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IFMR Capital

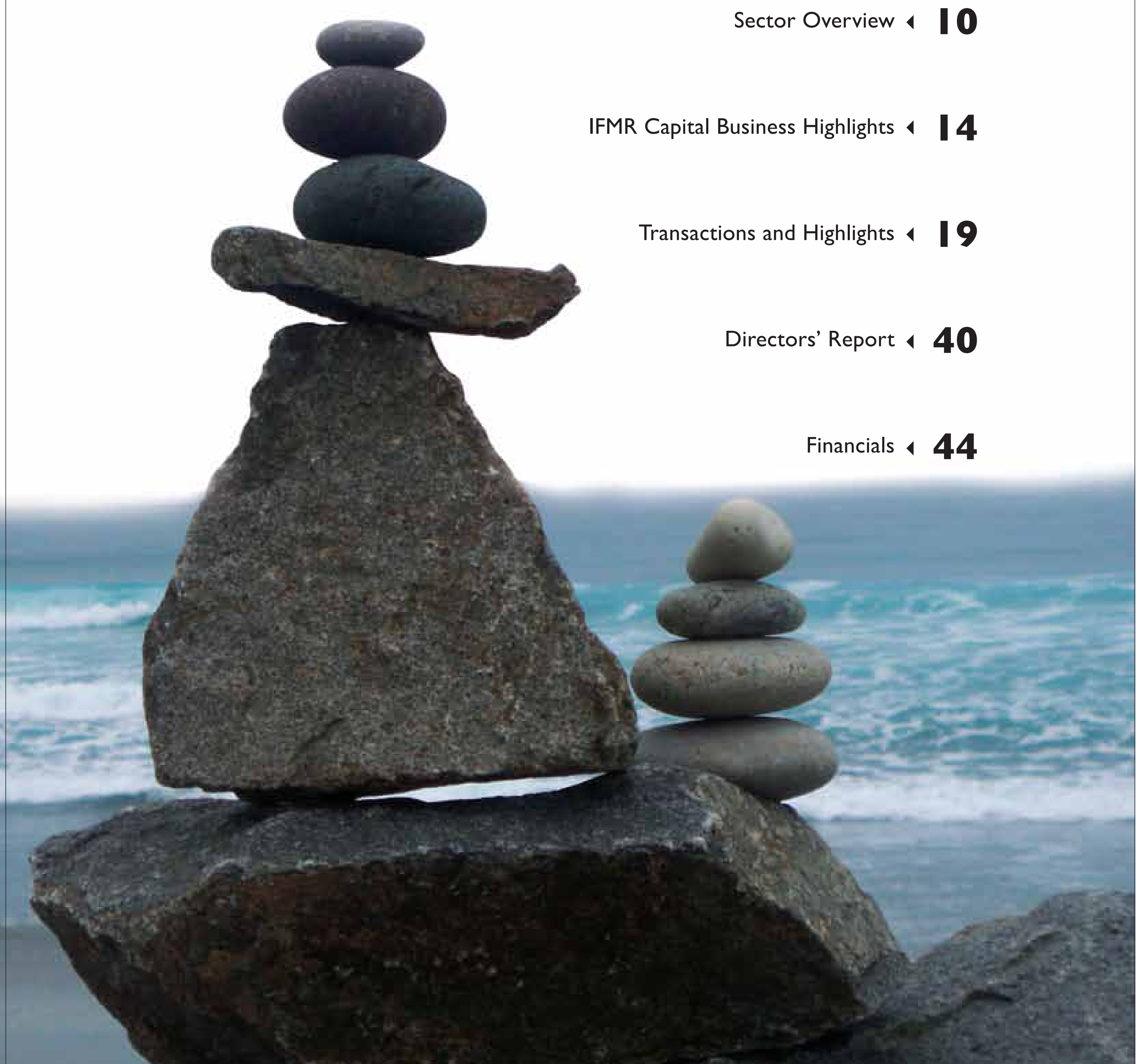
Creating capital markets access
for financially excluded
households and institutions

ANNUAL REPORT 2012-13

MISSION

"To provide efficient and reliable access to debt capital for institutions that impact financially excluded households and businesses"

Contents



About IFMR Capital

IFMR Capital is a non-banking financial company based in Chennai, India. Its mission is to provide efficient and reliable access to capital markets for institutions that provide debt to the financially excluded. Over the last five years, it has pioneered a range of structured finance products that enable risk transfer from high-quality originator institutions to a diversified set of well-capitalised investors.

IFMR Capital has deep expertise in the sectors it works in. Originators are identified on the basis of a robust underwriting framework. IFMR Capital then arranges financing for these originators from mainstream investors using its own capital to co-invest and credit enhance the transaction. In the capacity of an investor, IFMR Capital closely monitors the performance of these transactions on an ongoing basis. The underlying pool performance data is mirrored and tracked on a loan-by-loan basis. Propriety risk models have been developed that provide early warning signals.

Acting as a bridge between high-quality originators and capital market investors in the capacity of a structurer, arranger and investor, IFMR Capital has enabled investments from a range of capital markets investors such as banks, mutual funds, private wealth investors, non-banking financial companies, development finance institutions, offshore funds and others. Transactions routinely get upgraded. Portfolio performance has been strong with no losses incurred by investors since inception.

Message from the Chairperson

BINDU ANANTH
President, IFMR Trust

Over the last five years of its existence, IFMR Capital has powerfully demonstrated the role of bridge institutions like itself in enabling access to capital markets for Originators so that they may grow more rapidly to address the vast financing needs of our economy. We are convinced that the needs of the Indian economy are too large and varied to be met by a few banks alone. It needs participation from multiple investor classes and the role of IFMR Capital and others like it will be to ensure an orderly transmission of liquidity from these investors to Originators working across different asset classes and regions of the country.

Since inception, IFMR Capital has provided debt access of INR 40 billion to over forty Originators operating across three asset classes: micro-loans, small business loans and affordable housing finance. We continue to invest in every entity that we arrange financing for to ensure complete alignment of incentives. Approximately half of the total volume came in the financial year FY 2013 alone, exhibiting a growth of 100 percent during this period. Driven by continued profitability, zero credit losses and achievement of asset class diversification, IFMR Capital received a credit rating upgrade to 'A' during FY 2013. This is critical to reducing our own cost of funding and to eventually ensuring that the clients of our Partner Originators receive continuous and affordable finance. Small business loans and affordable housing finance, which were being tested in FY 2012 have grown to become robust business lines for the Company in FY 2013. We have sixteen Originator Partners from these segments alone.

A big milestone for us this year was the first listing of securitised debt in India. It was very fitting that the listed securities were those of a multi-originator securitisation, our product that pools loans across multiple small Originators working in different geographies. We hope that the listing of debt and other market development initiatives provides the necessary liquidity and transparency to enable large-scale participation in debt markets in India.

This year, the full Board had an opportunity to spend some detailed time with Vistaar, an institution dedicated to financing Small and Medium Enterprises (SME). I also visited Utkarsh and Cashpor, microfinance institutions (MFI) operating in extremely poor communities in Eastern Uttar Pradesh. The process discipline, rigour and client-centricity of these institutions and other Partners remain our source of deep inspiration.

I thank all the Directors for their outstanding contributions to the Board of IFMR Capital. I want to specifically mention the continuous support and valuable guidance received from Charles Silberstein and Susan Thomas, the two Independent Directors of the Company.

I would like to congratulate and thank Kshama Fernandes, the Partners and the entire team at IFMR Capital for their outstanding and sustained contributions to our shared mission.

BINDU ANANTH
President, IFMR Trust

From the CEO's Desk

2012-13 was a good year for IFMR Capital. We continued to grow our business on the basis of a strong partnership culture, solid foundations of intellectual capital and sector expertise, deep commitment towards our clients, investors and employees alike and an uncompromising sense of integrity.

We saw a significant increase in business volumes and profitability. While microfinance continued to dominate with the lion's share of volumes, a large number of non-microfinance partner entities were approved and on-boarded during the year. The number of approved partner entities increased from twenty three to forty. Microfinance clients constituted sixty percent of our partner outreach and the rest were financial institutions operating in the Small Business Loans and Affordable Housing Finance sectors.

We enabled a total financing of INR 19.2 billion across three asset classes, a jump of 100 percent over FY 2012. A wide range of products were offered by us to our partners. This year saw us inching closer to our goal of becoming a complete debt solutions provider to the sectors we serve. While loans and non-convertible debenture syndications were scaled up during the year with significant long term funding being availed by our partners, we offered two new products - a guarantee product and a working capital product.

The number of investors we work with increased from seventeen to thirty during the year. 34 percent of placements in FY 2013 were with new investors. We scaled up on existing bank relationships and established new relationships with public and private sector banks. We saw the first investment into our transaction by a public sector bank. The Multi Originator Securitization (Mosec™) structure saw greater acceptability among investors. We closed the largest Mosec™ transaction with twelve microfinance originators. The Investor conference held earlier in the year with the goal of increasing visibility and awareness of the new sectors we are working in was a great success.

We continued to be subordinated investors in our securitization transactions. IFMR Capital currently has exposure to three hundred and fourteen districts across twenty three states of India. Portfolio quality continued to be strong. Cumulative collection efficiency across transactions was 99.79 percent. We continue to maintain the rigor of in-depth analysis pre-investment and continuous monitoring and surveillance post-investment. The framework for analyzing and monitoring Small Business Loans and Affordable Housing Finance exposures was put in place during the year. We are now well equipped to scale our business in these asset classes. Our efforts at building proprietary early warning risk models and analytical frameworks across sectors continue.

Our balance sheet grew from INR 1.8 billion to INR 3 billion during the year. We raised financing from a variety of sources including terms loans, commercial paper and non-convertible debentures. Operating income grew over 100 percent. Profit margins remained strong despite higher leverage. Operating costs as a percentage of operating income dropped. We closed the year at a profit after tax of INR 72 million, taking the net worth from INR 650 million to INR 722 million.

Kshama Fernandes
CEO, IFMR Capital

From a markets development perspective, listing of the first ever securitized paper in the country put us in the league of mainstream capital markets players. Our partnership with the Asian Development Bank and our role as co-guarantors along with the Asian Development Bank on the guarantee program established us as strategic long-term investors in the microfinance sector. The ratings upgrade to 'A' reinforced our position as a high quality institution. There was significant expansion in the team with critical senior positions being filled during the year. Attrition levels continued to be lower than the industry average.

The coming year will really be about scaling up significantly across asset classes. The focus will be to maintain the same quality of investments and portfolio performance as we expand. We have projected a 100 percent growth in business. A large proportion of this volume is expected to come from our non-microfinance businesses. We will add one new asset class this year. We also see various opportunities in market making, real sector intermediation, agriculture and warehouse receipts finance. The business development team will explore areas which may serve as feeders into our business pipeline for the future. Some of these will fructify in the coming year.

To achieve the targets we have set for ourselves, we will have to steadily expand our base of originators and investors. We will also have to build on existing relationships and leverage on them. We will continue to raise the profile of our product development and risk management effort. An emphasis on employee training and leadership development would be required on a continuous basis to ensure capacity building and consistent performance as we scale up. We plan to put in place programs that would enable enhancement of individual and team effectiveness across the Company.

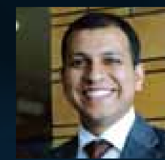
I would like to take this opportunity to thank the IFMR Capital Board and the IFMR Capital Advisors group for their unwavering support, encouragement and strategic guidance over the years. I also thank all our investors and our business partners for the trust and confidence placed in us. Your continued support is invaluable in the journey towards creating efficient and sustainable capital markets access for the financially excluded in India. We have an ambitious outlook and big dreams for the future. As W B Yeats put it "In dreams begins responsibility". Team IFMR Capital is well poised for the future, the dreams and the responsibility that comes along with them.

Kshama Fernandes
Chief Executive Officer, IFMR Capital

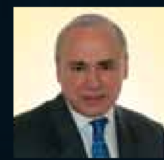
GOVERNANCE

Board of Directors


Bindu Ananth
President, IFMR Trust
Chairperson


Puneet Gupta
Chief Executive Officer, IFMR Rural Finance
Director


Sucharita Mukherjee
Vice-Chairperson, IFMR Trust
Director

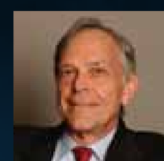

Charles Silberstein
Former Director, FSA - London
Independent Director


Dr. Susan Thomas
Faculty, Indira Gandhi Institute for Development Research (IGIDR)
Independent Director


Samir Shah
Managing Director-in-charge, NCDEX Limited
Independent Director

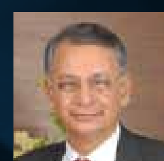

Dr. Kshama Fernandes
Chief Executive Officer and Senior Partner, IFMR Capital
Executive Director

Advisors

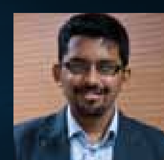

W Bowman Cutter III
Former Managing Director, Warburg Pincus


Dr. Tilman Ehrbeck
Chief Executive Officer, CGAP


Deidra Wager
Former Executive Vice President, Starbucks Coffee Company


H N Sinor
Chief Executive, Association of Mutual Funds of India (AMFI)

Senior Management

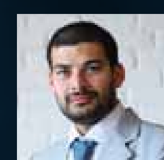

Vineet Sukumar
Senior Partner and Chief Financial Officer


Meenal Madhukar
Senior Partner and Chief Markets Officer


Gaurav Kumar
Partner and Head - Origination


Kalyanasundaram C
Partner and Head - Operations


Bama Balakrishnan
Chief Risk Officer


Saurabh Jaywant
Chief Legal Counsel

Sector Overview

Microfinance

The year 2013 was an excellent year for the microfinance sector in India in terms of funding and portfolio growth. Access to funding improved in FY 2013, with many public sector banks in the forefront. Overall, bank lending to the sector, which had dropped to INR 130 billion after the microfinance crisis, is estimated to have increased to INR 180 billion during the year - a growth of nearly 40 percent. This increased interest by banks came largely on account of regulatory clarity on the microfinance sector and the revision in securitization guidelines. The Reserve Bank of India provided clarity on microfinance regulation in recent circulars covering capital requirement, risk management, pricing of credit and consumer protection initiatives. The present regulation requires increased compliance and reporting requirements for Indian microfinance institutions which has in turn resulted in greater transparency. The revised securitization regulations also shifted the preference from assignment transactions to securitization transactions.

Equity inflows in the microfinance sector increased in FY 2013 - a cumulative amount of INR 10 billion of equity was injected into microfinance institutions representing a growth of 150 percent over the previous year. Many of our partners, including Sonata, Janalakshmi, Grameen Financial, Suryoday, Ujjivan, Satin, Utkarsh, Equitas, and Svasti, raised equity and tier II capital during the year.

Microfinance institutions benefited from the improved access to debt and equity capital, and demonstrated growth. Growth was witnessed across large as well as smaller partners. At the same time, portfolio quality witnessed consistent improvement on account of strong audit and risk management processes.

Affordable Housing

The rapid pace of urbanization in the country and rising income levels continue to be the growth drivers of the Affordable Housing sector. On the supply side, to encourage more affordable housing development, the Reserve Bank of India (RBI) has recently relaxed its guidelines regarding External Commercial Borrowings for the purpose of on-lending for low cost housing units. Earlier this year, the National Housing Bank, a wholly-owned subsidiary of the RBI, also reduced refinancing rates on loans up to INR 0.5 million, incentivizing primary lending institutions like banks and housing finance companies (HFC) to lend more to low-income households. The sector also witnessed the establishment of the first mortgage guarantee company - an initiative of International Finance Corporation (IFC), Asian Developement Bank (ADB) and National Housing Bank (NHB).

The housing finance market witnessed disbursements of around INR 150 billion in FY 2013 for loans less than INR 2.5 million. Within this, large HFCs such as DHFL, GRUH and Mahindra Rural Housing dominate and largely cater to a market where borrowers are able to produce documented proofs of income. The larger HFCs presently constitute more than 98 percent of the affordable housing finance disbursements.

Recently however, newer HFCs have emerged that cater to the informal market. Such Affordable Housing Finance Companies (AHFC) rely on their ability to assess their clients' income, develop templates to understand the margins and cashflows of local businesses, and have a strong in-house process of credit and security verification. The number of such AHFCs in this market and their assets under management is currently very small with respect to the demand - presently, they collectively manage less than INR 8 billion.

> **IFMR Capital has been supporting the cause of impact investment across sectors. We value the support and hand holding they provide their clients. Through the rigor of the due diligence they conduct and through their own investments in these institutions, they bring on board other investors.**
>
> **-Neeraj Sharma (CEO),**
> Indian School Finance Company

Given the huge concentration and skewness in the market segment being catered to, immense opportunity lies ahead for players who develop sustainable business models of lending in the informal markets. The market has witnessed both existing NBFCs floating new subsidiaries to specialize in affordable housing finance (Magma Fincorp, Au Financiers, MAS Rural Housing and Equitas), as well as new HFCs coming up with an exclusive focus on affordable housing finance (MHFC, Aptus, Shubham and India Shelter). The sector has witnessed significant equity interest - early stage investors such as Sequoia Capital, Nexus Venture Partners, Elevar Equity, Caspian Advisors, Michael & Susan Dell Foundation, have taken equity stakes in AHFCs

IFMR Capital believes that the AHF sector will witness tremendous growth over the next few years given the low base and high demand. Most AHFCs have stabilized operations and have witnessed excellent asset quality. At the same time, concerns around asset liability management, limited access to a diversified investor base and low ratings persist.

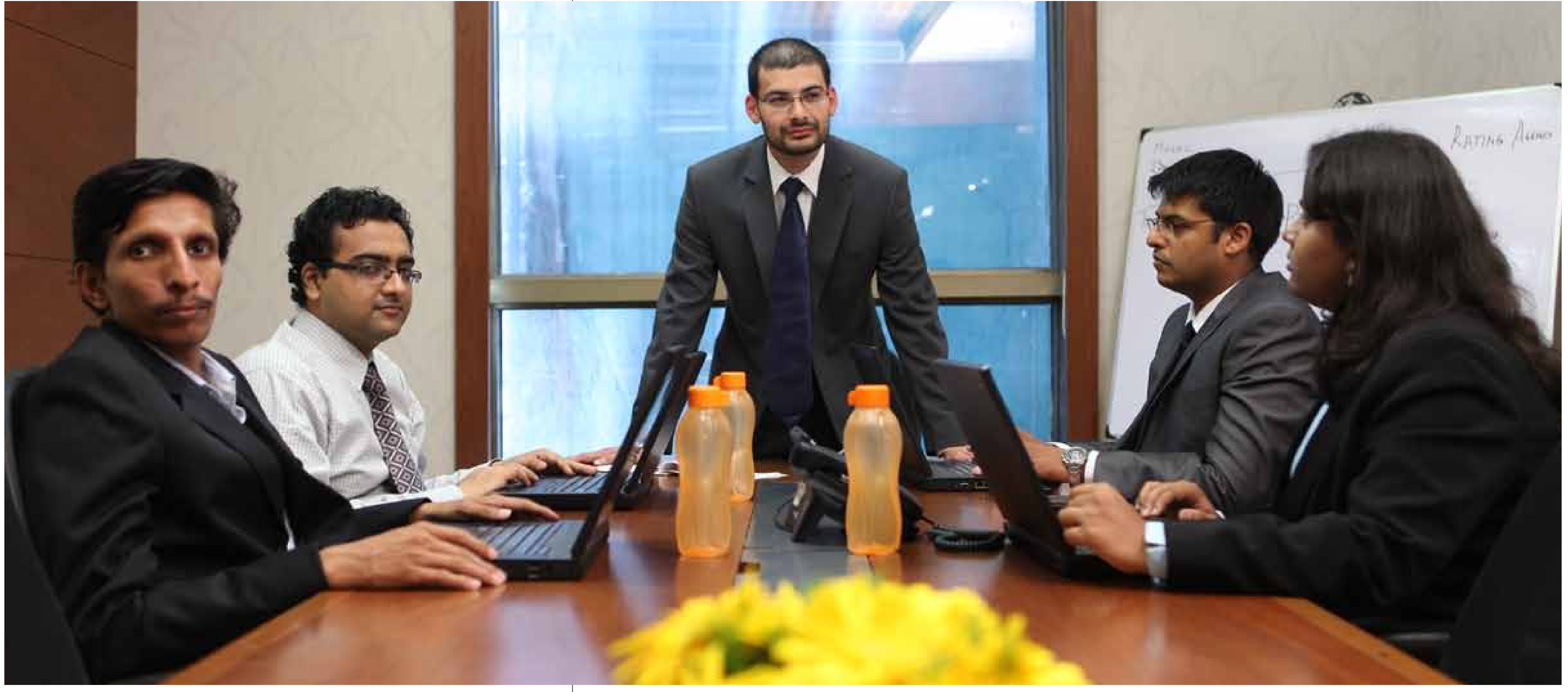
IFMR Capital's strategy and interventions will be designed to address these concerns. Given the inherent limitations of domestic debt markets in providing access to long-term finance as well as the lack of access to capital for lower rated institutions, IFMR Capital's focus is on developing transaction structures with sufficient structural risk mitigation mechanisms to incentivize investments in these sectors. IFMR Capital has developed Underwriting Guidelines for Affordable Housing Finance that seek to set the standards for quality origination in this space.

Small Business Loans

The Micro, Small and Medium Enterprises (MSME) sector has consistently grown at a pace faster than India's GDP. It has however not been supported by adequate formal financing opportunities. This is largely because many of these businesses are in the informal segment, and lack proper documentation and collateral, making underwriting difficult for banks.

NBFCs with a sectoral focus on MSME finance such as Electronica Finance and MAS Financial Services have steadily developed their business for over two decades. Their unique model of underwriting and credit delivery has helped them scale up financing to small businesses while maintaining good portfolio quality. The loans offered are mainly for facilitating equipment purchases, business expansion, technology upgradation and working capital requirements.

Over last 5 years, sensing the opportunity, a large number of newer NBFCs have made a foray into SME lending using innovative business models. These NBFCs evaluate informal records that banks generally do not accept and conduct background checks on potential customers through an exhaustive evaluation process. In the absence of conventional income documents, they have developed unique credit assessment methodologies to undertake cash-flow based evaluation of MSME financials thereby assessing their customers economic activity.



The entrants are a mix of new entities and offshoots of existing financial institutions. New NBFCs such as Vistaar Finance, Kinara Capital, Agora Microfinance and Intellegrow have commenced business with a focus on micro enterprise lending, while others like Shriram City, Bajaj Finance, Religare Finvest, and Au Financiers have leveraged upon an existing branch network and customer base.

Further, it is interesting to observe that originators have developed their own niche of operations to meet specific gaps - working capital needs of corporates, equipment financing for larger MSMEs and ongoing business requirements for smaller businesses. Others have focused on developing their networks in specific geographies. These new lending institutions also have innovative processes to expand target clientele - referral systems integrated with the supply chain, systematic cluster-based approaches, direct marketing, and strategic relationships with other institutions which work with the same target clientele to name a few. Certain other institutions, such as IFMR Rural Channels and Janalakshmi Financial Services which believe in a holistic, livelihood-based approach to lending have also started offering enterprise loans in their operational area.

The asset class has witnessed significant equity interest from a variety of investors. Early stage investors such as Elevar Equity and Lok Capital, development financial institutions such as FMO, Proparco, DEG and SIDBI, as well as mainstream private equity players such as Warburg Pincus and Chrys Capital have entered the sector. Given the nascent stage and vast demand, IFMR Capital expects significant growth from existing players as well as the emergence of newer players.

IFMR Capital is working closely with several originators to provide them access to a diversified investor base as well as to a wider product suite. We expect to significantly scale up this business in FY 2014.

IFMR Capital Business **Highlights**

IFMR Capital witnessed another year of robust growth backed by strong relationships. During the year, we added new clients and investors, developed new products across sectors and strengthened our existing relationships. We present below IFMR Capital's highlights for FY 2013.

Microfinance

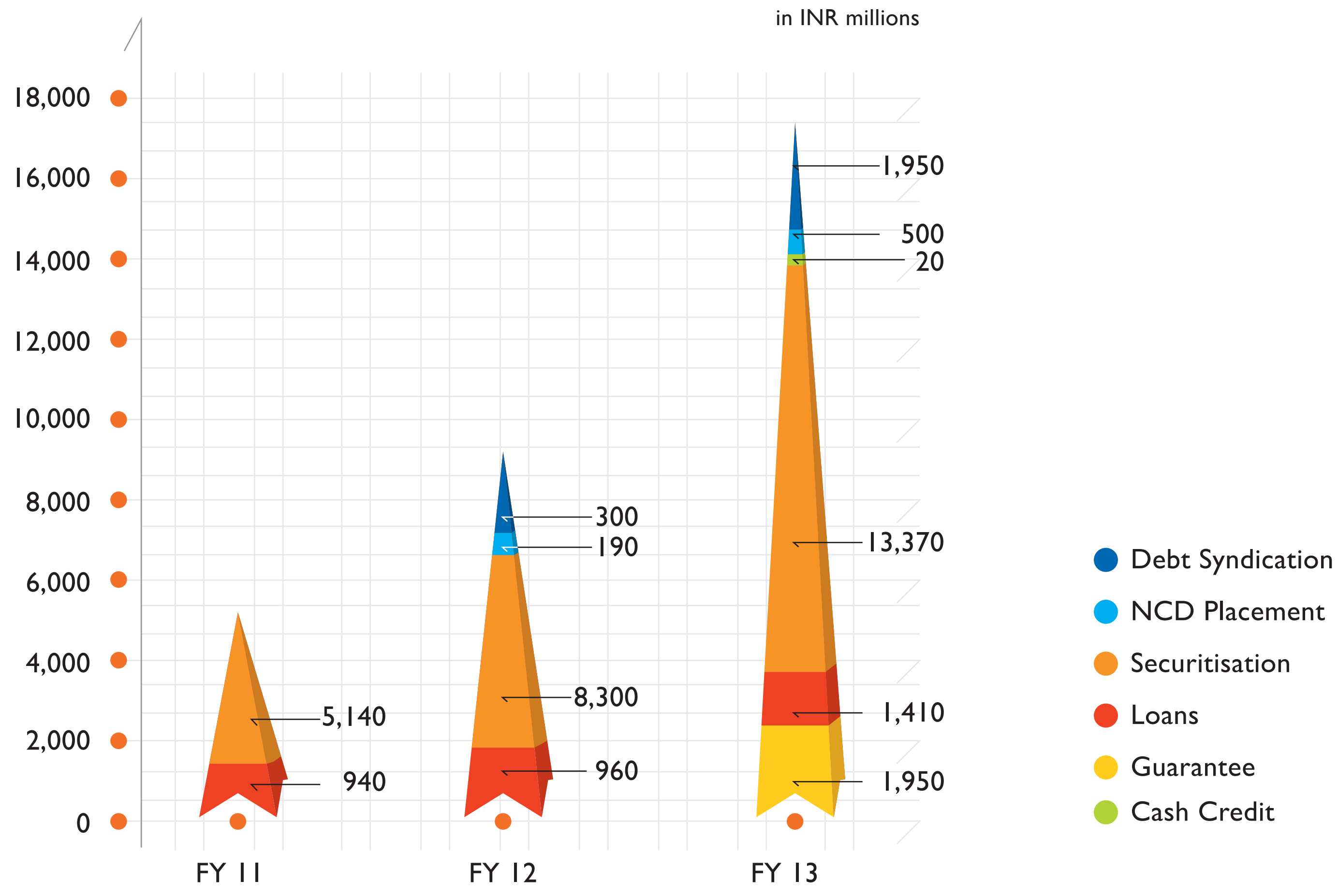
Working with high-quality originators: The year 2013 was marked by a strong re-emergence of the microfinance sector from a trying phase in 2012. We are happy to report that all our partners have shown strong portfolio growth, healthy margins and good asset quality. FY 2013 also marked a series of *firsts* for IFMR Capital and helped us create better value for our clients through path-breaking deals and a wider product suite. During the year we enabled financing of over INR 17 billion to our partners via rated securitisations, term loans, guarantee-backed structures, placement of NCDs and debt syndication. Our Origination team conducted thirteen assessments on potential partners this year and inducted on board five entities that met our rigorous capital markets standards. Our pipeline for new partnerships is promising and we hope to induct new partner institutions in this financial year. As of end FY 2013, we have active relationships with twenty four high-quality microfinance institutions.

Our **Partners**

Products and Volumes

Our Origination team tracks the microfinance sector closely and engages in detailed strategic discussions with our partners to ensure that they achieve their business-plan numbers by diversifying their sources of funding. The securitisation and on-balance sheet funding program expanded significantly in FY 2013 as did our product suite. Overall business volumes grew by 82 percent year-on-year with securitisation volume expanding 55 percent over the previous year, term loan funding growing by 39 percent and NCD placement and debt syndication volumes exhibiting a growth of 156 percent and 260 percent respectively.

The year also saw the launch of the first of its kind large scale partial guarantee programme. IFMR Capital partnered with the Asian Development Bank (ADB) to provide partial credit guarantee on loans to microfinance institutions in India. The guarantees are part of the Microfinance Risk Participation program of ADB's Microfinance Development Strategy. USD 50 million of guarantees have been carved out for IFMR Capital as part of this program. Under the program framework, IFMR Capital recommended eligible microfinance institutions to ADB using its own underwritting standards. IFMR Capital also identified the lender for the programme and structured the transaction enabling INR 1.95 billion of financing in FY 2013. IFMR Capital will also provide subsequent portfolio monitoring and surveillance support to ADB on the underlying borrowers. Being a co-guarantor under the facility aligns IFMR Capital's incentives with that of ADB and the lenders under this program ensuring long term sustainability of the program.



Rated securitisation contributed to 73 percent of total volumes in FY 2013. The microfinance securitisation market was estimated to be between INR 27 - 33 billion in FY 2013. Out of this, INR 13 billion was structured and placed by IFMR Capital.

> **IFMR Capital has been a pillar of support to us since we started this company. We find IFMR Capital to be always responsive to the needs of the customer. They are ahead of the curve in terms of bringing forth relevant and efficient solutions to their customers.**

-VL Ramakrishnan (CFO)
Suryoday Microfinance Private Limited

Transactions and **Highlights**

TRANSACTION HIGHLIGHTS

We have closed thirty two Mosec™ transactions since inception with nineteen in FY 2013 alone. We have also concluded ten ADB-guarantee backed deals and eleven syndications this year. Of special mention from capital markets' perspective was the first listed Mosec™. The senior securities of IFMR Capital Mosec™ XXII were listed on the Bombay Stock Exchange in January 2013. This was the first instance of listing of securitised debt in India since the release of SEBI's listing guidelines in 2011. The listing of Mosec™ XXII PTCs marks a milestone for debt securitisation in India and is a significant step towards greater transparency and sustainability in our efforts towards financial inclusion. The pool underlying this transaction was diversified across eight originators, ten states and ninety four districts. The senior securitised debt instruments were rated 'A+' (SO) by CRISIL Limited.

Over the years IFMR Capital has created innovative structures for MFIs to raise funds. This has helped to sustain the sector through difficult times.

Satin has been associated with IFMR Capital for nearly five years. We value the experience and expertise which the IFMR Capital team brings in their dealings with all stakeholders. Their professional approach and willingness to walk the extra mile is reassuring.

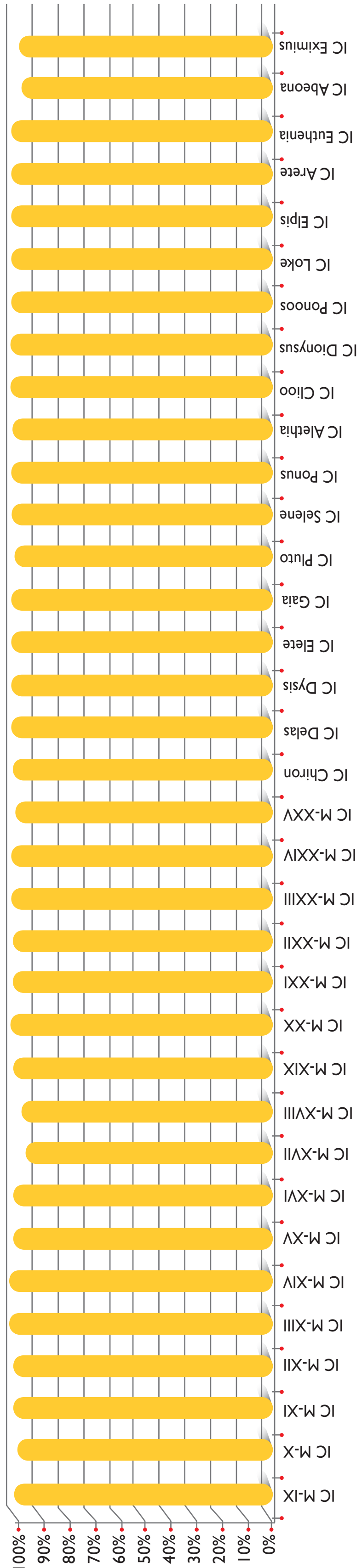
Jugal Kataria (CFO),
Satin Creditcare Network Limited

Listing of IFMR Capital Mosec™ XXII was followed by another listed deal - Euthenia IFMR Capital 2013. The senior securities were rated 'A+' (SO) by ICRA Ltd and listed on BSE in February 2013. The year also saw us conclude our largest Mosec™ thus far, both in terms of participation and size - IFMR Capital Mosec™ XXX. 12 originators participated in this INR 1 billion deal.

It has been a pleasure working with IFMR Capital. They have been a pillar of strength through the period when the industry was crippled by the Andhra Pradesh crisis, characterized by portfolio de-growth resulting from the complete cessation of liquidity, especially to the small and mid-sized MFIs. IFMR Capital was able to support its partner MFIs through a mix of securitization transactions, NCD issuances and guarantee backed structures which ensured that they managed to stay afloat. While better times augur for the industry, the market penetration achieved by IFMR Capital would serve as a perfect launch pad for us to catapult to the next level.

- G. Srikanth (CFO),
Asirvad MicroFinance Private Limited

Cumulative Collection Efficiency

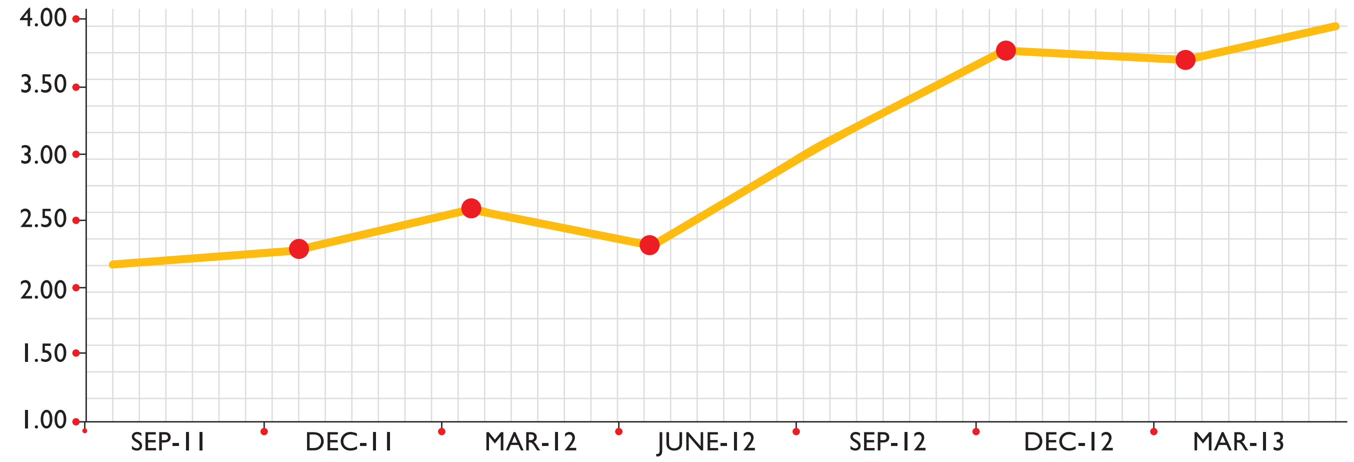


Given below are some highlights of the sector derived using insights from **IFMR Capital data.**

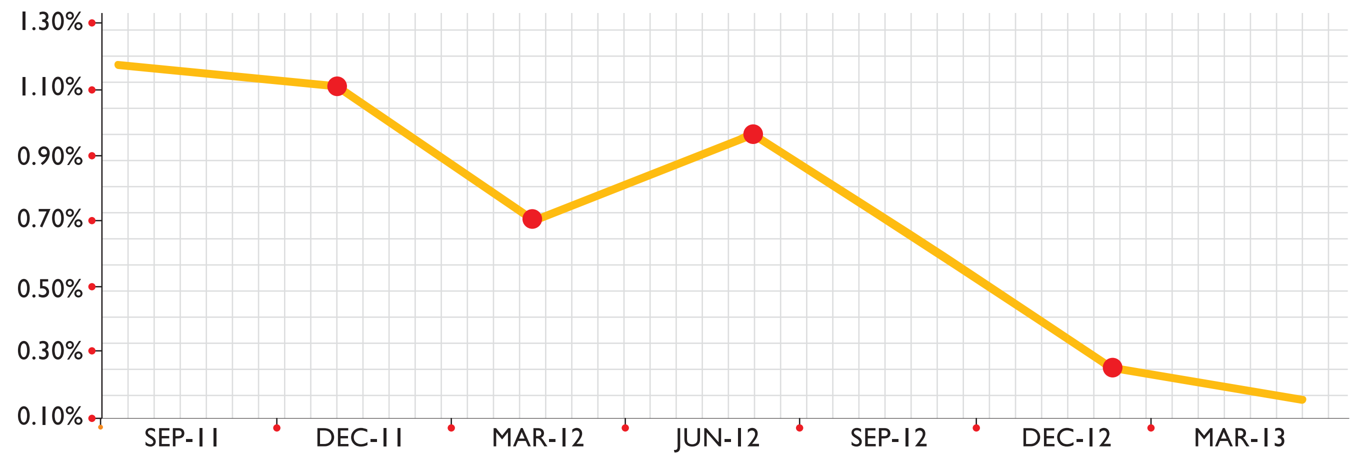
Classification based on AUM (in INR millions)		FY 2012			FY 2013		
		PAT margin	Gearing	RoA	PAT margin	Gearing	RoA
Tier II	5,001 - 10,000	1.2%	1.6	0.3%	10.2%	4.4	1.9%
Tier III	2,001 - 5,000	2.8%	3.1	0.5%	11.0%	5.1	2.3%
Tier IV	1,001 - 2,000	15.3%	1.8	4.1%	10.6%	2.5	2.0%
Tier V	up to 1,000	3.7%	1.5	0.9%	3.0%	1.8	0.7%

Profitability and consequently returns have increased considerably from March 2012 to March 2013. The higher gearing ratios across the board confirm the increased availability of funding available to our partners.

WEIGHTED AVERAGE LEVERAGE (DEBT/NETWORTH)*



AVERAGE PAR 30*



* Data from IFMR Capital partners

The measures taken by our partners in improving risk management practices have translated to improved portfolio performance in FY 2013. The average PAR 30 (percentage of portfolio which is overdue for 30 days or more) decreased from 0.72% in March 2012 to 0.15% in March 2013.

Small Business Loans and Affordable Housing Finance

IFMR Capital's foray beyond micro finance into other asset classes of relevance to low-income households began in FY 2012. At the beginning of FY 2013, we had in place five approved partners across the small business finance and affordable housing finance sectors. The focus for this year was to expand coverage and establish IFMR Capital as an active player in these two asset classes with the ability to replicate the transformational effect that we have achieved in microfinance. We built upon our understanding of the two asset classes - Small Business Loans and Affordable Housing and adapted our underwriting guidelines to capture the variations that we had seen in models of financing across these asset classes. The plethora of models used in this space add to the challenges of understanding and financing these businesses.

Both these asset classes have attracted a lot of interest in recent years. The entry of specialised players has been motivated by the opportunity of reaching out to the largely underserved informal sector and the low-income households segment. Access to diversified and dependable sources of funds would be key to ensuring a robust growth of these specialised financial institutions that address the financing needs of a largely untapped market.

Our Partners in the small business loans asset class include a wide variety of financial institutions, each catering to a specific niche in the enterprise financing space. Our partners have developed specialised lending models for financing of livelihood businesses, micro-enterprises, equipment/machinery, supply chains and even affordable private schools.

In the affordable housing space, our partners are largely new generation entities promoted by experienced professionals.

They bring with them the knowledge of applying different models ranging from housing finance for incremental housing to small ticket micro mortgages to reach out to their target customer segments. Extensive work is being done by our partners to devise appropriate and innovative methodologies for evaluating the credit worthiness of their customers.

As of the end of the financial year, we had sixteen approved partners with eight partners each in small business and affordable housing finance asset classes.

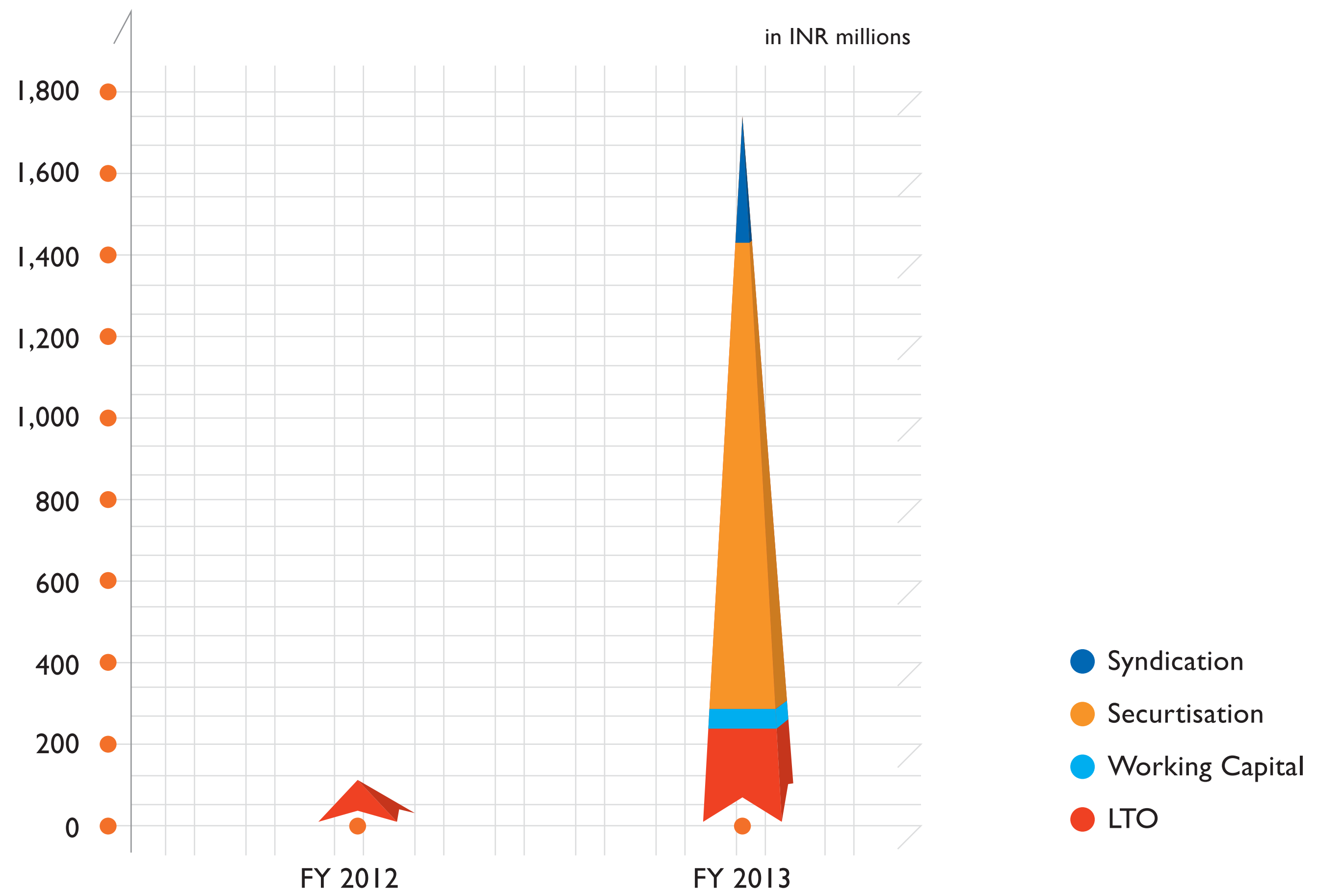
"Kinara is the youngest company that IFMR Capital has funded. IFMR Capital's intervention was catalytic for our new round of equity raise. Its ability to assess the value of our approach and products demonstrates not only a deep understanding of the market but more importantly the willingness to support innovative solutions for financial inclusion."

- Hardika Shah (CEO),
Kinara Capital.

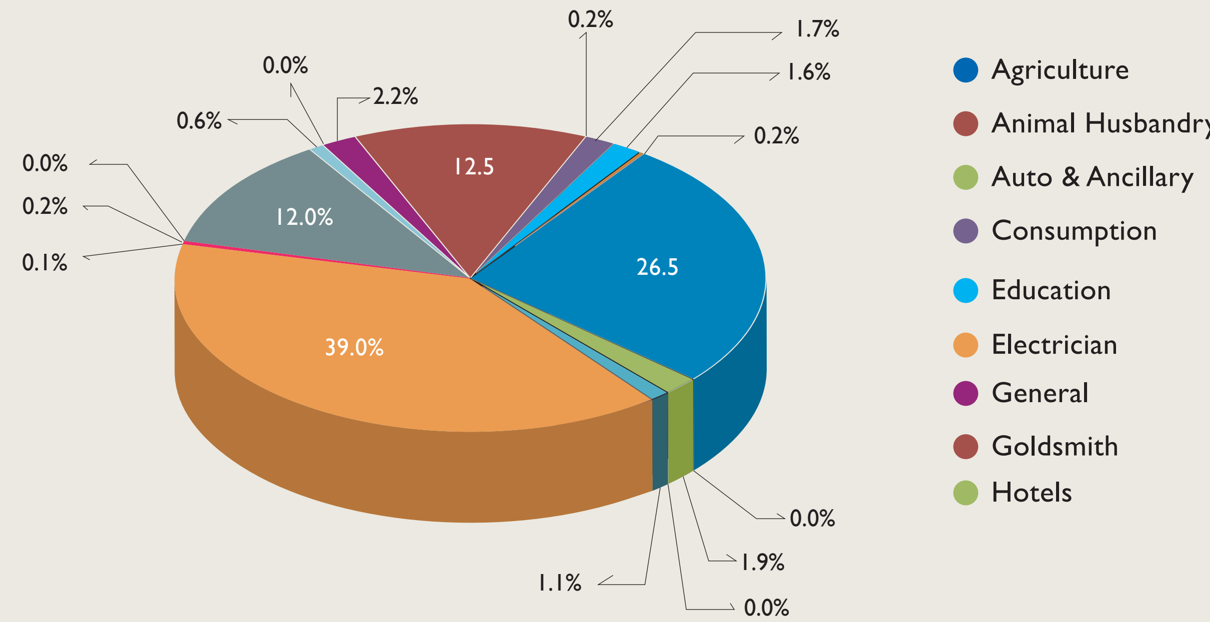
"Our interactions with IFMR Capital have been very fruitful and beneficial. They have truly played a pioneering role in getting debt funds available through various instruments for the MSME segment. IFMR Capital's ability to evolve a comprehensive strategy for raising debt as well as sound execution skills to make the strategy a reality is entirely due to the quality of the team they have."

-Ramakrishna Nishtala (COO) and Brahmanand Hegde (CEO),
Vistaar Financial Services Private Limited

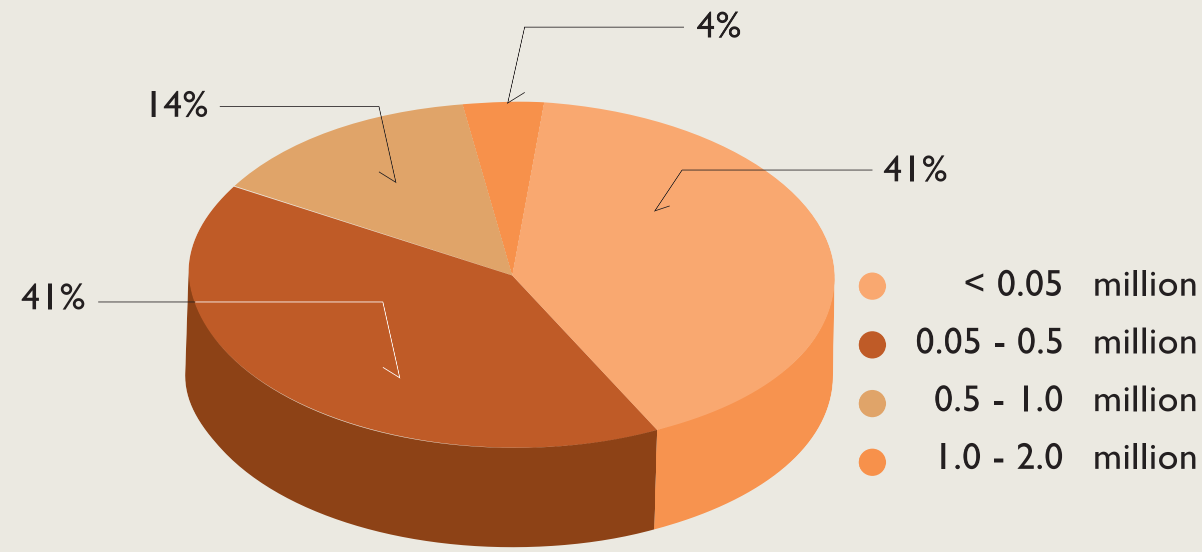
On the business volumes front, we saw a steep increase in volumes from INR 80 million during last financial year to INR 1,670 million this year. We enabled debt financing to our partners through a mix of on-balance sheet and off-balance sheet transactions spanning products like plain vanilla debt, structured debt, and securitisation.

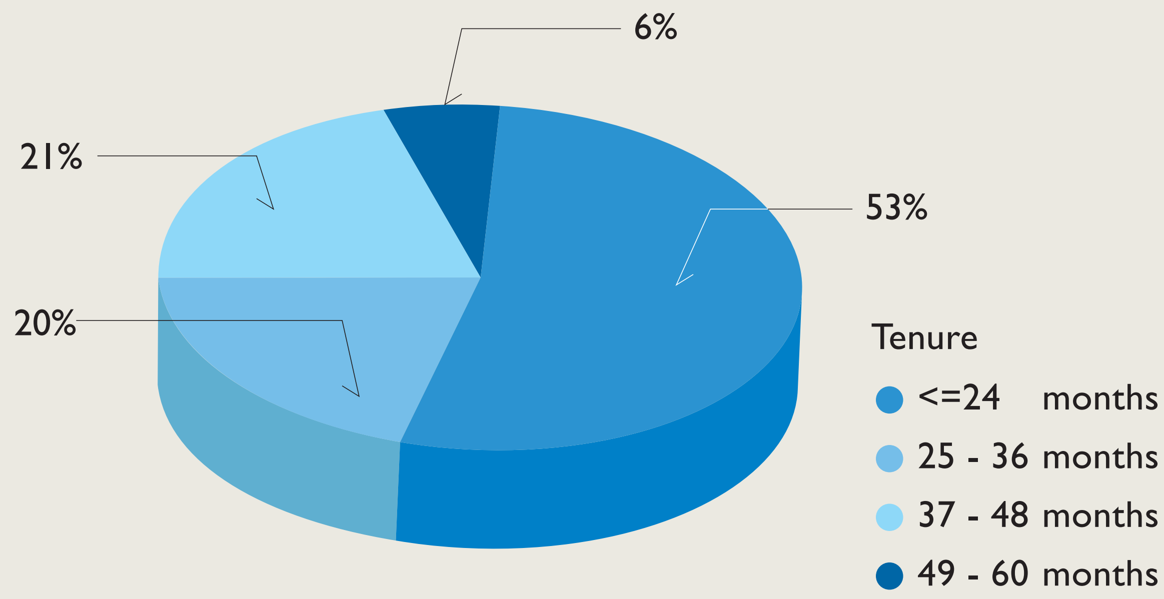


A notable breakthrough included structuring a first of its kind securitization transaction bringing in a mezzanine investor in the small business loan securitization transaction. This structure enabled a match between the risk appetite of the investors and the fund requirement of the originators. Small business loans are provided to individuals or micro-enterprises for the purpose of working capital or capital investments. The following pie chart shows a cross-section of the businesses underlying the loans that were securitised in this transaction.

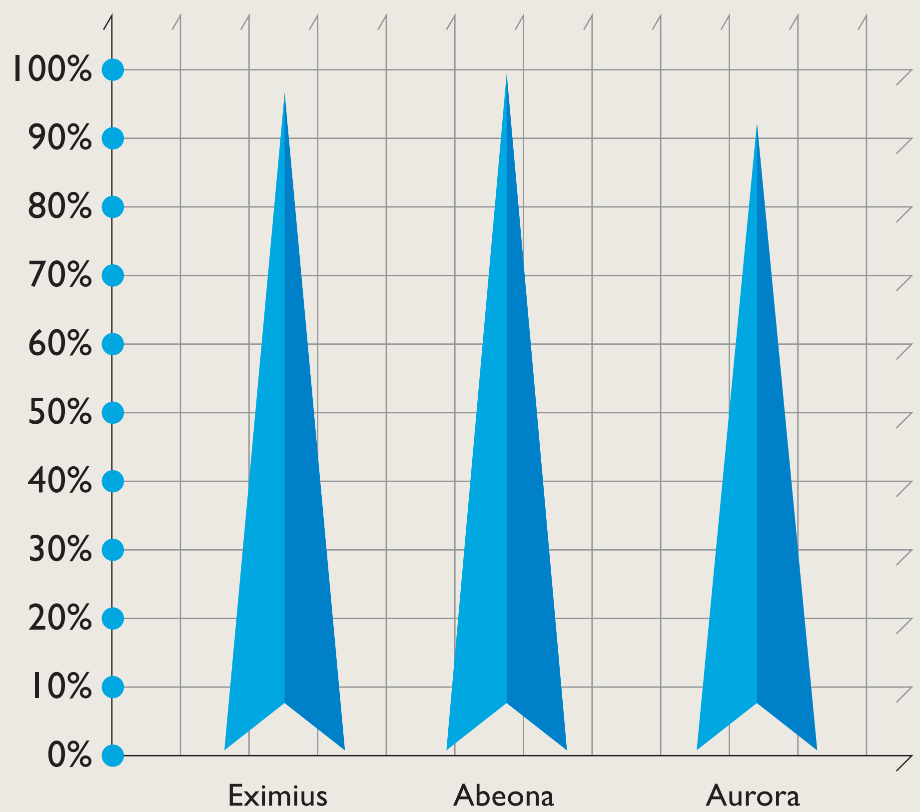


Underlying loans in this segment, typically ranging from INR 0.05 - 2 million, are much larger than MFI loans which are under INR 0.05 million. Consequently, the tenor is also longer, sometimes as high as five years.





We continue to see good collections in the transactions we have structured in this space, as shown below:



We have done significant work to develop investor understanding and awareness of the small business loans and affordable housing finance segments. As in the case of microfinance we have developed our own risk models for these sectors. We have also collaborated with rating agencies to develop the relevant ratings frameworks.

We have built strong partnerships that would enable the development of the affordable housing finance and small business loans segments. Among these is a joint project with National Housing Bank on strengthening the existing models for expanding access to housing finance to lower income and informal sector households both in urban and rural areas. We are also working towards building efficient and reliable channels of funding for enabling large scale access to housing finance.

Another notable partnership is a joint collaboration with the working group on receivables based financing, an initiative of Indian School of Business (ISB) and key industry leaders.

We closed this year by laying a strong foundation in these two asset classes through the pipeline of approved partners using our underwriting guidelines for these sectors. We now look forward to leveraging our understanding and relationships to scale up our business in these sectors.

"It has been a wonderful experience working with the IFMR Capital team. They have worked as a catalyst in bringing diversification of funding to Swadhaar. Funding availed through securitization transactions arranged by IFMR Capital is timely, cost effective and helps in balance sheet management."

-Abhishek Agrawal (CFO)
Swadhaar Finserve Private Limited

Investor Relations

2012 began on a good note as the guidelines for securitization were finalized by the RBI bringing clarity for the product. The rigorous requirements stipulated for transparency, strong monitoring and due diligence of underlying assets and measured risk assessment resulted in many banks looking favorably towards a partnership with IFMR Capital.

During the year, IFMR Capital signed a first of its kind arrangement with Asian Development Bank (ADB). In a large scale partial guarantee program for microfinance institutions in India, ADB provided partial credit guarantee on loans to microfinance institutions in India. Ratnakar Bank, a private sector bank, acted as a domestic banking partner for this facility to extend loans to MFIs backed by partial guarantees. Apart from structuring and arranging this unique transaction, IFMR Capital took on the role of a co-guarantor while additionally undertaking responsibility for portfolio monitoring and surveillance support to ADB for the length of the transaction. Using our due diligence standards, we recommended ten microfinance institutions to ADB to avail financing and helped raise approximately INR 1.95 billion. The deal reiterated the inherent strengths of the Indian microfinance sector while demonstrating sustainable and balanced growth.

In another first, the senior tranche of IFMR Capital Mosec™ XXII was listed on the Wholesale Debt Segment of the Bombay Stock Exchange on 14 January 2013. The first-ever listing of a securitised debt instrument in India was indeed a proud achievement for IFMR Capital. The listed multi originator securitisation (Mosec™) involved pools from eight MFIs covering ten states and ninety four districts. The listing of PTCs is a big step towards enhancing liquidity and transparency and will go a long way in bringing microfinance to mainstream debt capital markets.

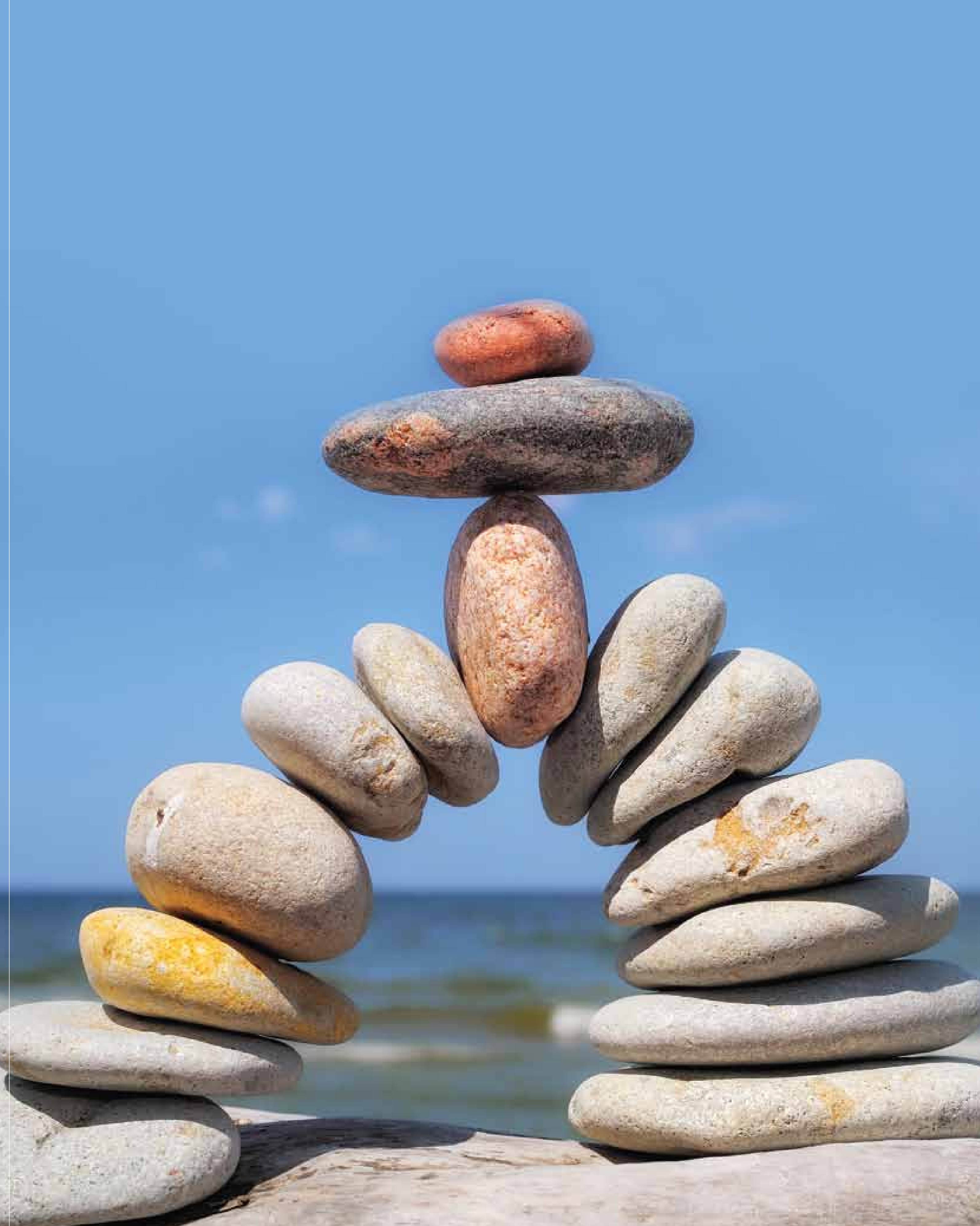
Looking back, IFMR Capital pioneered the Multi-Originator Securitisation (Mosec™) model in 2010 to allow small, high-quality originators to tap into the capital markets, while giving investors a diversified portfolio to invest in. Now, in 2013, this structure has become the mainstay of IFMR Capital's diaspora of products, with nineteen completed transactions, including the largest Mosec™ till date, which crossed the INR 1 billion milestone.

Many new private banks warmed up to the idea of investing in Mosec™ transactions this year. Further, we also succeeded in getting private wealth investors into the fold in sub-senior tranches, firmly establishing their comfort and appetite for the structure.

We led the affordable housing finance and small business loans finance sectors towards debt capital markets and completed four securitization transactions totalling INR 1 billion. While this is a small beginning, we expect the markets to take notice of these originators and fuel a healthy growth on the back of the underwriting guidelines and monitoring processes deployed by IFMR Capital.

"The Asian Development Bank (ADB) partnered with IFMR Capital for the first ever microfinance partial guarantee facility in India. IFMR Capital's in-depth understanding of the asset classes, the development of strong underwriting principles to evaluate originators and continued monitoring of the operations of every entity it deals with, provides a very strong platform to launch successful programs of this nature. With its constant presence on the ground, IFMR Capital has managed to develop deep-rooted relationships with its high-quality partners on one side and strong capital market players on the other. The successful implementation of the partial guarantee program is the result of our strong partnerships and we look forward to supporting many of their new initiatives in emerging asset classes in India."

Hasib Ahmed
Principal Investment Officer (Asia)
Asian Development Bank



Risk Management

During FY 2013, we significantly leveraged our comprehensive risk management capabilities to enable capital markets access to our partners. We enhanced our capability to do this across different products, such as guarantees and across different business verticals such as Small Business Lenders and Affordable Housing Finance companies. In each case, by structuring, arranging and investing in transactions originated by high quality originators, we cemented our role of an efficient risk transfer agent, enabling our partners to access mainstream capital markets in a reliable manner.

The risk function, comprising of risk monitoring, portfolio-level risk reporting & analytics and risk modeling at IFMR Capital reports to the Risk Committee which includes Independent Directors on the Board of IFMR Capital. The Committee meets once a quarter. Over the last year, our capabilities were scaled up significantly to address higher transaction volumes and different asset classes. We enhanced our underwriting framework and risk policy to cover new businesses that we operate in.

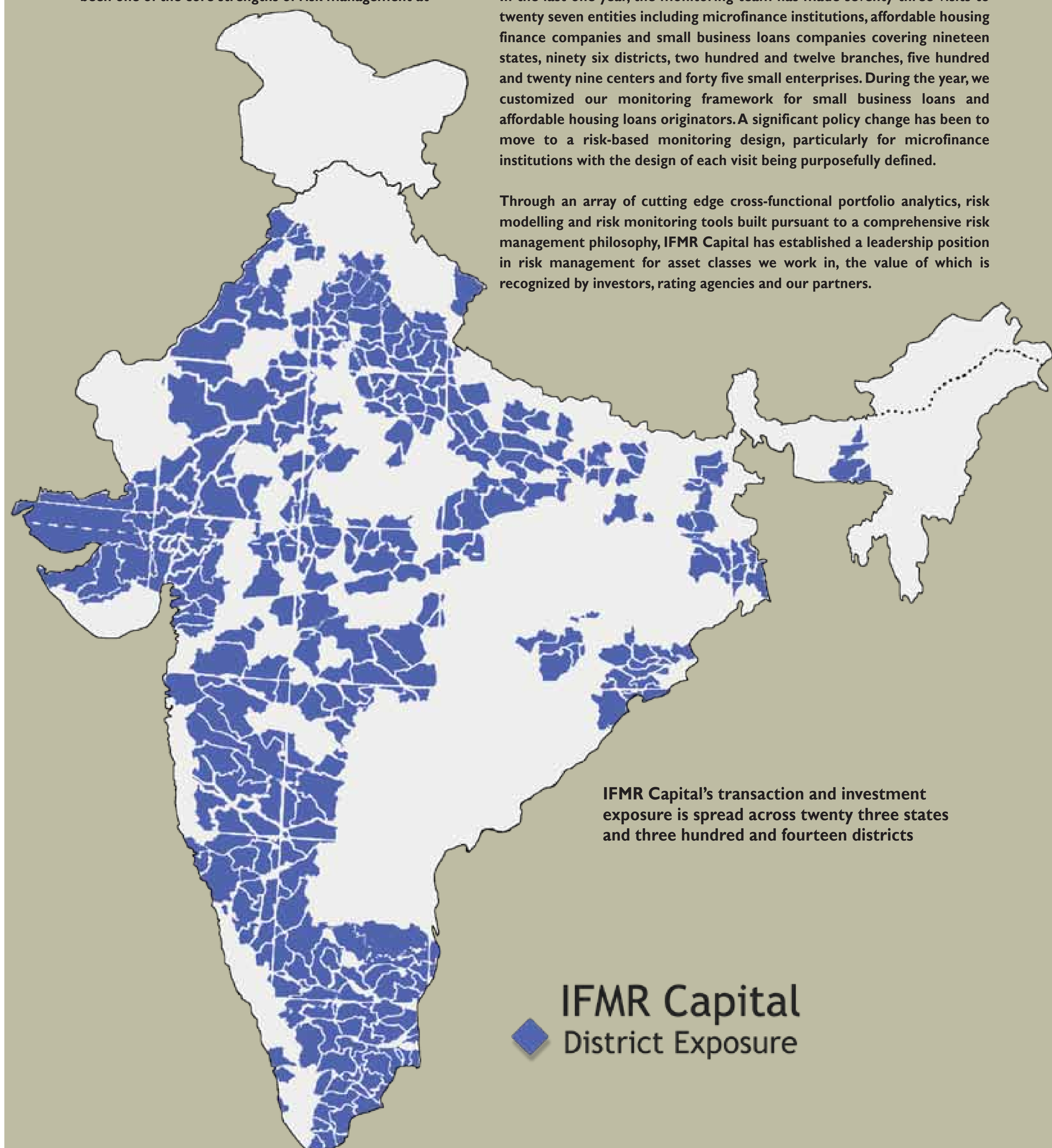
The risk analytics team proactively monitors performance of IFMR Capital's extensive portfolio, evaluates proposed transactions for the risk impact and reports on adherence to lender and regulatory covenants. Our risk modelling efforts in the microfinance asset class continue to provide insights into credit behaviour and default distribution of microloan portfolios. The default and loss distributions have been estimated using repayment data from fifty securitised pools across fourteen microfinance institutions and sixteen states.

During FY 2013, after successfully implementing the risk based evaluation model for microfinance transactions, we extended the model to cover other asset classes as well. We also piloted portfolio level loss modelling and pre-transaction pool audits for small business loans finance and affordable housing finance.

On the ground, risk monitoring and field surveillance has been one of the core strengths of risk management at IFMR Capital. The risk monitoring function is aimed at reviewing partners' systems, process adherence to the requirements of the lending model and adherence to internal guidelines, compliance with regulatory requirements such as RBI guidelines, Customer Protection and Fair Practice Code and early identication of stress signals. With increasing volume of IFMR Capital's portfolio and diversity of Originators being partnered with, the monitoring function has commensurately increased in size, scope and profile.

In the last one year, the monitoring team has made seventy three visits to twenty seven entities including microfinance institutions, affordable housing finance companies and small business loans companies covering nineteen states, ninety six districts, two hundred and twelve branches, five hundred and twenty nine centers and forty five small enterprises. During the year, we customized our monitoring framework for small business loans and affordable housing loans originators. A significant policy change has been to move to a risk-based monitoring design, particularly for microfinance institutions with the design of each visit being purposefully defined.

Through an array of cutting edge cross-functional portfolio analytics, risk modelling and risk monitoring tools built pursuant to a comprehensive risk management philosophy, IFMR Capital has established a leadership position in risk management for asset classes we work in, the value of which is recognized by investors, rating agencies and our partners.



IFMR Capital's transaction and investment exposure is spread across twenty three states and three hundred and fourteen districts

Treasury

The year that went by was remarkable in many aspects. We significantly expanded our investor base, pushed origination into new frontiers, enhanced the volume of financing enabled by 100 percent and achieved EPS growth of 117 percent. From a financial perspective, we took several steps towards establishing our intrinsic value as a high quality provider of risk capital in an untapped market. Some of these steps are outlined below:

- We achieved a growth in operating revenues by 122 percent in FY 2013. This was driven by strong growth in interest income as the effect of a larger balance sheet kicked in. Further our fee income comprised of 31 percent of total operating income - this percentage remained impressively high on a larger base on account of an increase in syndication volumes and the ADB guarantee structure

- Growth in expenses was contained and well within budgets. Operating expenses went up by 44 percent over FY 2012, primarily on account of key hires made through the year in risk, legal and investor relations

- On account of higher leverage, we could grow the balance sheet by 62 percent. We closed the year with a balance sheet leverage of 3.1

- We could scale up market making on the subordinated tranches that we held - in FY 2013, we sold down INR 71.2 million of our investment in subordinated tranches, while at the same time continuing to hold a significant share in each transaction that we arranged.

We also actively managed to de-risk our operating revenues - by the end of the year, 40 percent of our client base comprised of originators in the Small Business Loans and Affordable Housing Finance asset classes. As our work in these asset classes developed through the year, they contributed 8 percent of earning assets by the end of year, setting a solid foundation for diversification in FY 2014.

Overall, we achieved our twin objectives of enabling a much higher level access to finance to our clients serving the financially excluded, while at the same time demonstrating that a mission such as ours could be achieved in a profitable and sustainable manner. Our efforts were recognised by a host of counterparties. We added six financial institutions to our funding sources, including our first engagement from a public sector bank. We could raise financing through term loans, working capital, commercial paper as well as non-convertible debentures. However, the best testimonial of our performance was the rating upgrade from 'A-' to 'A' by ICRA - "The rating upgrade takes into consideration the growth in business volumes along with diversification into small business loans and affordable housing finance asset classes while maintaining good asset quality."

As we look ahead into FY 2014, there are several challenges that we face:

"IFMR Capital's contribution to the microfinance sector in general and Utkarsh in particular is immense, especially post the Andhra crisis. They ensured liquidity to the sector through innovative securitization structures, arranging guarantees and NCDs from multilateral agencies and by providing short-term loans thus helping microfinance institutions diversify funding instruments. Apart from arranging funds, IFMR Capital's efforts at capacity building for microfinance institutions is commendable."

- Abhisheka Kumar (CFO)
Utkarsh Micro Finance Private Limited

- Significant increase in balance sheet size required to meet the growing needs of our clients, as well as to diversify into newer asset classes
- Increase the capital base, allowing us to grow further as well as de-risk ourselves
- Duration of assets will significantly increase as we move into newer asset classes, and we need to raise financing accordingly
- Interest rate risk will increase as we go forward, and may reflect in re-pricing of liabilities / prepayment of assets

The targets for FY 2014 are steep. However, we are confident that with the diversification in investor base that we have achieved, the rating upgrade, market making ability and high quality processes, we are in excellent shape to meet and exceed these targets.

Human Resources

IFMR Capital's sustained growth is the result of the commitment of its people to clients, investors and the sectors we focus on. The Company has put in place strong recruitment policies, clear roles and responsibilities, performance management systems and sound performance-based compensation policies. We have been able to attract the best talent in the industry and take pride in the number of hires who have progressed to key positions in the management.

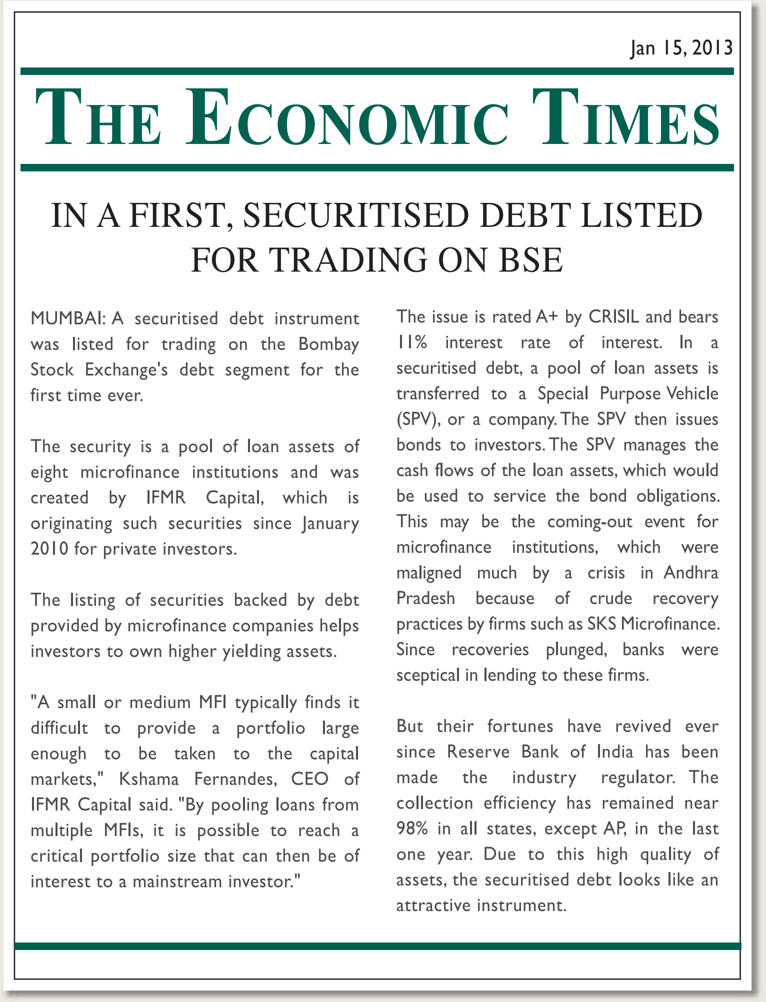
In the year under review, IFMR Capital made some key hires as we expanded our teams in line with the growth in our business. Our attrition levels continue to remain well below industry standards.

We believe our employees are our most valuable assets and we are committed to their growth and development. The coming years will see an enhanced focus on continuous training and development of our people as they grow with us.

Representing IFMR Capital

IFMR Capital participated in various seminars and conferences including the 'National Conference on Securitisation' organized by Assocham, a seminar on 'Risk Management in Indian Microfinance' organized by M-CRIL, 'Assessment of MSME Finance' organised by IFC and 'The Future of Banking' conference organised by FMO.

Media Footprints



Jan 15, 2013

THE ECONOMIC TIMES

IN A FIRST, SECURITISED DEBT LISTED FOR TRADING ON BSE

MUMBAI: A securitised debt instrument was listed for trading on the Bombay Stock Exchange's debt segment for the first time ever.

The security is a pool of loan assets of eight microfinance institutions and was created by IFMR Capital, which is originating such securities since January 2010 for private investors.

The listing of securities backed by debt provided by microfinance companies helps investors to own higher yielding assets.

"A small or medium MFI typically finds it difficult to provide a portfolio large enough to be taken to the capital markets," Kshama Fernandes, CEO of IFMR Capital said. "By pooling loans from multiple MFIs, it is possible to reach a critical portfolio size that can then be of interest to a mainstream investor."

The issue is rated A+ by CRISIL and bears 11% interest rate of interest. In a securitised debt, a pool of loan assets is transferred to a Special Purpose Vehicle (SPV), or a company. The SPV then issues bonds to investors. The SPV manages the cash flows of the loan assets, which would be used to service the bond obligations. This may be the coming-out event for microfinance institutions, which were maligned much by a crisis in Andhra Pradesh because of crude recovery practices by firms such as SKS Microfinance. Since recoveries plunged, banks were sceptical in lending to these firms.

But their fortunes have revived ever since Reserve Bank of India has been made the industry regulator. The collection efficiency has remained near 98% in all states, except AP, in the last one year. Due to this high quality of assets, the securitised debt looks like an attractive instrument.

Columbia Business School study on IFMR Capital

Columbia Business School has developed a case study documenting the background and the story behind the launch of IFMR Trust Pioneer II, the first rated microfinance securitization transaction to be placed with capital market investors. The case discusses how IFMR Capital adopted the structured finance approach to create new funding options for microfinance institutions. The case attempts to answer questions related to the appropriate transaction structure for non-bank investors, leveraging existing market infrastructure, alignment of interests of the stakeholders, and scalability of the microfinance securitization model.

Directors' Report

Dear Shareholders,

Your directors have pleasure in presenting the fourth annual report along with the audited accounts of the company for the year ended March 31, 2013. The summarised financial results of the Company are given hereunder:

Financial Results

Rupees in Crores

Particulars	As on March 31, 2013	As on March 31, 2012
Income	43.93	20.85
Less: Expenditure	32.94	15.87
Gross profit before depreciation	10.99	4.98
Less: Depreciation for the year	0.20	0.34
PBT (Profit before Tax)	10.79	4.64
Less: Provision for tax (Current year)	3.80	0.74
Less: Deferred tax	-0.19	0.58
PAT (Profit after Tax)	7.18	3.32
Profit brought forward from previous year	4.00	1.34
Less: Transfer to reserve	1.44	0.66
Balance carried forward to balance sheet	9.74	4.00

Dividend

Due to the need for deploying the funds back into the business for the growth of your Company, your directors have not proposed any dividend for the current year.

Operations

During the year end March 31, 2013, the company achieved a Profit Before Tax of INR 10.79 Crores, a growth of 133% over last year.

During the year, your company has enabled financing via Securitisation transactions valuing around INR 1,337 Crores, Loans to Originate (LTO) transactions worth INR 141 Crores, NCD placements worth around INR 50 Crores and loan syndication worth INR 195 Crores. In addition to this, your company also issued guarantees of INR 195 Crores and introduced a cash credit facility to a client worth INR 2 crores.

Credit Rating

Your directors are pleased to inform you that ICRA has upgraded the credit rating for the company's long-term bank facilities from ICRA A- to ICRA A with an outlook of 'Stable' for an enhanced overall credit line of INR 200 crores (from an earlier INR 100 crores) and long term bonds from ICRA A- to ICRA A for an enhanced overall credit line of INR 52 crores (from an earlier INR 50 crores)

Regulatory Compliance

The Company has complied with all the mandatory regulatory compliances as required under the Reserve Bank of India guidelines, the Companies Act, various tax statutes and other regulatory bodies.

Capital adequacy

The company's capital adequacy ratio as on March 31, 2013 is 27.44% as against 41.38% as on March 31, 2012. The minimum capital adequacy ratio prescribed by RBI is 15 percent.

Outlook for 2013-14:

Over the course of the last five years, we have successfully demonstrated our ability to provide efficient and reliance access to capital for our partners. As market conditions in the microfinance sector improved over the last year, the volume of financing enabled by us for sectors we work in increased by 100 percent over the previous year. We also conducted diligence visits and approved a large number of non-microfinance institutions during the year. Our list of approved partners providing small business finance and affordable housing finance expanded to include a large number of small to mid-size originators. In addition, we also significantly deepened our investor outreach by bringing on board new investors who hereto had no exposure to sectors we deal in.

The coming year will really be about scaling up significantly across these asset classes and doing more with our list of existing partners. Our emphasis on risk management and surveillance will continue. We will focus on maintaining the same quality of investments and portfolio performance while ensuring that we stay relevant to originators across products and sectors. We will add one new asset class this year and will close the year with investments across four asset classes.

Corporate Governance:

Your Company maintains and follows high standards of Corporate Governance in all its processes including voluntary adoption of good corporate governance practices. The company has formulated and adopted the following:

- Corporate Governance Policy
- Fair Practice Code
- KYC and AML Policy
- Short term investment Policy
- ALM Policy
- Risk Policy

Consequent to the resignation of Ms. Sucharita Mukherjee as CEO of the Company, she continues to be a Director on the Board and a member of the Audit and Compensation Committees of the Company. However, she ceases to be a member of the Credit Committee and the Asset Liability Management Committee.

Non-acceptance of deposits:

Your Company has not accepted any public deposits during the financial year 2012-13.

Directors:

During the year, Ms. Sucharita Mukherjee resigned as CEO of the Company and Dr. Kshama Fernandes was appointed as the CEO and Additional Director, with effect from 1st August 2012. Ms. Sucharita Mukherjee continues to be a director on the Board of the Company.

Auditors:

M/s. Deloitte Haskins & Sells, chartered accountants, retire at the conclusion of the ensuing annual general meeting and being eligible, offer themselves for re-appointment.

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

Particulars required to be furnished in this report under Section 217 (1)(e) of the Companies Act 1956, relating to conservation of energy and technology absorption are not applicable for the year under review, and hence not furnished. The Company has not carried on any foreign exchange transaction during the financial year 2012-13.

Directors' Responsibility Statement:

The directors' responsibility statement as required under section 217(2AA) of the Companies Act, 1956, reporting the compliance with the Accounting Standards is attached and forms a part of the directors' report.

The Directors accept the responsibility for the integrity and objectivity of the Profit & Loss Account for the year ended March 31, 2013 and the Balance Sheet as at that date ("financial statements") and confirm that:

- In the preparation of the Profit & Loss account for the financial year ended March 31, 2013 and the Balance Sheet as at that date ("financial statements"), the applicable accounting standards had been followed along with proper explanation.
- The appropriate accounting policies have been selected and applied constantly except for changes detailed in the notes to accounts and such judgements and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for that period.
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- The financial statements have been prepared on a going concern basis.
- Proper systems are in place to ensure compliance of all laws applicable to the company.

Particulars of employees:

Information as required under the provisions of Section 217 (2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Amendment Rules 2011 is annexed to this Report as Annexure I.

Acknowledgement:

The Directors wish to thank the Reserve Bank of India and other statutory authorities for their continued support and guidance. The Directors also place on record their sincere thanks for the support and co-operation extended by the Bankers, Share Holders of the Company.

The Directors also thank the employees of the Company for their contribution toward the performance of the Company during the financial year.

On behalf of the Board
For **IFMR Capital Finance Private Limited**

Bindu Ananth
Director

Kshama Fernandes
Director

Date: May 29, 2013
Place: Chennai

ANNEXURE-I TO DIRECTORS' REPORT

Name	Age (in years)	Qualifications	Designation and Nature of duties	Date of commencement of employment	Experience (in years)	Particulars of last employment, post & employer	Total Amount Paid (INR)
Sucharita Mukherjee*	34	MBA	Director	02-Apr-11	12	Vice President - Morgan Stanley	4,446,664
Dr. Kshama Fernandes	45	MBA, Ph.D	Senior Partner and CEO	01-Oct-09	18	Professor & Head of Finance at Goa Institute of Management	6,780,283
Meenal Madhukar	45	MBA	Senior Partner and Head - Investor Relations	01-Oct-09	21	Head - Mumbai for Sheffield Haworth	6,213,556
Vineet Sukumar	33	B.Tech (Hons), MBA	Senior Partner and CFO	25-Feb-10	10	Director - Strategic Client Coverage Group, Standard Chartered Bank	6,000,004

* Employed for part of the year

Financials

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF IFMR CAPITAL FINANCE PRIVATE LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **IFMR CAPITAL FINANCE PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31st March , 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and 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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2013;
(b) in the case of the Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and
(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

(a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.

(e) On the basis of the written representations received from the directors as on 31st March, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2013 from being appointed as a director in terms of Section 274(1) (g) of the Act.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 008072S)

Bhavani Balasubramanian
(Partner)
Membership No. 22156

Chennai, May 29, 2013

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Having regard to the nature of the Company's business / activities / results during the year, clauses (ii), (vi), (viii), (x), (xii), (xiii), (xvi), (xviii) and (xx) of paragraph 4 of the Order are not applicable to the Company.

(i) In respect of its fixed assets:

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

(b) The fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanation given to us, no material discrepancies were noticed on such verification.

(c) The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern status of the Company.

(ii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

(iii) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services and during the course of our audit we have not observed any continuing failure to correct major weaknesses in such internal control system.

(iv) To the best of our knowledge and belief and according to information and explanations given to us, there are no contracts or arrangements that need to be entered in the register maintained in pursuance to Section 301 of Companies Act, 1956.

(v) In our opinion, the internal audit functions carried out during the year by firm of Chartered Accountants appointed by the Management have been commensurate with the size of the Company and the nature of its business.

(vi) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Income-tax, Service Tax, Cess and other material statutory dues applicable to it with the appropriate authorities. The undisputed statutory dues relating to Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Customs Duty and Excise Duty are not applicable to the Company.

(b) There were no undisputed amounts payable in respect of Provident Fund, Income-tax, Service Tax, Cess and other material statutory dues in arrears as at 31st March, 2013 for a period of more than six months from the date they became payable.

(c) Details of dues of Income Tax, Sales Tax, Service Tax and Cess which have not been deposited as on 31st March, 2013 on account of disputes are given below:

Nature of Statute	Nature of Dues	Forum where Dispute is Pending	Period to which the Amount Relates	Amount Involved (Rs.)
Finance Act, 1994	Service Tax	Commissioner of Service Tax	Financial Year 2009-10 to 2011-12	Rs. 8,53,816 (Previous Year Rs Nil)

(vii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.

(viii) Based on our examination of the records and evaluation of the related internal controls, the Company has maintained proper records of the transactions and contracts in respect of its dealing in other investments and timely entries have been made therein. The aforesaid securities have been held by the Company in its own name.

(ix) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from banks and financial institutions are not, prima facie, prejudicial to the interests of the Company.

(x) According to the information and explanations give to us and on the basis of the maturity profile of assets and liabilities with a maturity profile of one year, as given in the Asset Liability Management Report, assets maturing in the next one year are in excess of the liabilities of similar maturity by Rs. 498,501,769.

(xi) According to the information and explanations given to us, during the period covered by our audit report, the Company had issued 160 debentures of Rs.10,00,000 each. The Company has created security in respect of the debentures issued.

(xii) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company has been noticed or reported during the year.

For DELOITTE HASKINS & SELLS
Chartered Accountants
(Firm Registration No. 008072S)

Bhavani Balasubramanian
(Partner)
Membership No. 22156

Chennai, May 29, 2013

IFMR Capital Finance Private Limited

Balance Sheet as at 31 March, 2013

Amount in INR

	Note Reference	As at 31 March, 2013	As at 31 March, 2012
I. EQUITY AND LIABILITIES			
Shareholder's Funds			
Share Capital	3	600,000,000	600,000,000
Reserves and Surplus	4	121,788,130	49,973,357
		721,788,130	649,973,357
Non Current Liabilities			
Long Term Borrowings	5	873,084,990	448,917,340
Deferred Tax Liability (Net)	35	3,905,493	5,846,304
Other Long Term Liabilities	6	22,198,004	17,829,872
Long Term Provisions	7	9,918,474	3,013,188
		909,106,961	475,606,704
Current Liabilities			
Short Term Borrowings	8	411,080,486	409,456,009
Trade Payables	9	26,222,093	22,327,001
Other Current Liabilities	10	834,465,098	220,654,813
Short Term Provisions	11	6,945,618	3,125,882
		1,278,713,295	655,563,705
TOTAL		**2,909,608,386**	**1,781,143,766**
II. ASSETS			
Non Current Assets			
Fixed Assets			
Tangible Assets	12	1,866,428	2,354,040
Intangible Assets	12	82,333	205,833
		1,948,761	**2,559,873**
Non Current Investments	13	433,152,794	162,983,613
Receivables under Financing Activity	17	205,311,931	165,802,545
Long-term Loans and Advances	14	-	9,978,094
Other Non Current Assets	15	72,144,775	41,948,998
		712,558,261	**383,273,123**
Current Assets			
Current Investments	16	896,511,289	726,213,864
Receivables under Financing Activity	17	722,301,108	524,139,046
Cash and Cash Equivalents	18	417,231,937	79,708,005
Short term Loans and Advances	19	50,803,956	9,868,455
Other Current Assets	20	110,201,835	57,941,273
		2,197,050,125	1,397,870,643
TOTAL		**2,909,608,386**	**1,781,143,766**

See accompanying notes forming part of the financial statements

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of IFMR Capital Finance Private Limited

Bhavani Balasubramanian
Partner

Director | Director | Company Secretary

Place: Chennai
Date: 29 May, 2013

IFMR Capital Finance Private Limited

Statement of Profit and Loss for the Year ended 31 March, 2013

Amount in INR

	Note Reference	For the year ended 31 March, 2013	For the year ended 31 March, 2012
INCOME			
Revenue from Operations	21	436,413,620	196,757,041
Other Income	22	2,885,385	11,705,019
TOTAL REVENUE (I)		**439,299,005**	**208,462,060**
EXPENDITURE			
Finance costs	23	169,962,802	50,363,733
Employee Benefit Expenses	24	85,672,078	53,136,212
Provisions for Standard Assets	25	1,695,346	2,430,495
Depreciation/ Amortisation Expenses	12	2,008,005	3,449,120
Other Expenses	26	72,056,341	52,750,025
TOTAL EXPENSES (II)		**331,394,572**	**162,129,585**
Profit before Tax (I - II)		**107,904,433**	**46,332,475**
Tax Expenses			
- Tax Expenses for Current Year		37,638,423	9,756,373
- MAT Credit Entitlement		-	(3,767,101)
- Tax Expenses for Previous Year		392,048	1,415,132
- Deferred Tax	35	(1,940,811)	5,769,429
TOTAL TAX EXPENSES`		**36,089,660**	**13,173,833**
Profit for the Year		**71,814,773**	**33,158,642**
Earnings Per Equity Share (of INR 10 each)	**34**		
a) Basic		1.20	0.55
b) Diluted		1.20	0.55
See accompanying notes forming part of the financial statements			

In terms of our report attached.

For Deloitte Haskins & Sells Chartered Accountants	For and on behalf of IFMR Capital Finance Private Limited		
Bhavani Balasubramanian Partner	Director	Director	Company Secretary

Place: Chennai

Date: 29 May, 2013

IFMR Capital Finance Private Limited

Cashflow Statement for the Year Ended 31 March, 2013

Amount in INR

Particulars	For the year ended 31 March, 2013		For the year ended 31 March, 2012	
A. Cash flow from operating activities				
Net Profit before tax		107,904,433		46,332,475
Adjustments for:				
Depreciation/ Amortisation Expenses	2,008,005		3,449,120	
Amortisation of Processing Fees	11,170,757		3,958,762	
Finance costs	157,016,927		46,357,216	
Interest income from Bank on Deposits	(10,184,067)		(3,696,787)	
Dividend income	(184,994)		(5,977,426)	
Profit on sale of Mutual Fund Investments	(335,650)		-	
Provision for Standard Assets	1,695,346		2,430,495	
Provision for bonus no Longer Required Written Back	-		(4,160,855)	
Provision for Gratuity	2,324,623		513,157	
Provision for earned leave	1,307,573		-	
Provision for Long term incentive	2,906,841		743,066	
		167,725,361		43,616,748
Operating profit before working capital changes		275,629,794		89,949,223
<u>Changes in working capital and others:</u>				
Adjustments for (increase) / decrease in operating assets:				
Receivable under financing activity (Current)	(198,162,062)		(317,312,003)	
Receivable under financing activity (Non Current)	(39,509,386)		(144,318,690)	
Short-term loans and advances	(64,171,257)		(13,562,405)	
Investments in securitisation (Current)	(170,297,425)		(347,584,047)	
Investments in securitisation (Non Current)	(270,169,181)		(162,983,613)	
Other Non current assets	(14,520,584)		(8,703,900)	
Other current assets	(43,897,594)		(14,776,248)	
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	3,895,092		6,849,576	
Payable towards cash collateral	(7,687,717)		-	
Other current liabilities	42,122,323		36,193,033	
Other Long term liabilities	4,368,132		3,894,767	
		(758,029,659)		(962,303,530)
Cash used in operations		(482,399,865)		(872,354,307)
Net income tax paid		(2,270,091)		(3,458,982)
Interest received on collateral deposit		5,146,785		1,881,314
Interest paid on borrowings		(127,619,528)		(43,755,788)
Interest paid on security deposits		(5,939,579)		(1,739,369)
Net cash used in operating activities (A)		**(613,082,278)**		**(919,427,132)**
B. Cash flow from investing activities				
Capital expenditure on fixed assets, including capital advances	(1,417,654)		(399,201)	
Proceeds from sale of fixed assets	20,761		5,593	
Investment in Collateral deposits (net)	(38,085,517)		(38,352,208)	
Investment in Own deposits (net)	(82,794,670)		(2,871,238)	
Interest Income received from Banks	1,238,568		1,305,950	
Proceeds from sale of mutual funds (net)	335,650		-	
Dividend received				
- Others	184,994		5,977,426	
		(120,517,868)		(34,333,678)
Net cash used in investing activities (B)		**(120,517,868)**		**(34,333,678)**

IFMR Capital Finance Private Limited

Cashflow Statement for the Year Ended 31 March, 2013 (Contd.)

Amount in INR

Particulars	For the year ended 31, March, 2013		For the year ended March 31, 2012	
C. Cash flow from financing activities				
Proceeds from long-term borrowings	1,388,500,000		609,917,340	
Repayment of long term borrowings	(308,341,596)		-	
Proceeds from Short-term borrowings	574,348,445		478,346,992	
Repayment of short term borrowings	(681,136,135)		(198,946,664)	
Processing fees paid	(13,060,456)		(25,247,361)	
		960,310,258		864,070,307
Net cash flow generated from financing activities (C)		**960,310,258**		**864,070,307**
Net (increase) / decrease in Cash and cash equivalents (A+B+C)		**226,710,112**		**(89,690,503)**
Cash and cash equivalents at the beginning of the year		9,941,548		99,632,051
Cash and cash equivalents at the end of the year		**236,651,660**		**9,941,548**
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet (Refer Note 18)		417,231,937		79,708,005
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements (Refer note below)		7,687,717		-
Restricted balances placed in deposits account (Refer note below)		172,892,560		69,766,457
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 18		236,651,660		9,941,548
Cash and cash equivalents at the end of the year *		**236,651,660**		**9,941,548**
*Comprises of:				
Balances with banks in current accounts		236,651,660		9,941,548
		236,651,660		**9,941,548**

Notes:
These earmarked account balances with banks can be utilised only for the specific identified purposes.

See accompanying notes forming part of the financial statements

In terms of our report attached.

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of IFMR Capital Finance Private Limited

Bhavani Balasubramanian
Partner

Director

Director

Company Secretary

Place: Chennai
Date: 29 May, 2013

IFMR CAPITAL FINANCE PRIVATE LIMITED
Notes Forming part of Financial Statements

1. CORPORATE INFORMATION

IFMR Capital Finance Private Limited **("IFMR Capital")** is a non-banking finance company whose objective is to provide liquidity and developing access to debt-capital markets for rural and urban micro finance institutions and small and medium enterprises.

IFMR Capital, formerly known as Highland Leasing and Finance Private Limited, was acquired by IFMR Trust on 27 November 2008. Consequently, IFMR Capital is a subsidiary of IFMR Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting and preparation of financial statements:

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year. The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by Reserve Bank of India for Systemically Important Non-deposit taking Non-Banking Finance Companies (NBFC-ND-SI).

2.2 Use of estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made by the management that affect the reported amount of assets and liabilities on the date of financial statements and the reported amount of revenues and expenses during the year. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the period in which the results are known/materialise

2.3 Operating Cycle

All assets and liabilities have been classified as current and non-current as per the company's normal operating cycle and the criteria set out in the Schedule VI of the companies Act 1956. Based on the nature of products and the time between the acquisition of assets for processing and their realisation in cash and cash equivalents, the company has ascertained its operating cycle as 12 months for the purpose of current, non-current classification of assets and liabilities.

2.4 Fixed Assets and Depreciation/Amortisation:-

(a) Tangible fixed assets:-

Fixed assets are stated at historical cost less accumulated depreciation. The Company capitalizes all costs relating to the acquisition and installation of fixed assets. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Depreciation on assets have been provided on the Written Down Value Method at the following rates based on the managements estimate of the useful life of the assets, which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956:

Asset Category	Depreciation Rate
Plant and Machinery	13.91%
Computer	60.00%
Furniture and Fittings	18.10%
Office Equipments	13.91%

Assets individually costing less than Rs. 5,000/- added during the year are fully depreciated.

Intangible assets:

Asset Category	Depreciation Rate
Website Development Cost	60.00%

2.5 Impairment of Assets:

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.6 Investments:

Investments that are readily realisable and are intended to be held for not more than one year the date, on which such investments are made, are classified as current investments. Current investments are stated at lower of cost and fair value. Long-term investments are stated at cost of acquisition. Provision for diminution is made if such diminution is considered other than temporary in nature. Investments in Mutual Funds are valued at the lower of cost or fair value, prevailing as at the balance sheet date.

2.7 Receivables under Financing Activity

All loan exposure to borrowers with installment structure is stated at the full agreement value after netting off installment appropriated up to the year end.

2.8 Revenue Recognition:

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

I. Interest income from loans to borrowers is recognized under the internal rate of return method.
II. Income from securitisation is recognized on straight line basis/ based on coupon rate, as per the terms of respective contracts
III. Income from guarantee facility is recognized on accrual basis
IV. All fee incomes are recognized upfront in the statement of profit and loss.
V. Interest on Deposits is recognized on accrual basis
VI. Dividend income on mutual fund investments is accounted for when the right to receive is established.

2.9 Employee Benefits:

Employee benefits include provident fund, gratuity and compensated absences.

Defined Contribution Plan:

Provident Fund

Contribution to Provident Fund and Family Pension Fund are considered as defined contribution plan and are charged as expenses based on the amount of contribution required to be made.

Defined Benefit Plans (Long term employee benefits):

Gratuity

The company accounts for its liability for future gratuity benefits based on the actuarial valuation, as at the balance sheet date, determined by an Independent Actuary using the Projected Unit Credit method. The company's gratuity plan is non-funded.

Compensated Absences

The benefits of compensated absences are accounted for when the employees render the services that increase their entitlement to future compensated absences. Such liability is accounted for based on actuarial valuation, as at the balance sheet date, determined by an independent Actuary using the Projected Unit Credit Method.

Actuarial gains and losses are recognised in the Statement of profit and loss in the year in which they occur.

2.10 Foreign Currency Transactions:

Transaction in foreign currencies is accounted at the exchange rates prevailing on the date of the transaction and the realized exchange loss /gain are dealt with in the statement of profit and loss. Monetary assets and liabilities denominated in foreign currency are restated at the rates of exchange as on the balance sheet date and the exchange gain/loss is suitably dealt with in the statement of profit and loss.

2.11 Service Tax Input Credit:

Service tax input credit is accounted for in the books in the period in which the underlying service received is accounted and when there is no uncertainty in availing/utilizing the same.

The services rendered by the Company primarily fall under the service tax category of "Banking and Financial Services" and in line with Rule No.6 (3B) of CENVAT Credit Rules, 2004, the Company can avail 50% of the CENVAT Credit on inputs and input services each month. In line with this, a reversal is accounted for in service tax input credit to the extent of 50% of the total credit available.

2.12 Prepaid Finance Charges:

Prepaid finance charges represent ancillary costs incurred in connection with the arrangement of borrowings, including borrowings sanctioned but not availed, and is amortised on a straight line basis, over the tenure of the respective borrowings. Unamortised borrowing costs remaining, if any, is fully expensed off as and when the related borrowing is prepaid/cancelled

2.13 Taxes on Income:

Income Tax

Current tax is determined in accordance with the provisions of Income tax act, 1961.

Minimum Alternate Tax

Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

Deferred Tax

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences on items other than unabsorbed depreciation and carried forward business losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

2.14 Provisions and Contingencies:

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes. Contingent assets are not recognised in the financial statements.

The following is the Company's policy for classification of assets and provisioning thereon, which is in compliance with the Prudential Norms issued by RBI.

i. Classification of Assets

Asset Classification	Period of Over Due
Standard Assets	Not Overdue and Overdue for less than 180 days
Non-Performing Assets (NPA)	Overdue for 180 days or more
Sub Standard Assets	An asset that has been classified as Non-Performing Asset for a period not exceeding 18 months or an asset where the terms of agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured after commencement of operations until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms
Doubtful Assets	Sub Standard assets for more than 18 months
Loss Assets	Assets that are identified as loss asset by the Company or the internal auditor or by the Reserve Bank of India

"Overdue" refers to interest and/or principal and/or installment remaining unpaid from the day it become receivable.

There is no Non-Performing Assets (NPA) as at the Balance Sheet date.

ii. Provisioning Norms for Assets

Asset Classification	Percentage of Provision
Standard Assets	0.25%

Amount in INR

	As at 31 March, 2013	As at 31 March, 2012
Note 3		
Share Capital		
Authorised		
65,000,000 (Previous year - 65,000,000 shares) Equity Shares of INR 10/- each, with voting rights.	650,000,000	650,000,000
Total	**650,000,000**	**650,000,000**
Issued, Subscribed & Fully Paid-up		
60,000,000 (Previous year - 60,000,000 shares) Equity Shares of INR 10/- each with voting rights	600,000,000	600,000,000
Total	**600,000,000**	**600,000,000**

(a) Reconciliation of Number of Shares

Particulars	As at 31 March, 2013		As at 31 March, 2012	
	No of Shares	Value of Shares	No of Shares	Value of Shares
Balance as at the beginning of the year	60,000,000	600,000,000	60,000,000	600,000,000
Add: Shares allotted during the year	-	-	-	-
Balance as at the end of the year	60,000,000	600,000,000	60,000,000	600,000,000

(b) Details of Shares held by each shareholder holding more than 5% shares

	As at 31 March, 2013		As at 31 March, 2012	
Name of the shareholder	No of Shares	% of Shares	No of Shares	% of Shares
IFMR Trust (Controlling Entity) and its nominee	60,000,000	100.00	60,000,000	100.00

(c) Disclosure of Rights

The Company has issued one class of equity share at a par value of INR 10 per share. Each holder of Equity share is entitled to one vote per share.

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.

	As at March 31, 2013	As at March 31, 2012
Note 4		
Reserves and Surplus		
Statutory Reserve*		
Opening Balance	9,996,520	3,364,792
Add : Transfer from surplus in Statement of Profit and Loss	14,362,955	6,631,728
Closing Balance	24,359,475	9,996,520
* Statutory Reserve represents the Reserve Fund created under Section 45IC of the Reserve Bank of India Act, 1934		
Surplus in Statement of Profit and Loss		
Opening Balance	39,976,837	13,449,923
Add: Profit for the year	71,814,773	33,158,642
	111,791,610	46,608,565
Less:- Transferred to Statutory Reserve	(14,362,955)	(6,631,728)
Closing Balance	**97,428,655**	**39,976,837**
Total	**121,788,130**	**49,973,357**
Note 5		
Long Term Borrowings - Secured		
Debentures		
12.35% Non Convertible Debenture of INR 1,000,000 each (Refer note (i) & (ii))	292,000,000	324,000,000
	292,000,000	**324,000,000**
Other Borrowings		
Term Loan & Other Facility from Banks		
Ratnakar Bank Limited (Refer note (iii and iv))	186,815,844	-
South Indian Bank Limited (Refer note (v))	187,500,000	-
Central Bank of India (Refer note (vi))	112,500,000	-
Cash Credits from Federal Bank (Refer note (vii))	-	124,917,340
Term Loan from Others		
Mahindra & Mahindra Financial Services Limited (Refer note (viii) & (ix))	94,269,146	-
For the current maturities of long term debt, refer Note No.10		
	581,084,990	**124,917,340**
Total	**873,084,990**	**448,917,340**

Notes Forming Part of the Financial Statements

Note 5 - Long Term Borrowings - Secured (Contd.)

Amount in INR

S.No	Particulars	Rate of interest	Date of loan taken	Date of maturity	Security/ Repayment details	As at 31 March, 2013		As at 31 March, 2012	
						Non current	Current	Non current	Current
i	Debentures	12.35%	23-Dec-11	30-Jun-15	(a) The Company has issued 360, 12.35% Non Convertible Debentures (Listed) of INR 1,000,000 each redeemable at par in 10 quarterly instalments of INR 36,000,000 each beginning from 2nd April, 2013 for which interest is payable every quarter beginning from March 2012. These debentures are secured by way of exclusive floating charge over the investment into or credit enhancement for asset pools (Securitization Transaction) originated by the MFI and any form of credit exposure in the new asset classes of IFMR Capital with a security cover of 1.25 times. The instalments payable within next 12 months has been classified as other current liabilities in Note No. 10	180,000,000	180,000,000	324,000,000	36,000,000
ii	Debentures	12.35%	5-Jun-12	30-Dec-15	(b) The Company has issued 160, 12.35% Non Convertible Debentures (Listed) of INR 1,000,000 each redeemable at par in 10 quarterly instalments of INR 16,000,000 each beginning from 30th September, 2013 for which interest is payable every quarter beginning from September 2012. These debentures are secured by way of exclusive floating charge over the investment into or credit enhancement for asset pools (Securitization Transaction) originated by the MFI and any form of credit exposure in the new asset classes of IFMR Capital with a security cover of 1.25 times. The instalments payable within next 12 months has been classified as other current liabilities in Note No.10	112,000,000	48,000,000	-	-
iii	Ratnakar Bank Limited	13.25%	25-Jul-12	1-Jul-14	Repayable in 7 quarterly installments commencing from January 2013 and ending July 2014. Floating and exclusive charge over book debts and investments	56,997,663	114,285,716	-	-
iv	Ratnakar Bank Limited	13.25%	22-Feb-13	22-Oct-15	Repayable in 11 quarterly installments commencing from August 2013 and ending October 2015. Floating and exclusive charge over book debts and investments	129,818,182	48,681,818	-	-
v	South Indian Bank Limited	13.00%	11-Feb-13	11-May-16	Repayable in 12 equal quarterly installments commencing from August 2013 and ending May 2016. Floating and exclusive charge over book debts and investments	187,500,000	62,500,000	-	-
vi	Central Bank of India	13.00%	28-Mar-13	28-Jun-16	Repayable in 12 quarterly installments commencing from September 2013 and ending June 2016. Floating and exclusive charge over book debts and investments	112,500,000	37,500,000	-	-
vii	Federal Bank Limited	12.95%	19-Mar-12	18-Mar-14	Cash Credit is repayable in 8 quarterly instalments of INR 31,250,000 each beginning from June 2012. Cash Credit is secured by way of hypothecation charge on the book debts.	-	123,640,032	124,917,340	125,000,000
viii	Mahindra and Mahindra Financial Services Limited	14.00%	6-Dec-12	31-Dec-14	Repayable in 24 equated monthly installments commencing from January 2013 ending December 2014. Floating and exclusive charge over book debts and investments.	40,775,747	48,115,974	-	-
ix	Mahindra and Mahindra Financial Services Limited	14.00%	26-Mar-13	31-Mar-15	Repayable in 24 equated monthly installments commencing from April 2013 ending March 2015. Floating and exclusive charge over book debts and investments	53,493,398	46,506,602	-	-
					Total	**873,084,990**	**709,230,142**	**448,917,340**	**161,000,000**

Amount in INR

	As at 31 March, 2013	As at 31 March, 2012
Note 6		
Other Long Term Liabilities		
Collateral Deposits from Customers	22,198,004	17,829,872
Note:		
"Represents amounts received as security from the borrowers towards issue of Term Loans. Such deposits repayable within 31 March 2014 have been grouped under Note No.10 - Other Current Liabilities"		
Total	**22,198,004**	**17,829,872**
Note 7		
Long Term Provisions		
Provision for Employee benefits		
For Gratuity (Refer Note No.31)	3,560,967	1,448,157
For Long Term Incentive (Refer Note No.30)	3,649,907	743,066
For Compensated Absences	1,111,438	-
Standard Asset Provision (Refer Note 36)		
On Micro finance loans	513,280	414,506
On Securitisation	1,082,882	407,459
Total	**9,918,474**	**3,013,188**
Note 8		
Short Term Borrowings		
(i) Term Loan from Bank (Secured)		
Ratnakar Bank Limited (Refer (a) below)	-	149,906,488
Kotak Mahindra Bank (Refer (b) below)	62,500,000	-
HDFC Bank (Refer (c) below)	75,000,000	-
(ii) Loans repayable on demand		
Bank overdraft	48,580,486	-
(iii) Term Loan from Others (Secured)		
Mahindra & Mahindra Financial Services Limited (Refer (d) below)	-	21,049,521
Reliance Capital Limited - Term Loan (Refer (e) below)	100,000,000	-
Total	**286,080,486**	**170,956,009**
(iv) Commercial Paper (Unsecured) (Refer (f) below)	25,000,000	238,500,000
(v) Inter Corporate Deposit (Unsecured) (Refer (g) below)	100,000,000	-
	125,000,000	**238,500,000**
Total	**411,080,486**	**409,456,009**

Notes:

(a) Term loan from Bank is repayable in 4 equal Quarterly instalments beginning from March 2012. The interest payable at 2.5% above the base rate. The Loan is secured by way of hypothecation charge on book debts. The same has been repaid in December 2012

(b) Term loan is repayable in 12 equal monthly installments beginning from February 2013 ending January 2014. Interest is charged at 12.40%. Loan is secured by way of hypothecation charge on book debts.

(c) Term loan is repayable in 4 quarterly installments beginning from June 2013 ending March 2014. Interest is charged at 12%. Loan is secured by way of hypothecation charge on receivables.

Amount in INR

	As at 31 March, 2013	As at 31 March, 2012
(d) Term loan was repayable in 15 Equated Monthly Instalments of INR 3,652,917 beginning from July 2011. The interest is charged at 14%.The Loan is secured by way of hypothecation charge on book debts. This has been fully repaid in September 2012		
(e) Term loan is repayable in 2 quarterly installments beginning from November 2013 ending February 2014. Interest is charged at 14.25%. Loan is secured by way of hypothecation charge on book debts and investments.		
(f) Commercial paper of face value of INR 500,000 each have been issued during the year. Out of this Commercial Paper 6 is outstanding as at 31 March, 2013. This discount is being amortised on a straight line basis over the tenor of the Commercial Paper. The unamortised discount has been disclosed under Note 20 Other Current Assets. The details of the Commercial Paper issued are given below:		

Current Year

No of units	Date of issue	Maturity Date	Amount in INR	Discount Rate
50	22-Mar-13	20-Jun-13	25,000,000	12.25%

Previous Year

No of units	Date of issue	Maturity Date	Amount in INR	Discount Rate
149	14-Dec-11	11-Jun-12	74,500,000	13.50%
115	10-Feb-12	8-Aug-12	57,500,000	13.50%
213	14-Mar-12	10-Sep-12	106,500,000	13.50%

(g) Intercorporate deposit has been obtained from Indostar Capital Finance Private Limited at an interest of 12.75% p.a. repayable in 90 days from the date of disbursement.

	As at 31 March, 2013	As at 31 March, 2012
Note 9		
Trade Payables		
- Sundry Creditors	24,177,559	21,136,122
- Payable to Related parties (Refer Note No.33)	2,044,534	1,190,879
Total	**26,222,093**	**22,327,001**
Note 10		
Other Current Liabilities		
Current Maturities of Long Term Borrowings		
- 12.35% of Non Convertible Debenture of INR 1,000,000 each (Refer Note No.5)	228,000,000	36,000,000
- Cash Credit from Federal Bank (Refer Note No.5)	123,640,032	125,000,000
(a) Term Loan from Bank (Secured)		
Ratnakar Bank Limited (Refer Note No.5)	162,967,534	-
South Indian Bank Limited (Refer Note No.5)	62,500,000	-
Central Bank (Refer Note No.5)	37,500,000	-
(b) Term Loan from Others (Secured)		
Mahindra & Mahindra Financial Services Limited (Refer Note No.5)	94,622,576	-
Collateral Deposits from Customers (Refer Note No. 6)		
- From Related Parties	2,203,051	3,000,000
- Others	93,329,498	51,127,446
Interest Accrued but Not Due	25,001,691	1,543,872
Statutory Liabilities	4,497,319	1,611,392
Other Liabilities	203,397	2,372,103
Total	**834,465,098**	**220,654,813**

Amount in INR

	As at 31 March, 2013	As at 31 March, 2012
Note 11		
Short Term Provisions		
Provision for Employee benefits		
For Gratuity (Refer Note No.31)	211,813	-
For Compensated Absences	196,135	-
For Standard Assets - (Refer Note No. 36)		
- On Microfinance loans	1,805,753	1,310,347
- On Securitisation	2,241,278	1,815,535
Provision for tax (net of advance tax and tax deducted at source - INR 50,006,855 and MAT Credit entitlement - INR 3,770,386)	2,490,639	-
Total	**6,945,618**	**3,125,882**
Note 13		
Non Current Investments - At Cost		
Investment in Securitisation/ Assignment - (Refer Note No.28)	433,152,794	162,983,613
Total	**433,152,794**	**162,983,613**
- Aggregate value of unquoted Investments	429,664,392	162,983,613
- Aggregate value of quoted Investments	3,488,402	-
Note 14		
Long term Loans and Advances		
Advance taxes and tax deducted at source (Net of provision for tax PY INR 16,927,409)	-	9,978,094
Total	**-**	**9,978,094**
Note 15		
Other Non Current Assets		
Non Current Bank Balances (Refer note (i) below)		
- Collateral Deposits (Refer note (ii) below)	22,198,004	17,829,872
- Other deposits	13,582,811	196,858
Prepaid Finance Charges (Refer Note No.29)	13,076,843	15,214,913
Interest Accrued but Not Due		
- on Collateral Deposits	598,985	239,079
- on Investments	22,625,500	8,464,821
- on Other Deposits	62,632	3,455
Total	**72,144,775**	**41,948,998**
Notes		
(i) Represents cash and cash equivalents that are restricted from being utilised for more than 12 months from Balance Sheet Date		
(ii) Represents amounts received as security from the borrowers towards issue of Term Loans		
Note 16		
Current Investments - At cost		
Investments in Securitisation/Assignment - (Refer Note No.28)	896,511,289	726,213,864
Total	**896,511,289**	**726,213,864**
- Aggregate value of unquoted Investments	842,759,846	726,213,864
- Aggregate value of quoted Investments	53,751,443	-

IFMR CAPITAL FINANCE PRIVATE LIMITED
Notes Forming part of Financial Statements

Note 12 - Fixed Assets

Amount in INR

	Gross block				Accumalated Depreciation/Amortisation				Net Block	
Description	As at 1 April, 2012	Additions	Delitions	As at 31 March, 2013	As at 1 April, 2012	For the year	Deletions	As at 31 March, 2013	As at 31 March, 2013	As at 31 March, 2012
Tangible assets										
Plant & Machinery Previous year	- -	10,700 -	- -	10,700 -	- -	1,138 -	- -	1,138 -	9,562 -	- -
Computers Previous year	1,716,283 (1,365,686)	1,308,644 (399,201)	270,279 (48,604)	2,754,648 (1,716,283)	1,254,065 (986,021)	737,833 (311,055)	249,518 (43,011)	1,742,380 (1,254,065)	1,012,268 (462,218)	462,218 (379,665)
Furniture and Fittings Previous year	10,687 (10,687)	79,997	-	90,684 (10,687)	4,106 (2,652)	13,608 (1,454)	-	17,714 (4,106)	72,970 (6,581)	6,581 (8,035)
Office Equipment Previous year	- -	18,313 -	- -	18,313 -	- -	782 -	- -	782 -	17,531 -	- -
PMS Server Previous year	6,609,723 (6,609,723)	- -	- -	6,609,723 (6,609,723)	4,724,482 (1,896,620)	1,131,144 (2,827,682)	-	5,855,626 (4,724,302)	754,097 (1,885,241)	1,885,241 (4,713,103)
Total	**8,336,693**	**1,417,654**	**270,279**	**9,484,068**	**5,982,653**	**1,884,505**	**249,518**	**7,617,640**	**1,866,428**	**2,354,040**
Previous year	7,986,096	399,201	48,604	8,336,693	2,885,293	3,140,371	43,011	5,982,653	2,354,040	5,100,803
Intangible Assets										
Website Development cost Previous year	789,834 (789,834)	- -	- -	789,834 (789,834)	584,001 (275,252)	123,500 (308,749)	-	707,501 (584,001)	82,333 (205,833)	205,833 (514,582)
Total	**789,834**	**-**	**-**	**789,834**	**584,001**	**123,500**	**-**	**707,501**	**82,333**	**205,833**
Previous year	789,834	-	-	789,834	275,252	308,749	-	584,001	205,833	514,582
Grand Total	**9,126,527**	**1,417,654**	**270,279**	**10,273,902**	**6,566,654**	**2,008,005**	**249,518**	**8,325,141**	**1,948,761**	**2,559,873**
Previous year	8,775,930	399,201	48,604	9,126,527	3,160,545	3,449,120	43,011	6,566,654	2,559,873	5,615,385

Amount in INR

	As at 31 March, 2013	As at 31 March, 2012
Note 17		
Receivables Under Financing Activity*		
Secured and considered good		
Non Current		
Term Loans	199,726,627	165,802,545
Loan to Related Party (Refer Note No.33)	5,585,304	-
	205,311,931	**165,802,545**
Current		
Term Loans	710,885,674	494,139,046
Loan to Related Party (Refer Note No.33)	11,415,434	30,000,000
	722,301,108	**524,139,046**
Total	**927,613,039**	**689,941,591**
* Secured either by way of charge created on unencumbered assets of the Borrowers (in case Portfolio has not been created out of the lending) or by way of charge on the loan portfolio created out of the lending by the Company		
Note 18		
Cash and Cash Equivalents		
Cash and cash equivalents as defined in AS - 3		
Balance in Current Account (Refer note (iii) below)	244,339,377	9,941,548
Other Bank Balances		
Collateral Deposits (Refer note (i) below)	87,844,832	54,127,446
Own Deposits (Refer note (ii) and (iii) below)	85,047,728	15,639,011
Total	**417,231,937**	**79,708,005**
Of the above, the balances that meet the definition of Cash and Cash equivalents as per AS - 3 cashflow statement	236,651,660	9,941,548
Note:		
(i) Represents amounts received as security from the borrowers towards issue of Term Loans		
(ii) Balances in deposit accounts having an original maturity of more than 12 months		
(iii) Includes collateral deposits of INR 7,687,717 matured as at Balance Sheet date, repaid subsequent to year end.		
Note 19		
Short Term Loans and Advances		
Staff Security Deposit and other advances	3,414,358	1,125,000
Rental & Caution Deposit	285,414	49,641
Receivable from other financial services	44,681,689	3,631,339
Service Tax Input Credit	1,010,318	736,227
Prepaid Expenses and Others	1,412,177	555,862
MAT Credit Entitlement ((net of utilisation - INR 3,770,386) (Previous Year - Nil))	-	3,770,386
Total	**50,803,956**	**9,868,455**
Note 20		
Other Current Assets		
Interest Accrued but Not Due		
On Loans to Borrowers	4,867,770	4,449,133
On Collateral Deposits	3,632,473	952,954
On Investments	88,245,060	34,613,094
On Other Deposits	540,201	502,317
Prepaid Finance Charges (Refer Note No.29)	12,264,776	7,270,767
Unamortised Discount on Issue on Commercial Paper	651,555	10,153,008
Total	**110,201,835**	**57,941,273**

Amount in INR

	For the year ended 31 March, 2013	For the year ended 31 March, 2012
Note 21		
Revenue from Operations		
Interest Income from Loans to borrowers	119,562,836	37,663,245
Income from Securitisation	171,412,832	84,762,925
Income from Guarantee Facility	1,847,725	-
Income from other Financial Services		
- Processing Fee	14,003,825	9,130,000
- Professional Fee	104,846,821	62,736,031
- Guarantee Facility Arranger Fee	15,825,000	-
Interest Income from banks on Collateral Deposits from Customers	7,826,304	2,147,958
Profit on Sale of Current Investments	1,088,277	316,882
Total	**436,413,620**	**196,757,041**
Note 22		
Other Income		
Interest Income from banks on Deposits	2,357,764	1,548,829
Dividend Income from current investments	184,994	5,977,426
Provision for bonus no longer required written back	-	4,160,855
Profit on sale of Mutual Fund Investments	335,650	-
Other Non Operating Income	6,977	17,909
Total	**2,885,385**	**11,705,019**
Note 23		
Finance Cost		
Interest Expenses on		
- Term Loan	49,457,898	26,371,582
- Debentures	60,578,511	12,269,350
- Cash Credits	16,136,129	1,097,135
- Overdraft Account	3,579,029	-
- On Collateral Deposits	7,826,304	2,247,948
- On Income Tax/ Service Tax	1,775,118	47,755
Discount on Commercial Paper	19,439,056	4,371,201
Amortisation of Processing Fees	11,170,757	3,958,762
Total	**169,962,802**	**50,363,733**
Note 24		
Employee Benefit Expenses		
Salaries and Wages	76,241,418	49,258,174
Contribution to Provident Fund	3,607,191	2,315,610
Staff Welfare Expenses	2,191,273	1,049,271
Gratuity	2,324,623	513,157
Compensated absences	1,307,573	-
Total	**85,672,078**	**53,136,212**

Amount in INR

	For the year ended 31 March, 2013	For the year ended 31 March, 2012
Note 25		
Provisions for Standard Assets (Refer Note 36)		
a. Micro Finance Loans	594,180	1,154,076
b. Securitisation	1,101,166	1,276,419
Total	**1,695,346**	**2,430,495**
Note 26		
Other expenses		
Rent	9,728,151	6,890,232
Rates and Taxes	93,814	36,197
Travelling and Conveyance	14,132,272	10,588,319
Legal and Professional Charges	40,561,958	26,710,002
Communication Expenses	1,034,247	586,075
Consultancy Charges	716,805	3,603,791
Repairs and Maintenance - Others	205,203	105,384
Printing and Stationery	838,445	623,303
Advertisement and Business Promotion	184,061	-
Auditors' remuneration:		
-Statutory Audit	1,400,000	1,200,000
-Certification	100,000	50,000
-Tax audit	100,000	100,000
-Out of pocket expenses	81,535	38,364
Miscellaneous Expenses	2,879,850	2,218,358
Total	**72,056,341**	**52,750,025**

Additional Information to the Financial Statements:

27. 1. Contingent Liabilities (to the extent not provided for)

i. The Company has entered into a Partial Guarantee Facility Agreement with a bank and has provided guarantees of INR 195,000,000 (Previous year – Nil) favoring the bank, representing 10% of the loans provided by the bank to Microfinance Institutions.

ii. Disputed demands:

Statute	Nature of dues is pending	Forum where dispute	Period to which the amount relates	Amount involved	
				Current year (in INR)	Previous year (in INR)
Service Tax Act	Disallowance of Input credit	Assistant Commissioner (Appeals)	AY 2010-11 to 2012-13	853,816	NIL
Income Tax Act	Disallowance under Sec 14 A read with rule 8 D	Deputy Commissioner (Appeals)	AY 2010-11	1,458,126	NIL

27.2 Expenditure in Foreign Currency (on accrual basis)
– Current Year INR 1,395,466 (Previous Year Nil)

28. Details for Investments held:

A. Securitisation/Assignment

Amount in INR

Transaction	As at 31 March, 2013	As at 31 March, 2012
Aether IFMR Capital 2011	-	35,934,761
Auge IFMR Capital 2012	-	4,710,903
Chiron IFMR Capital 2012	-	11,865,191
Chloris IFMR Capital 2012	-	14,807,139
Cronus IFMR Capital 2012	-	10,787,083
Delas IFMR Capital 2012	6,294,175	10,696,330
Dysis IFMR Capital 2012	10,002,350	10,002,350
Eupraxia IFMR Capital 2012	-	10,135,634
Gaia IFMR Capital 2012	23,981,608	29,730,000
Helios IFMR Capital 2011	-	12,783,416
Hestia IFMR Capital 2011	-	18,023,061
HETA IFMR Capital 2011	-	10,862,516
IFMR Capital Pioneer Revolver-I	-	33,763,585
Investment in Mosec-IX	-	33,487,982
Investment in MOSEC VI	-	41,431,723
Investment in MOSEC V	-	26,557,882
Investment in MOSEC-VII	-	76,783,103
Investment in MOSEC- VIII	-	30,130,146
Investment in MOSEC X	-	73,913,811
Investment in MOSEC - XI	2,465,270	97,687,934
Investment in MOSEC XII	31,727,033	70,812,089
Investment in MOSEC - XIII	63,001,303	63,223,526
Investments Mosec IV	-	49,024,698

Securitisation/Assignment (Contd.)

Amount in INR

Transaction	As at 31 March, 2013	As at 31 March, 2012
Kiros Pioneer IFMR Capital 2011	-	42,169,489
Mousika IFMR Capital 2012	-	6,735,641
Pluto Pioneer IFMR Capital 2011	3,301,602	12,355,884
Selene IFMR Capital 2012	4,493,573	14,804,910
Themis IFMR Capital 2011	-	35,976,690
Abeona SBL IFMR Capital 2012	7,718,748	-
Aurora SBL IFMR Capital 2012	2,812,755	-
Arete IFMR Capital 2013	13,866,331	-
Elpis IFMR Capital 2013	4,593,851	-
Investment in IFMR Capital Mosec XXII	57,239,845	-
Investment in IFMR Capital Mosec XXIII	21,843,078	-
Investments in Mosec XXIV	26,229,525	-
Loke IFMR Capital 2013	6,016,494	-
Investment in IFMR Capital Mosec-29	77,381,600	-
Investment in IFMR Capital Mosec-31	47,872,101	-
Investment in MOSEC-28	54,531,628	-
Investment in IFMR Capital MOSEC 30	53,502,574	-
Investment in IFMR Capital Mosec 32	34,680,798	-
Clioo IFMR Capital 2012	36,042,677	-
Investment in IFMR Capital MOSEC-XVIII	34,532,858	-
Dionysus IFMR Capital 2012	20,000,000	-
Euthenia IFMR Capital 2013	5,000,000	-
Eximius SBL IFMR Capital 2012	11,401,883	-
Investment in IFMR Capital MOSEC-19	29,012,760	-
Investment in IFMR Capital Mosec-20	49,847,018	-
Investment in Mosec-21	98,213,990	-
Investment in Mosec-25	37,116,582	-
Investment in Mosec-26	32,702,271	-
Investment in Mosec-27	95,902,878	-
Ponoos IFMR Capital 2012	21,821,138	-
Elete IMFR Capital 2012	34,706,308	
Aletheia IFMR Capital 2012	49,027,899	-
Investment in IFMR Capital MOSEC XV	38,706,259	-
Investment in MOSEC-XVI	69,586,295	-
Investment in MOSEC XVII	60,363,337	-
Ponos IFMR Capital 2012	16,368,102	-
Investment in IFMR Capital Mosec-XIV	35,755,590	-
Total	**1,329,664,083**	**889,197,477**

During the year, the company has invested in Securitisation Transactions of INR1,338,844,754 (Previous Year - INR980,494,627). Out of the above, in respect of investments amounting to INR1,022,335,441 (Previous Year - NIL) income has been recognised based on the coupon rate and in respect of investments amounting to INR316,509,313 (Previous Year - INR980,494,627) income has been recognised on straight line basis, based on the underlying contracts.

Amount in INR

		As at 31 March, 2013	As at 31 March, 2012
B. Reconciliation with Investments as per Balance Sheet			
a.	Non-Current Investment as per Note 13	433,152,794	162,983,613
b.	Current Investment as per Note 16	896,511,289	726,213,864
	Total	**1,329,664,083**	**889,197,477**

29. Prepaid Finance Charges

During the year the company borrowed INR.1,963,500,000 (Previous Year INR. 1,098,500,000) by way of Term Loan, Commercial Paper and Non-convertible debentures, towards which an amount of INR 13,060,456 (Previous Year INR 25,247,361) has been paid as processing fees. All these borrowing costs are amortized over the tenor of the loan. The unamortised portion of these expenses amounting to INR 25,341,619 (Previous year INR 22,485,680) is included under Note 15 'Other Non-Current Assets' and Note 20 'Other Current Assets'.

30. Long Term Incentive Plan:

As per the plan, the Participants are allotted Shadow Units which entitles them to receive Shadow Unit Compensation under the Plan. Subject to Participant's continued employment with the Company, the Units shall vest as per the following schedule and can be exercised at the option of the eligible employee:

- 20% at the end of 12 months from the Grant date
- 20% at the end of 24 months from the Grant date
- 30% at the end of 36 months from the Grant date
- 30% at the end of 48 months from Grant Date.

Provision is made in books to the extent of shadow units vested as per the above vesting schedule. Accordingly the company made a provision for INR 3,285,093 (Previous Year 1,334,850)during the current year. Out of the total provision made an amount of INR 3,649,907 (Previous Year INR 743,066) is included under Note 7 'Long Term Provisions' and an amount of INR 258,754 (Previous Year 591,784) is included under Note 9 ' Trade Payables', based on the option exercised by the eligible employees.

Accounting Standard Disclosures:

31. Employee Benefits:

The company's obligation towards Gratuity is a defined benefit plan and no fund is being maintained.
The details of actuarial valuation are given below:

Accrued Gratuity Liabilility

Amount in INR

	2012-13	2011-12
Change in benefit obligation		
Accrued Liability as at beginning of the period:	**1,448,157**	**935,000**
Interest Cost	123,093	74,800
Current Service Cost	1,120,273	765,047
Actuarial gain / loss	1,081,257	(326,690)
Accrued Liability as at the end of the period:	**3,772,780**	**1,448,157**
Amounts to be recognized in the Balance Sheet		
Present Value of obligations as on the accounting date:	3,772,780	1,448,157
Fair Value of the Plan Assets:	Nil	Nil
Liability to be recognized in the Balance Sheet:	**(3,772,780)**	**(1,448,157)**
Expenses to be recognized in the Statement of Profit and Loss		
Interest Cost	123,093	74,800
Current Service Cost	1,120,273	765,047
Net Actuarial (gain) / loss	1,081,257	(326,690)
Net Expenses to be recognized in P/L a/c	**2,324,623**	**513,157**

* Rate of Mortality:	As per LIC (1994 – 96) (Ultimate) Mortality Table	
* Discount Rate:	7.90% per annum	8.50% per annum
* Rate of Salary Escalation:	12.00% per annum	20.00% per annum
* Rate of exit due to reasons other than death or retirement:	15.00% per annum	20.00% per annum
* Rate of Return on Plan Assets:	Does not arise	Does not arise

Note:
1. The estimate of future salary increase takes into account inflation, seniority, promotion and other relevant factors.
2. Discount rate is the prevailing market yields used by LIC for similar computations.
3. Experience Adjustments:

Particulars	2012-13	2011-12
On plan Liability (gain)/loss	1,081,257	(326,690)
On plan Assets (gain) / loss	Nil	Nil
Present Value of benefit obligations	3,772,780	1,448,157
Fair Value of Plan Assets	Nil	Nil
Excess of obligation over plan assets	3,772,780	1,448,157

32. **Segment Accounting:**

(i) Business Segments:
The Company operates in only one business segment, namely providing capital either in the form of Loans or Investments.

(ii) Geographical Segment:
The Company does not have any reportable geographical segment as per Accounting Standard 17.

33. **Related Party Disclosure**
(i) Information relating to related party transactions for the year ended 31 March 2013 (as identified by the management and relied upon by auditors)

(ii) Parties where control exists:
Controlling Entity: IFMR Trust – Represented by IFMR Trusteeship Services Private Limited

(iii) Fellow Subsidiaries with whom the Company had transactions during the year: Pudhuaaru Financial Services Private Limited

(iv) Key Management Personnel:
a. Ms. Sucharita Mukerjee, Chief Executive Officer and Whole Time Director (Upto 1st of August 2012)
b. Kshama Fernandes, Chief Executive Officer and Director (w.e.f 1st of August 2012)
c. Ms. Bindu Ananth, Director

Kshama Fernandes - INR 3,666,667
Sucharita Mukherjee – INR 4,015,831 (Previous year – INR 2,882,700)

Transactions with Related Parties:

Amount in INR

Related Party	Transaction	For the Year Ended 31 March, 2013	For the Year Ended 31 March, 2012
IFMR Trust	Reimbursement of Expenses Share of common expenses	2,074,125 11,348,138	4,038,842 11,085,691
Pudhuaaru Financial Services Private Limited	Term Loans disbursed Interest on Term Loan Cash Collateral Interest on Cash Collateral	30,000,000 3,828,226 3,000,000 15,343	50,000,000 1,094,314 5,000,000 51,560
IFMR Finance Foundation	Sale of laptop	2,531	-

Outstanding Balances with Related Parties:

Amount in INR

Group Company	Nature of Balances Outstanding	As at 31 March, 2013	As at 31 March, 2012
IFMR Trust	Reimbursement of Expenses Share of common expenses	289,374 1,755,160	471,556 719,323
Pudhuaaru Financial Services Private Limited	Term Loan Cash Collateral	17,000,738 2,203,051	30,000,000 3,000,000
	Accrued Interest receivable on Term Loan	45,694	205,208
	Interest payable on Cash Collateral	74,222	36,217

34. **Earnings per share:**

Amount in INR

Description	For the year ended 31 March, 2013	For the year ended 31 March, 2012
Profit after Tax attributable to equity shareholders	71,814,773	33,158,642
Weighted average Shares allotted & outstanding during the period	60,000,000	60,000,000
Earnings per Share – Basic & Diluted face value of INR 10/- each	1.20	0.55

35. **Deferred Tax**

Break up of Deferred Tax Asset and Deferred Tax Liability arising out of timing differences:

Amount in INR

Particulars	As at March 31, 2013	As at March 31, 2012
Deferred Tax Liability:		
Unamortized Processing Charges	8,613,613	7,295,480
Depreciation	177,934	301,558
Deferred Tax Asset:		
Gratuity	1,282,368	469,855
Provision for Standard Assets	1,918,124	1,280,879
Provision for compensated absences	444,441	-
Provision for Long term incentive	1,240,581	-
Net Deferred Tax Liability	**3,905,493**	**5,846,304**

36. **Standard Asset Provisions:**

Amount in INR

Standard Asset Movement	As at 31 March 2013	As at 31 March 2012
Long Term		
Investment in Securitisation	1,082,882	407,459
Term Loans	513,280	414,506
Short Term		
Investment in Securitisation	2,241,278	1,815,535
Term Loans	1,805,753	1,310,347
Total Provision on Investment in Securitisation	3,324,160	2,222,994
Total Provision on Term Loans	2,319,033	1,724,853
Total	**5,643,193**	**3,947,847**

Amount in INR

Particulars	Opening Balance	Additional provision	Utilization /Reversal	Closing Balance
Provision for standard assets under financing activity (Refer Note below)	1,724,853 (570,777)	594,180 (1,154,076)	NIL (NIL)	2,319,033 (1,724,853)
Provision for standard assets under Investment in Securitisation (Refer Note below)	2,222,994 (946,575)	1,101,166 (1,276,419)	NIL (NIL)	3,324,160 (2,222,994)

Note:

a. The Management has reviewed the loan portfolio and Investment in Securitisation and has identified that there are no Non Performing Assets as at the Balance Sheet date. Hence provisioning has been made at 0.25% on the standard assets relating to loan portfolio as required by RBI Norms.

b. The Management has made a provision at 0.25% on standard assets relating to investment in securitisation as a matter of prudence.

c. Figures in brackets are for the previous year.

Disclosure in accordance with provisions of Reserve Bank of India:

37. **Disclosure of Capital Adequacy & Liquidity:**

The Company has disclosed the following information as per the Guidelines for Systemically Important Non Deposit taking Non-Banking Finance Companies as regards Capital Adequacy, Liquidity and Disclosure Norms issued by the Reserve Bank of India on 1 August 2008:

i. Capital Adequacy Ratio

Amount in INR

Particulars	As at 31 March, 2013	As at 31 March, 2012
Tier I Capital	721,705,797	649,767,524
Tier II Capital	2,319,033	1,724,853
Total Capital	**724,024,830**	**651,492,377**
Total Risk Weighted Assets	**2,638,429,473**	**1,574,596,111**
Capital Ratios		
Tier I Capital as a % of Total Risk Weighted Assets (%)	27.35	41.27
Tier II Capital as a % of Total Risk Weighted Assets (%)	0.09	0.11
Total Capital (%)	**27.44**	**41.38**

In Tier II Capital, the standard asset provision for Loan alone is included .The above details have been determined based on the financial statements of the Company as on 31 March 2013 and previous year as on 31 March 2012.

ii. Exposure to Real Estate Sector, both Direct and Indirect

The company does not have any direct or indirect exposure to the real estate sector as at 31 March 2013 and 31 March 2012.

38. Asset Liability Management
Maturity Pattern of Certain items of Assets and Liabilities:

Amount in INR

Particulars	Upto 1 Month	over 1 Month to 2 Months	Over 2 Months to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Liabilities:									
Borrowing from Banks & others	42,178,409	162,274,944	63,916,524	170,082,575	428,858,176	547,751,653	33,333,337	-	1,448,395,618
Market Borrowings	36,000,000	-	61,000,000	52,000,000	104,000,000	292,000,000	-	-	545,000,000
Assets:									
Advances	90,953,864	79,784,087	71,199,818	196,624,080	283,739,259	205,311,931	-	-	927,613,039
Investments	62,780,558	74,229,983	65,474,088	297,176,003	396,850,657	430,340,039	2,812,755	-	1,329,664,083

This amount excludes interest accrued but not due and the above figures are based on the financial statements of the Company as on March 31, 2013.

Previous year

Amount in INR

Particulars	Upto 1 Month	over 1 Month to 2 Months	Over 2 Months to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 3 Years	Over 3 Years to 5 Years	Over 5 Years	Total
Liabilities:									
Borrowing from Banks & others	3,407,297	3,447,055	84,737,278	91,957,891	112,406,488	124,917,340	-	-	420,873,349
Market Borrowings	-	-	74,500,000	164,000,000	36,000,000	288,000,000	36,000,000	-	598,500,000
Assets:									
Advances	37,548,665	45,961,560	49,048,747	148,440,828	243,139,246	165,802,545	-	-	689,941,591
Investments	33,329,221	37,021,471	62,539,974	169,688,178	423,635,020	162,983,613	-	-	889,197,477

This amount excludes interest accrued but not due and the above figures are based on the financial statements of the Company as on March 31, 2012.

39. Disclosure Pursuant to Reserve Bank of India Notification DNBS.193DG (VL) – 2007 dated 22 February 2007:

As at 31 March, 2013

S.No.	Particulars	Amount Outstanding in INR	Amount Overdue in INR
	Liabilities:		
(1)	**Loans and Advance availed by the NBFC inclusive of interest accrued thereon but not paid**		
(a)	Debentures		
	- Secured	520,000,000	-
	- Unsecured	-	-
	(Other than Falling within the meaning of public Deposits)		
(b)	Deferred Credits	-	-
(c)	Term Loans	1,176,175,100	-
(d)	Inter- Corporate Loans and Borrowings	100,000,000	-
(e)	Commercial Paper	25,000,000	-
(f)	Other Loans	172,220,518	-

S.No.	Particulars	Amount Outstanding as on 31 March 2013 in INR
(2)	**Break up of Loans and Advances including Bills Receivables (Other than those included in (3) below):**	
(a)	Secured	927,613,039
(b)	Unsecured	-

S.No.	Particulars	Amount Outstanding as on 31 March 2013 in INR
(3)	**Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities**	
(i)	Lease Assets including Least Rentals Accrued and Due:	
	a) Financial Lease	-
	b) Operating Lease	-
(ii)	Stock on Hire including Hire Charges under Sundry Debtors:	
	a) Asset on Hire	-
	b) Repossessed Assets	-
(iii)	Other Loans counting towards AFC Activities	
	(a) Loans where Assets have been Repossessed	-
	(b) Loans other than (a) above	-

S.No.	Particulars	Current Investment	Long Term Investment
(4)	**Break-up of Investments**		
I	**Quoted:**		
(i)	Shares :		
	(a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Government Securities	-	-
(iv)	Others (Please Specify)		-
II	**Unquoted:**		
(i)	Shares:	-	-
	Equity	-	-
	Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Government Securities	-	-
(iv)	Others (Investments in Pass Through Certificates and Other Rated Transactions)	1,329,664,083	

Amount in INR

(5)	Borrower Group-wise Classification of Assets Financed as in (2) and (3) above			
S.No.	**Category**	**As at 31st March 2013 (Net of Provision) (Refer Note below)**		
		Secured	**Unsecured**	**Total**
1.	Related Parties			
	(a) Subsidiaries	-	-	-
	(b) Companies in the same Group	16,958,236	-	16,958,236
	(c) Other Related Parties	-	-	-
2.	Other than Related Parties	908,335,770	-	908,335,770

Note:
The amount of Assets financed represents the net owned portfolio outstanding after adjusting the provisions for standard assets amounting to INR 2,319,033/-

Amount in INR

(6)	Investor Group-Wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted)		
S.No.	**Category**	**Market Value/Break up Value or Fair Value or Net Asset Value**	**Book Value (Net of Provisioning) (Refer Note**
1.	Related Parties		
	(a) Subsidiaries	-	-
	(b) Companies in the Same Group	-	-
	(c) Other Related parties	-	-
2.	Other than Related Parties	-	1,326,339,921
	Total		**1,326,339,921**

Note:
The amount of Investments represents the Investments made in Securitisation and Other Rated Transactions after adjusting the provisions for standard assets amounting to INR 3,324,160/-

Amount in INR

(7)	Other Information	Related Parties	Other than Related Parties
(i)	Gross Non-Performing Assets	-	-
(ii)	Net Non-Performing Assets	-	-
(iii)	Assets Acquired in Satisfaction of Debt	-	-

The above figures are based on the financial statements of the company as at 31 March 2013.

40. The Company is a Systemically Important Non Deposit taking Non-Banking Finance Company (NBFC - ND-SI) and has received Certificate of Registration (COR) dated 24 June 1999, from the Reserve Bank of India (RBI) to carry on the business of Non-Banking Financial Institution without accepting deposits. However COR is in the name of Highland Leasing and Finance Private Limited till date and the Company has applied to the Reserve Bank of India for change of name in the COR, which is still awaited.

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

For and on behalf of IFMR Capital Finance Private Limited

Director | Director | Company Secretary

Place: Chennai
Date: 29 May, 2013