactions undertaken by NBFCs

Particulars	March 31, 2016	March 31, 2015
Total number of receivables securitised / assigned	49,189	14,881
Aggregate Value (Net of Provision of accounts sold to SC/RC)	5,186	1,500
Aggregate Consideration	5,186	1,500



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

e) Asset liability management

Maturity pattern of certain items of assets and liabilities as at March 31, 2016

	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 from banks	2,245	1,925	2,549	9,331	19,433	23,392	-	-	58,875
Borrowings from other financial institutions and issuance of Non-convertible debentures (NCDs)*	813	804	1,103	1,955	2,716	22,249	5,549	1,500	36,689
Foreign Currency Liabilities	13	-	-	-	-	-	-	-	13
Total									95,577
Assets									
Loans and advances**	7,094	7,398	7,407	21,941	32,370	22,282	2	-	98,493
Investments	-	-	-	-	-	-	-	-	-
Foreign Currency Assets	40	-	-	-	-	-	-	-	40
Total									98,533

Maturity pattern of certain items of assets and liabilities as at March 31, 2015

	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 from banks	1,942	934	1,994	5,339	9,387	8,641	-	-	28,237
Borrowings from other financial institutions and issuance of Non-convertible debentures (NCDs)*	793	1,086	1,123	2,581	8,749	11,267	3,500	2,000	31,100
Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-
Total									59,337
Assets									
Loans and advances**	4,568	4,822	4,816	13,915	17,703	7,280	-	-	53,104
Investments	-	-	45	-	-	-	-	-	45
Foreign Currency Assets	-	-	-	-	-	-	-	-	-
Total									53,149

* Cash flows from NCDs are considered over tenor or exercise period of call/ put option, whichever is earlier. ** Includes non-performing advances



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

f) **Exposure to Real Estate Sector**

The Company does not have any direct or indirect exposure towards real estate sector.

g) **Exposure to Capital Markets**

The Company does not have any direct or indirect exposure towards Capital Markets.

h) **Ratings assigned by credit rating agencies and migration of ratings during the year**

ICRA has assigned the Rating BBB+ as at March 31, 2016 to the Company as compared to BBB(stable) as at March 31, 2015.

i) **Penalties imposed by RBI and other regulators**

No penalties have been imposed by RBI and other regulators (March 31, 2015 - Nil)

j) **Break up of 'Provisions and Contingencies' shown under the head 'Expenditure' in Statement of profit and loss account**

Particulars	March 31, 2016	March 31, 2015
Provision made towards Income tax (including deferred tax)	1,437	864
Provision for Standard and non-performing assets	452	239

k) **Sector-wise NPAs**

The Company has only one Sector i.e 'Unsecured personal loans' and the percentage of NPAs to total advances in that sector is 0.18%.

Particulars	March 2016	March 2015
Unsecured Personal Loans	0.18%	0.13%

l) **Information on net interest margin during the year:**

Particulars	March 31, 2016	March 31, 2015
Average effective yield on loans (a)	23.58%	25.22%
Average effective cost of borrowing (b)	14.17%	15.27%
Net interest margin (a-b)	9.41%	9.95%

The above averages are calculated based on average monthly balances of outstanding borrowings and loan portfolio.



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Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

m) Movement in non-performing assets (NPAs)

Particulars	March 31, 2016	March 31, 2015
(i) Net NPAs to Net Advances (%)	0.04%	0.03%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	67.47	15.13
(b) Additions during the year	193.01	52.34
(c) Reductions during the year	90.64	-
(d) Closing balance	169.84	67.47
(iii) Movement of Net NPAs		
(a) Opening balance	16.70	3.81
(b) Additions during the year	47.96	12.89
(c) Reductions during the year	31.18	-
(d) Closing balance	33.48	16.70
(iv) Movement of provisions for NPAs (excluding provision on standard assets)		
(a) Opening balance	50.77	11.32
(b) Additions during the year	145.05	39.45
(c) Write off/ write back of excess provision	59.46	-
(d) Closing balance	136.36	50.77

n) Customer complaints

Particulars	March 31, 2016	March 31, 2015
(a) No. of complaints pending at the beginning of the year	-	-
(b) No. of complaints received during the year	18	7
(c) No. of complaints redressed during the year	18	7
(d) No. of complaints pending at the end of the year	-	-



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Notes to the Financial statements for the year ended March 31, 2016

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32. Loans and Advances classification and provision for non-performing assets

Micro Finance Loan

Particulars	Gross Loan Outstanding		Provision For Assets		Net Loan Outstanding	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Unsecured Loans						
A) Loan						
Standard assets	97,976	52,966	846	480	97,130	52,486
Sub standard assets & doubtful assets	164	67	136	51	28	17
Total	98,139	53,033	981	530	97,158	52,503

Other retail loan

Particulars	Gross Loan Outstanding		Provision For Assets		Net Loan Outstanding	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Standard assets	348	133	1.0	0.3	347	132
Sub standard assets & doubtful assets	6		0.6		5	-
Total	354	133	2	0	352	132

33. Divestment in IASC

The Company acquired the full shareholding in IASC from HDFC Limited and Centre for Community Development Services [CCDS] on September 26, 2012 for a total consideration of ₹214 Lakhs.

Pursuant to share purchase agreement the Company is entitled to be indemnified from CCDS for any additional losses and the same is to be adjusted against the purchase consideration. Accordingly, during the year ended 31 March, 2014 the Company adjusted losses amounting to ₹33.5 Lakhs against the purchase consideration payable and reduced the value of investment to ₹180.5 Lakhs.

Due to the non-strategic alignment of business between IASC and the Company and the challenges of sustainability of IASC without scaling up the Bank Linkage Model and Section 25 Constitution the Company decided to divest investment in IASC. The same has been recorded in the board meeting held on December 12, 2013.

Pursuant to share purchase agreement dated January 20, 2014, between the Company and New Opportunity Consultancy Pvt Ltd, the Company agreed to divest its 100% stake in Indian Association for Savings and Credit (IASC) for a total consideration of ₹180.5 Lakhs on a staggered basis. Consequently, the Company sold 51% of share in IASC to New Opportunity Consultancy Pvt. Limited on 16 January 2014. Subsequently, the Company transferred remaining 49% stake in April 2015 on receipt of last installment.



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(All amounts are in Indian Rupees in lakhs unless otherwise stated)

34. Employees Stock Option Scheme

The Company has provided various share- based payment schemes under the same plan. During the year-ended March 2015, the Company issued 521,500 shares under the Employee Stock Option Scheme scheme 2014.

During the year-ended March 31, 2016 the schemes in operation were Employee stock option scheme 2010 and Employee stock option scheme 2014 the details of which are as under:

The details of the Employee Stock Option Scheme 2010 are as under:

Particulars	Employee stock option scheme 2010	Employee stock option scheme 2014
Grant Date	June 10, 2010	June 26, 2014
Number of Options granted	396,000	521,500
Method of Settlement	Equity	Equity
Vesting	40% after one year from the date of grant i.e. July 1, 2011; 30% after two years from the date of grant i.e. July 1, 2012; and balance 30% after three years from the date of grant i.e. July 1, 2013	40% after one year from the date of grant i.e. July 1, 2015; 30% after two years from the date of grant i.e. July 1, 2016; and balance 30% after three years from the date of grant i.e. July 1, 2017
Exercisable period	3 years from the vesting date	3 years from the Vesting date
Vesting Conditions	No vesting conditions has been prescribed	No vesting conditions has been prescribed
Exercise Price Per Option (₹)	₹10/-	₹36/-



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The following are the outstanding options as at year end:

Particulars	Employee stock option scheme 2010		Employee stock option scheme 2014	
	As at March 31, 2016	As at March 31, 2015	As at March 31, 2016	As at March 31, 2015
Total Options granted and outstanding at the beginning of the year	165,300	346,000	521,500	-
Add: Options granted during the year	-	-	-	521,500
Less: Options forfeited / lapsed during the year	(600)	(3,000)	(58,000)	-
Less : Options exercised during the year	(164,700)	(177,700)	(17,800)	-
Options Outstanding as at end of the year	-	165,300	445,700	521,500
Vested	-	165,300	167,600	-
Yet to Vest	-	-	278,100	521,500

The value of options have been estimated on the date of the grant using Black-Scholes model.

The key assumptions used in Black Scholes model for calculating value of options as on the date of the grant are:

Variables	Tranche 1		Tranche 2		Tranche 3	
	Employee stock option scheme 2010	Employee stock option scheme 2014	Employee stock option scheme 2010	Employee stock option scheme 2014	Employee stock option scheme 2010	Employee stock option scheme 2010
1. Risk Free Interest Rate	8.75%	8.65%	8.75%	8.65%	8.75%	8.65%
2. Expected Life (in years)	2.56	2.56	3.56	3.56	4.56	4.56
3. Expected Volatility	0.4	0.38	0.38	0.39	0.42	0.37
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5. Fair value of the option on the grant date (₹)	7.56	18.99	8.24	21.91	9.12	23.80



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(All amounts are in Indian Rupees in lakhs unless otherwise stated)

Effect of the share based payment plans on the Statement of profit and loss and on its financial position:

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Employee stock option expenditure	34	45

Particulars	As at March 31, 2016	As at March 31, 2015
Employee stock options outstanding	75	61

35. Expenditure in foreign currency

	March 31, 2016		March 31, 2015	
	Indian Rupees	Foreign Currency (in units)	Indian Rupees	Foreign Currency (in units)
Professional Fees Paid	72	109,516	5	8,700
Total Expenditure in foreign currency	72	109,516	5	8,700

36. Earnings in Foreign currency

	March 31, 2016		March 31, 2015	
	Indian Rupees	Foreign Currency (in units)	Indian Rupees	Foreign Currency (in units)
Grant received from IFC	105	160,000	25	40,000
Total Earnings in foreign currency	105	160,000	25	40,000

37. Unhedged Foreign Currency Exposure

	March 31, 2016		March 31, 2015	
	Indian Rupees	Foreign Currency (in units)	Indian Rupees	Foreign Currency (in units)
Payables				
USD	13	19,000	-	-
Receivables				
USD	40	60,000	-	-



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(All amounts are in Indian Rupees in lakhs unless otherwise stated)

38. Grant from International Finance Corporation

During the year ended March 31, 2015, IFC, under its "Performance Based Grant Initiative for Access to Finance" programme, has sanctioned a grant of upto USD 200,000 to the Company vide agreement (Grant Agreement) dated June 27, 2014 entered into with the Company. IFC has agreed to provide the sanctioned grant amount over a period of 30 months in four tranches on achievement of specified performance targets as laid down in the grant agreement. During the year, the Company has accounted grant of USD 1,60,000 (₹104.72 Lakhs) as income under the head 'Other Income'.

39. Corporate Social Responsibility (CSR)

(a) Gross amount required to be spent by the company during the year ended March 31, 2016 is ₹28 Lakhs under section 135 of the Companies Act, 2013.

(b) Amount spent during the year on:

Particulars	In Cash	Yet to be paid in cash	Total
i) Construction /acquisition of asset	-	-	-
ii) on purpose other than (i) above	64	-	64
Total	64	-	64

(c) Break-up of amount spent on CSR activities

Particulars	Included in expense head	Amount
Cost of employees engaged for social activities	"Employee benefit expenses (Schedule 23)"	57
Other social initiative expenditure	"Miscellaneous expenses (Schedule 25)"	7
Total		64

40. Disclosure as per SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015

Privately placed redeemable non-convertible secured debentures are secured against hypothecation of pool of loans with a security cover of 1 to 1.10 times of the outstanding of respective debentures.



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(All amounts are in Indian Rupees in lakhs unless otherwise stated)

41. Disclosure as per regulation 52(4) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015

Coupon Rate	Maturity Date	Debenture Details	31 Mar 2016	31 Mar 2015	Options available	Redemption Period if option exercised	Last Interest Payment date	Next Interest Payment date
		Nos	Face Value					
A. Secured								
13.85%	30-09-20	390	1,000,000	-	Put/Call option	36-60 Months	30-03-16	30-09-16
12.73%	02-12-16	160	1,000,000	1,333	NA	NA	28-03-16	28-04-16
12.90%	15-04-16	240	500,000	650	NA	NA	10-03-16	10-04-16
13.63%	28-05-19	350	1,000,000	3,500	NA	NA	28-11-15	28-05-16
14.90%	18-12-20	50	1,000,000	500	Put option	24-48 Months	31-03-16	29-06-16
14.70%	24-04-20	300	1,000,000	3,000	Put/Call option	36-72 Months	25-10-15	25-04-16
14.70%	30-03-19	370	1,000,000	3,700	Put/Call option	30-48 Months	15-03-16	15-09-16
14.25%	13-05-22	360	1,000,000	3,600	Put/Call option	36-72 Months	13-11-15	13-05-16
14.10%	13-07-18	415	1,000,000	4,150	NA	NA	13-11-15	12-05-16
14.80%	14-05-17	240	1,000,000	2,400	Put/Call option	24-48 Months	13-11-15	-
14.75%	27-06-17	200	1,000,000	2,000	Put/Call option	24-48 Months	23-12-15	-
B. Unsecured								
15.85%	30-04-21	150	1,000,000	1,500	NA	NA	31-03-16	01-07-16
17.50%	31-12-20	100	1,000,000	1,000	NA	NA	31-03-16	29-06-16
TOTAL			25,433	17,583				

Note: All the above interest payments are made as per the date mentioned above.



Suryoday Micro Finance Limited (Formerly known as Suryoday Micro Finance Private Limited)

Notes to the Financial statements for the year ended March 31, 2016

(All amounts are in Indian Rupees in lakhs unless otherwise stated)

42. Disclosure as per regulation 52(4) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 - Ratios

1. Debt-Equity Ratio

Particulars	2016	2015
Debt/Equity (x)	4.8 times	4.5 times

2. Networth

Particulars	2016	2015
Networth	19,753	13,195

43. Comparatives

Previous year figures have been regrouped / reclassified wherever necessary to correspond with current year's classification / disclosure.

As per our report of even date

For B S R & Co. LLP Chartered Accountants

ICAI Firm's registration number:
101248W/W-100022

Manoj Kumar Vijai
Partner

Membership no. 046882

Place: Chennai
Date: May 06, 2016

For and on behalf of the Board of Directors Suryoday Micro Finance Limited

R. Baskar Babu
Managing Director and
Chief Executive Officer
(DIN No- 02303132)

Priya Vishwanathan
Company Secretary

Place: Chennai
Date: May 06, 2016

Sheela Bhide
Independent Director
and Chairperson
(DIN No- 01843547)

Bhavin Damania
Chief Financial Officer



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Enabling Dreams. Empowering Lives.

Suryoday Micro Finance Limited
(Formerly Suryoday Micro Finance Private Limited)

Registered and Corporate Office:
1101 Sharda Terraces, Plot 65 Sector 11
CBD Belapur, Navi Mumbai - 400 614

