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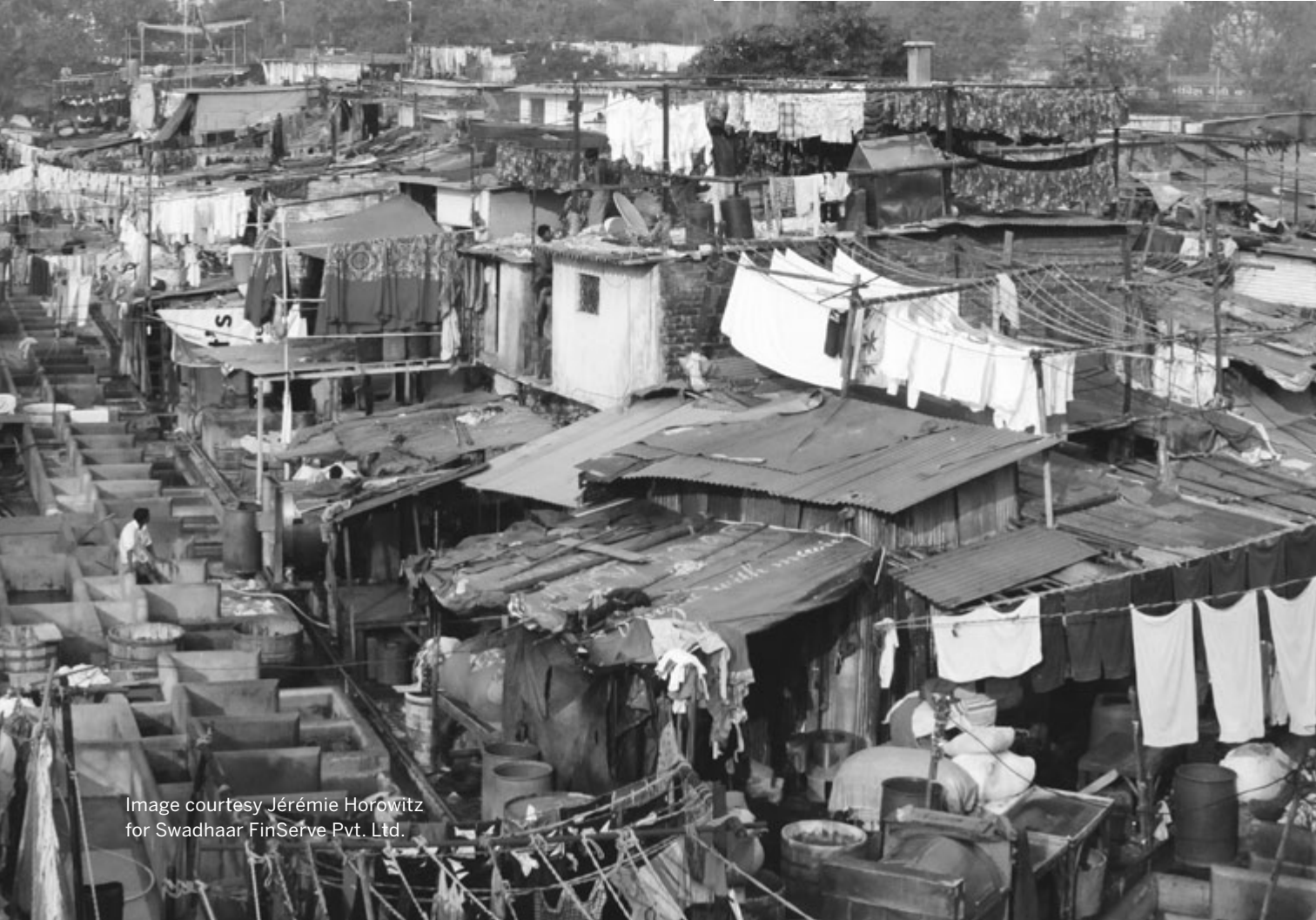


Image courtesy Jérémie Horowitz
for Swadhaar FinServe Pvt. Ltd.

Our People

BOARD OF DIRECTORS

Lalita D. Gupte
Chairperson (Promoter's nominee)

Veena Mankar
Managing Director (Promoter)

Anita Ramachandran
Independent Director

Siddhartha Hanumara Chowdri
Nominee Director, ACCION International

Valérie Kindt
Nominee Director, ACCION International

Geeta Dutta Goel
Nominee Director, Michael & Susan Dell Foundation

Srinivas Bhaskar Rao
Nominee Director, Indian Family Trust

LEGAL ADVISOR

Anjali Seth

TECHNICAL SERVICE PROVIDER

ACCION International

AUDITORS

Haribhakti & Company

BANKERS / FINANCIAL INSTITUTIONS

Ananya Finance for Inclusive Growth Pvt. Ltd.
AXIS Bank
Central Bank Of India
Development Credit Bank
HDFC Bank
Maanaveeya Holdings & Investments Pvt. Ltd.
MV Microfin Pvt. Ltd.
Ratnakar Bank Ltd.
Standard Chartered Bank

SENIOR MANAGEMENT TEAM

Veena Mankar
Managing Director

Abhishek Agrawal
Chief Financial Officer
(Seconded by ACCION International)

Roland Knorren
Chief Risk and Strategy Officer
(Seconded by ACCION International)

Soju Annie George
Deputy Chief Operating Officer

Urmee Mehta Mankar
Chief Manager – Strategy and Products

Nitin Manchanda
Chief Manager – Information Technology

Sarika Arora Saini
Chief Manager – Human Resources

Arun Sharma
Chief Internal Auditor

Reena Sen
Financial Consultant
(Acting Deputy Chief Financial Officer)

REGISTERED OFFICE

5/39 Shree Om Co-op Hsing Society,
Anand Nagar, LIG, Nehru Road
Santacruz (E), Mumbai 400 055



“Swadhaar is one of those rare work places that manage to strike so many of the right balances. The organisation encourages employees to maintain a healthy work-life balance. Its culture is one that combines diligence and high standards with camaraderie, democracy and a focus on employee satisfaction. Swadhaar’s bottom line pays equal importance to social impact and commercial gain. And its people are passionate and driven, yet

they support one another’s growth and celebrate colleagues’ successes. My experience working at Swadhaar for the past three years has, without a doubt, far surpassed my expectations.”

— **Rachita Vora, Manager – Product Development and Marketing**



Image courtesy Hersh Acharya
for Swadhaar FinServe Pvt. Ltd.

Where We Work



Swadhaar has branches in urban and semi-urban centres across the western states of Maharashtra and Gujarat. A total of 38 branches are distributed across 10 locations.

Maharashtra

Mumbai
Nashik
Pune
Thane
Kalyan

Gujarat

Anand
Bharuch
Dakor
Navsari
Nadiad
Surat
Vadodara

“I feel particularly good when visiting clients with renewal loans who visibly demonstrate business investment and growth upon using our loan.

For example, in Gujarat, I visited a really small client who is an ‘istriwala’ (a man who presses/irons clothes for a living). He used his first loan to buy two good ironing tables and to replace one of his big irons. At the time of his loan renewal evaluation, we saw these assets being put to good use. He was planning on using the second loan

to buy a heavy-duty washing machine in order to enter the laundry business – he had already spoken to the staff of a few hotels from which he expected good client flow. He also had rough plans about how he would use future Swadhaar loans. It was really fulfilling to see how the client was able to both envision, and actually realize steady growth in his business.”

— **Radhika Chikhalikar, Manager – Products**

Operational & Financial Highlights

OPERATIONAL PERFORMANCE	March 31 st , 2011	March 31 st , 2010
Active Clients	56,727	27,391
Joint Liability Group Loan	47,351	23,585
Individual Business Loan	9,376	3,806
Outstanding Portfolio (In Rs million)	504.04	195.64
Joint Liability Group Loan	368.10	144.86
Individual Business Loan	135.94	50.78
Portfolio in Arrears > 30 days (%)	1.09%	0.91%
Joint Liability Group Loan	0.55%	0.62%
Individual Business Loan	2.56%	1.75%
Total Number of Employees	425	328
Loan Officers	254	144

FINANCIAL HIGHLIGHTS & RATIOS

Particulars	March 31 st , 2011	Rupees in '000 March 31 st , 2010
TOTAL OPERATING AND OTHER INCOME	115,733	39,259
NET PROFIT / (LOSS) AFTER DEPRN & PROV.	(29,405)	(40,982)

BALANCE SHEET *

LIABILITIES

Share Capital	337,202	173,524
Reserves & Surplus (Incl Share Premium)	(81,576)	(66,330)
Net Worth	255,626	107,195
Other Liabilities	388,829	162,966
TOTAL LIABILITIES	644,456	270,161

ASSETS

Portfolio – Gross	504,047	195,640
Loan Loss Provision	(3,223)	(524)
Net Portfolio	500,824	195,116
Other Assets	143,631	75,045
TOTAL ASSETS	644,456	270,161

RATIOS

Financial Efficiency

Cost per Borrower (In Rupees)	3,382	4,387
Operational Self-Sufficiency	81.37%	50.24%
Debt/Equity Ratio	1.12	1.25
Capital Adequacy Ratio	47.90%	50.79%

Personnel Efficiency

Number of Active Loan Clients per Loan Officer	223	190
Joint Liability Group Loan	346	291
Individual Business Loan	80	60

* Balance sheet figures for FY 2009-10 are re-cast as explained in Point 3 of 'Notes to the Accounts'

Directors' Report

DEAR MEMBERS,

Your Directors are pleased to present before you the Fourth Annual Report on the business and operations of the company, along with the audited Balance Sheet as at March 31st, 2011 and the Profit and Loss Account for the year ended March 31st, 2011.

The year 2010–11 was the third year of operations for Swadhaar FinServe Private Limited (Swadhaar). The company recorded a growth of 107% and 157% in its active clients and outstanding portfolio respectively. On March 31st, 2011 Swadhaar's active clients numbered 56,727 as compared to 27,391 on March 31st, 2010. Over the same period, the company's outstanding portfolio grew from Rs 195 million to Rs 504 million. Swadhaar also expanded its branch outreach from 26 branches in 2010 to 38 in 2011, entering new markets in the Western states of Gujarat and Maharashtra.

I. SECTOR DEVELOPMENTS AND THEIR IMPACT IN THE YEAR 2010–2011

On October 15th, 2010 the Andhra Pradesh (AP) government issued an ordinance, which adversely affected the micro-finance activities in the state. Given that AP accounts for a sizeable proportion of the industry's clients, the move also impacted the industry at large and it became especially difficult to raise funds from banks. Some clarity has emerged after the end of the financial year, particularly with the release of the Reserve Bank of India's (RBI) guidelines for priority sector loans to microfinance institutions. Swadhaar is complying with the requirements outlined in the regulation.

Institutional shareholders remain committed to Swadhaar's objectives and philosophy of being client-focused. They are considering various options for managing the liquidity constraint, including infusion of additional equity. ACCION International (ACCION) extended a guarantee facility to the company for some of the funds drawn from banks. Swadhaar is thankful to its existing bankers and funders who continued

to support the organisation during this time. Staff morale remained high and the management reacted proactively to the situation, steering Swadhaar forward through this difficult time. Operations were closely monitored and timely decisions taken towards ensuring that the company maximised utilisation of existing infrastructure. The company sacrificed some growth, yet met all its obligations.

The regulations define microfinance as loans to urban households with an annual income of up to Rs 120,000. In the urban context one of the main impacts of the regulations on the company is that individual loans to micro-entrepreneurs, who are primarily in a higher income bracket, are not covered in the definition of microfinance. These micro-entrepreneurs and households are between the segments served by traditional MFIs and below that addressed by banks, often referred to as "the missing middle". Swadhaar has slowed down this product and is examining alternative strategies for serving this market segment, including partnering with banks.

Swadhaar is also evaluating a simple individual loan product for households engaged in enterprises that are within the defined household segment.

The lessons learned from the microfinance sector crisis reaffirm the value of Swadhaar's approach and strategy. Since inception, Swadhaar has always prioritised its clients' needs and preferences; its capacity-based lending approach aims to ensure that clients do not borrow more than they can repay.

Many of the criticisms of the microfinance sector raised during this time pointed to the need for better customer protection. Some of the causes attributed to the crisis include multiple-lending by MFIs, client over-indebtedness, a minimal assessment of clients' capacities to repay loans and collection practices. Swadhaar's client-oriented, flexible product features provide clients the option to choose what is most convenient for them.

II. FINANCIALS & RATIOS

FINANCIAL RESULTS Particulars	2010-11	(Rupees) 2009-10
Operational Income (Net of Service Tax)	111,216,617	38,082,636
Other Income	4,516,454	1,176,226
(A) Total Income	115,733,071	39,258,861
Personnel Expenses	69,753,756	43,282,243
Administrative and Financial Expenses	64,751,929	32,303,260
Loan Loss Prov. & Write off	7,728,701	2,555,612
Depreciation	4,014,954	2,548,388
(B) Total Expenses	146,249,341	80,689,503
(C) Loss for the year (A – B)	(30,516,270)	(41,430,642)
(D) Deferred Tax Adjustment (Asset)	1,111,593	366,969
(E) Prior Period Item	-	82,166
Excess of Total Income over Expenditure (C+D)	(29,404,677)	(40,981,507)
Balance brought forward from the previous year	(67,946,274)	(26,964,767)
Balance carried to Balance Sheet	(97,350,950)	(67,946,274)

PERFORMANCE RATIOS

Particulars	2010-11	2009-10
(A) FINANCIAL EFFICIENCY		
Operational Self-Sufficiency = Income from Operations/Operating Expenses	81.37%	50.24%
Yield on Portfolio (Annualised) = Income from Operations/Avg Outstanding Portfolio	33.08%	31.12%
Total Operating Cost Ratio (Annualised) = Total Operating Expenses/Avg Outstanding Portfolio	40.66%	61.95%
(B) PERSONNEL EFFICIENCY		
Number of Active Loan Clients per Loan Officer = Number of Active Loan Clients/Total Loan Officers	223	190
JLG Loan	346	291
IBL Loan	80	60
Loan Officers as % of total staff = Number of Loan Officers Total Staff	59.76%	43.90%
(C) PORTFOLIO QUALITY		
Loan Loss Rate = Amt of Loans Written Off/Avg Outstanding Portfolio	1.44%	1.89%
Portfolio in Arrears > 30 days = Amount Past Due > 30 Days/Outstanding Portfolio	1.09%	0.91%

III. SHARE CAPITAL

During the year, the company issued 18,500,000 equity shares [includes 2,132,174 shares issued to Employee Welfare Trust] of the company at a premium of Re 1 per share. The total capital raised by the share issue was Rs 203 million.

Please refer to the table below for the shareholding pattern as on March 31st, 2011:

Name of Shareholder	Total Number of Shares	Percentage
1. Promoters & Promoters' Family & Friends	3,020,424	8.16%
2. ACCION & ACCION Africa Asia Investment Company	12,950,000	35.00%
3. Michael & Susan Dell Foundation	4,227,250	11.43%
4. Mauritius Unitus Corporation	2,312,500	6.25%
5. M V Mauritius Limited	5,550,076	15.00%
6. Indian Family Trust	5,660,000	15.30%
7. Swadhaar FinServe Employee Welfare Trust	3,279,750	8.86%
Total	37,000,000	100.00%

IV. EXPANSION AND OUTREACH

Swadhaar recorded modest growth in the past year, which came about in a particularly challenging climate in the Indian microfinance sector. In March 2010, the company had a total of 26 branches in Maharashtra and Gujarat, with an outstanding portfolio of Rs 195 million, covering 27,391 active clients. New outlets were added during the year and as of March 31st, 2011 there were 38 branches in Maharashtra and Gujarat, with an outstanding portfolio of Rs 504 million, covering 56,727 active clients.

SWADHAAR IN NUMBERS

As at March 31st, 2011

	JLG Loans	IB Loans	Total
Number of active clients	47,351	9,376	56,727
Outstanding Loan Portfolio (Rupees in million)	368.10	135.94	504.04
Number of Loan Officers*	137	117	254
Number of Branches	23	15	38

*Includes Loan Officers assigned their own zones.

V. PRODUCTS

The company offers two loan products and credit-linked life insurance to clients of both products.

INDIVIDUAL BUSINESS LOAN (IBL)

Swadhaar's Individual Business Loan (IBL) is an unsecured working capital loan intended for male and female micro-entrepreneurs with businesses including food stalls, small retail stores and "tiffin" services for office goers. A capacity-based

lending approach is followed, whereby a thorough evaluation of both the client's willingness and capacity to repay are taken into account. Loan amounts range from Rs 8,000 to Rs 50,000 and may be used for such purposes as income generation or business expansion.

JOINT LIABILITY GROUP (JLG) LOAN

Swadhaar's Joint Liability loan (JLG) is a loan offered to economically active women in low-income households. The women cross guarantee the individual loans of each of three to five other clients. Swadhaar's target JLG loan clients include women who work on a commission basis, as salaried workers or in home-based enterprises, such as tailoring, beadwork or imitation jewelry. Loan amounts range from Rs 6,000 to Rs 34,000.

CREDIT-LINKED LIFE INSURANCE

Clients of both Swadhaar's Joint Liability Group loan (JLG) and Individual Business Loan (IBL) have the benefit of credit-linked life insurance, delivered through a partner Life Insurance company. The sum assured is equal to the loan amount. In the event that a client suffers a natural or accidental death over the course of his/her loan term, his/her nominee is entitled to receive the principal amount already repaid by the client. As an added benefit, spouses of IBL clients are also insured up to a certain limit.

VI. INTERNAL AUDIT

In the past year, Swadhaar strengthened its internal audit team to include a Chief Internal Auditor, Audit Managers and Field Auditors. One of the primary objectives of the department is to ensure that all branch audits and field audits are conducted regularly, on a quarterly basis.

The Internal Audit Department provides an independent appraisal of all Swadhaar's activities with an aim to ensure compliance with various legal aspects and with the company's internal policies and procedures. In addition, the department's objective is to add value and improve the company's operational efficiency and its systems of internal controls.

The Internal Audit Department also issues periodic reports to the Audit Committee of the Board and Managing Director, summarising results of audit activities and follows up with the concerned departments for the timely resolution of pending tasks.

VII. OUTSOURCING & CENTRALISATION OF BACK OFFICE OPERATIONS

Starting February 2009, Swadhaar centralised its back office processes, outsourcing the management of its back office

operations to an external service provider. Some of the processes handled at the back office (Hub) include: loan application processing, preparation of disbursement kits, disbursement accounting, repayment management, refunds, reconciliations, reports distribution to branches, physical file management of security documents and loan closures.

In May 2010, all centralised back office operations were moved to a second site outside Mumbai. The move was made to create backup manpower and decrease some cost in terms of operations, systems and infrastructure.

As of November 2010, all Swadhaar branches had begun scanning all application forms, receipts and documents. This is expected to help decrease the operational costs of transferring physical files and documents and to maintain turn-around time (TAT) for all operational processes.

VIII. MEMBERSHIP WITH INDUSTRY ASSOCIATIONS

In June 2010, Swadhaar joined the Micro Finance Institutions Network (MFIN), a self-regulatory body set up by Indian Microfinance Institutions regulated by the Reserve Bank of India. Swadhaar has implemented and complies with all the parameters of the Code of Conduct of MFIN.

Along with the other members of MFIN, Swadhaar also reported complete pricing data to the MicroFinance Transparency Project. MicroFinance Transparency is an initiative aimed at promoting transparent pricing communication between suppliers and consumers of microcredit.

Swadhaar is also a member of Sa-Dhan, the Association for Community Development Finance Institutions set up by Microfinance Institutions in India, and complies with the Code of Conduct of Sa-Dhan.

IX. CREDIT AND RISK MANAGEMENT

In order to address client over-indebtedness and build a strong appraisal capacity for potential clients, Swadhaar reports all its client data to two credit bureaus. The company has been sharing its client information with the Credit Information Bureau (India) Limited (CIBIL) since June 2010 and with the High Mark Credit Bureau since January 2011.

X. CUSTOMER PROTECTION

In an effort to be more customer-centric, Swadhaar launched a customer service initiative in FY 2010–11, to put in place and monitor multiple channels for customer feedback. The initiative streamlined Swadhaar's customer feedback channels while simultaneously creating multiple avenues through which clients can register suggestions or complaints. Customers can now submit feedback via a Customer Helpline Number (manned during all office hours), suggestion boxes at all branches and

feedback forms filled by clients at the time of loan renewal. The initiative is in the process of being expanded from Mumbai branches to all Swadhaar branches.

In March 2011, Swadhaar received an award from the SMART Campaign's Call for 'Appropriate Collection Practices'. The contest asked Microfinance Institutions (MFIs) to send in examples of their debt collection guidelines and assessed them based on their efforts to ensure "that clients are treated with dignity even when they fail to meet their contractual obligations."¹

There were over twenty submissions for this award that were judged based on:

1. Compatibility with the Smart Campaign's guidelines on appropriate collection practices
2. Compatibility with the Smart Campaign's core principles
3. Inclusion of specific guidelines on collections' "do's and don'ts"
4. Codes of ethics for collection agents, including acceptable/unacceptable behavior
5. Policies and procedures for collections, including standard procedures and clear, detailed steps and timeframes for collections
6. Emphasis on providing good customer service and treating clients with dignity

Swadhaar was picked as the best entry for its collection policies. The award committee stated that "Swadhaar's policies for collections are built around dignity and respect to its clients, and outline acceptable and unacceptable behaviour for any person authorised to represent Swadhaar in collections. The procedures provide clear, detailed steps and timeframes for collections and require that collection agents refrain from resorting to intimidation or harassment of any kind in their debt collection efforts."²

Swadhaar's 'Code of Conduct for Collections and Collections Practices for Group Loans' is now available as a tool on the Smart Campaign website (www.smartcampaign.org)

XI. HUMAN RESOURCES

STAFF

Swadhaar believes that employees are the company's most valuable asset. As at March 31st, 2011, it had a staff of 425 (an increase of 30% from the previous year), including 362 branch and regional staff members, a head office staff of 50 and Hub staff of 13.

PERFORMANCE MANAGEMENT SYSTEM

Swadhaar has put in place a well-defined Performance Management System (PMS) to assess all employees annually on the basis of Key Performance Areas (KPIs). An institution-wide exercise was conducted in the last quarter of 2010-11 to define and document KPIs for all management and field profiles.

1, 2 www.smartcampaign.org

The KPAs are outlined along various parameters such as operational knowledge, financial knowledge, customer service and people management, and are used to assess the functional, managerial and behavioral skills and competencies of Swadhaar staff. For field staff the KPAs also take into account quantitative targets such as the number of loans disbursed, total portfolio and portfolio quality.

The criteria for annual performance evaluation are defined in relation to the KPAs and intimated to the employees at the beginning of every financial year. Training needs identified through the appraisal process are communicated to the relevant departments in order to develop employees and help manage their performance.

TRAINING

Swadhaar gives importance to providing training to its employees and encourages them to enhance their knowledge and skills by attending external training courses and pursuing higher education.

In 2010–11, several different training sessions were conducted for employees across different levels of the company, ranging in duration from 1-4 weeks. Staff members were also sent for external trainings and workshops conducted by international organisations like ACCION International.

XII. BANKERS AND LENDERS

Swadhaar has drawn facilities for on-lending purposes from Ananya Finance for Inclusive Growth Pvt. Ltd., Axis Bank Ltd., Central Bank of India (CBI), Development Credit Bank (DCB), HDFC Bank Ltd., Maanaveeya Holdings & Investments Pvt. Ltd., MV Microfin Pvt. Ltd., Ratnakar Bank Ltd. and Standard Chartered Bank (SCB).

Swadhaar has met all its commitments towards repayment of interest and principal instalments to its lenders despite the adverse market scenario and non-availability of fresh loans.

The company holds current accounts with Axis Bank Ltd., Bank of Baroda, Central Bank of India, Development Credit Bank (DCB), HDFC Bank Ltd. and Standard Chartered Bank. HDFC Bank Ltd. is its main banker.

XIII. EMPLOYEE STOCK OPTION SCHEME 2010 AND ASSOCIATE STOCK OPTION SCHEME 2010

During the year under review the company granted options under the Employee Stock Option Scheme 2010 and Associate Stock Option Scheme 2010. The information pertaining to these is contained in the Notes to Accounts.

XIV. REGISTRAR AND TRANSFER AGENT

During the year under review, TSR Darashaw Limited was appointed as Swadhaar's Registrar & Transfer Agent (RTA). The company's address and contact details are as mentioned below:

TSR DARASHAW LIMITED
6-10 Haji Moosa Patrawala Industrial Estate
20, Dr. E. Moses Road, Mahalaxmi
Mumbai – 400 011

XV. STATUTORY DISCLOSURES

The information required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975 is not annexed, as there are no employees under the same.

The Companies (Disclosures of particulars in Report of Board of Directors) Rules 1988 require the disclosure of particulars regarding conservation of energy in Form A and Technology Absorption in Form B prescribed by the Rules. Your Company not being a Manufacturing Company is advised that Forms A&B are not applicable.

XVI. BOARD OF DIRECTORS

The Board of Directors of the company met nine (9) times during the year.

Name of Director/ Designation	No. of meetings eligible to attend	Meetings attended
1 Ms. Lalita D. Gupte Chairperson	9	9
2 Ms. Veena Mankar Managing Director	9	9
3 Ms. Anita Ramachandran Independent Director	9	8
4 Ms. Geeta Dutta Goel Nominee Director	9	8
5 Mr. Siddhartha Chowdri Nominee Director	9	8
6 Mr. Srinivas Rao Nominee Director	9	9
7 Ms. Valérie Kindt Nominee Director	2	2

There are three Committees of the Board:

- The Audit Committee met four times during the year and constitutes the following Directors: Ms. Geeta Dutta Goel, Mr. Srinivas Rao, Mr. Siddhartha Chowdri and Ms. Anita Ramachandran

2. The Finance Committee met four times during the year and constitutes the following Directors: Ms. Lalita D Gupte, Ms. Veena Mankar, Ms. Anita Ramachandran and Mr. Srinivas Rao
3. The Compensation Committee met two times during the year and constitutes the following Directors: Ms. Lalita D Gupte, Ms. Anita Ramachandran and Mr. Srinivas Rao

XVII. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the Directors have prepared the annual accounts on a going concern basis.

XVIII. EXTERNAL AUDITORS

The company's auditors, M/s. Haribhakti & Co. Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment. Your Directors recommend their re-appointment.

XIX. ACKNOWLEDGEMENTS

The Directors wish to thank all the staff for their commitment and hard work. The Directors would also like to record their deep appreciation for the un-stinted support and assistance during the past financial year of the shareholders, institutions and bankers that have helped the company become what it is today.

Registered Office:

5/39 Shree Om Co-op Hsing Society,
Anand Nagar, LIG, Nehru Road
Santacruz (E), Mumbai 400 055

For and on behalf of the board,

Veena Mankar	Lalita D. Gupte
Managing Director	Chairperson

Date: June 25th, 2011

“Swadhaar is very fast, reliable
and convenient for me.”

Sunanda Sonawane,
Joint Liability Group
(JLG) Client



Image courtesy Jérémie Horowitz
for Swadhaar FinServe Pvt. Ltd.

Employee Initiatives

Swadhaar Divas

In April 2011, Swadhaar once again organised its annual Swadhaar Divas (“Swadhaar day”) for its Maharashtra staff in Vile Parle, Mumbai. Swadhaar Divas is an event that promotes employee interaction outside of the workplace and in a more informal social setting. This year around 230 employees came together for the day’s activities.

In addition to bringing employees together in an informal environment, the event also provided the opportunity to reward employees in front of their peers with awards for Best: Team Leader, Branch, Joint Liability Group Loan Officer, Individual Business Loan Officer, Loan Analyst, Recovery Officer, and Administrative Assistant. All employees who had completed five years with Swadhaar were given appreciation and trophies with cutting of a cake for their commitment to the organisation.

In June 2011, Swadhaar’s Gujarat staff celebrated its first Swadhaar Diwas, which was held in Vadodara. Approximately 125 employees attended the event, including some middle and senior managers from the head office in Mumbai who traveled to Vadodara to celebrate with colleagues based in Gujarat. The day provided the staff an opportunity to get to know one another through games and other activities. Like in Mumbai, the Gujarat employees were awarded for Best: Team Leader, Branch, Joint Liability Group Loan Officer, Individual Business Loan Officer and Administrative Assistant.



Inter-branch competition

From July 2010 to September 2010, a competition was held among Mumbai JLG branches to see which branch had the best loan renewal turn-around-time and among IBL branches to see which had the highest productivity. The two winning branches, approximately 20 employees in total, were rewarded with a weekend trip to the hill station of Matheran in January 2011.

Staff welfare

For the third year running, Swadhaar provided free health check-ups for all Mumbai field employees in June 2010. Check-ups were held at central locations convenient for employees of all branch offices to reach. Each employee was given personalised suggestions for a proper diet not only to remedy illnesses, but also to improve overall health, particularly in the context of daily fieldwork.

For better safety and to prepare staff for the forthcoming monsoon season, Swadhaar gifted windcheaters to all field employees across all branches.

ESIC camp

An ESIC (Employee State Insurance Corporation)¹ Camp was held in July 2010 for the Mumbai field employees. Approximately 150 field employees participated in Swadhaar's ESIC camp, in which the staff members were brought to a central branch office to have their photos taken along with their families and to receive help in filling out the necessary forms to get ESIC ID cards. The camp proved especially helpful for the staff because even though all employees were registered, they didn't yet have the ID cards needed in order to be covered under ESIC for medical care. The camp also provided an opportunity for employees to direct their questions and clarify doubts.

¹ Employers must contribute a certain percentage of their own funds and a smaller percentage of the employees' salary for their ESIC coverage.

“When I was the Branch Manager at Swadhaar’s Malad branch, we had one client who wanted her daughter to study in an English-medium school (a school where the instruction was in English). Her husband was reluctant because of the additional cost. The woman took a loan from Swadhaar and was very thankful to us because now, her daughter studies at that school. The client is happy that her daughter, being properly educated, will have greater opportunities and fewer problems than her mother did.”

— **Nishant Gupta, Regional Manager**

Our Clients



SUNANDA SONAWANE
JOINT LIABILITY GROUP (JLG) CLIENT

Sunanda Sonawane has been in the garland-making business for fifteen years. She runs this business out of her home, where she lives with her husband, mother, and three of her five children (those of who are still in school). For years, Sunanda had been trying unsuccessfully to expand her inventory in order to grow her business. She and her husband also wanted to finance the education of their five children, but despite her husband's income as a security officer, money was tight. In 2008, Sunanda took her first loan from Swadhaar. Now in her 2nd loan cycle, Sunanda has received a loan greater than double the amount of her first loan. Before, Sunanda's business earned a Rs. 3,000 per month profit, but after taking two loans, this has almost doubled to Rs. 5,500, enabling her to invest in her business and ensure that her kids can continue their education. With the recent expenses of two daughters' marriages, Sunanda and her husband have been unable to put away money for savings, but with future loans, she hopes to start saving regularly.

ROHINI RAMCHANDRAN SHINDE
JOINT LIABILITY GROUP (JLG) CLIENT

Rohini Ramchandran Shinde (38) is an Aanganwadi (pre-school) teacher. She is now in her 4th loan cycle. Rohini uses the loans primarily for paying the tuition fees for her daughter who is studying in the 9th grade.

“I know people who take loans at 5% per month from informal sources. I prefer Swadhaar because its rates are comparatively lower.”

SEEMA RAGURAJ SINGH
JOINT LIABILITY GROUP (JLG) CLIENT

For three years, Seema Raguraj Singh has been working on contract basis to paint plastic sheets for a large toy manufacturing company. The sheets are sent back to the company and molded into plastic balls. Seema, whose husband is deceased, has three daughters and a son: Aarti and Jyoti are in school, Pooja is a house maid, and Chandan Singh is a rickshaw driver. Due to the nature of her work, Seema's monthly salary was often irregular, so she could not always afford the best inventory/supplies. She applied for a Swadhaar loan in 2009 and is now in her 2nd loan cycle, which she used for business expansion. Prior to taking out a loan from Swadhaar, Seema's monthly income amounted to Rs. 8,000. Now, it ranges from Rs. 10-12,000, allowing her to afford a better selection of inventory and save each month. Seema wants to keep Aarti and Jyoti in school, so paying their school tuition is of utmost importance to her.

“We like everything about Swadhaar. Everything is done on time. The loans are unlike those from money lenders – I've actually noticed a significant improvement in my business.”



“I am currently in my 4th loan cycle and have been borrowing from Swadhaar for about four years now. I like Swadhaar because of the customer service and transparency it offers. During disbursement we get a loan repayment schedule so we know exactly how much to pay every month.

Swadhaar offers very good customer service and is very cooperative. If our repayment is due on the 15th, the loan officer reminds on the 14th. During disbursement, they call and inform clients that their money is ready. The turnaround time is also very short. Swadhaar also has a very helpful customer feedback policy.” — **Saheblal Nigam, Individual Business Loan (IBL) Client**

Saheblal Nigam (37) is a grocery store owner; currently in her 4th loan cycle, she uses the loans as working capital for her store.



MEERA MOHAN SURYAVANSHI
JOINT LIABILITY GROUP (JLG) CLIENT

Meera Mohan Suryavanshi and her husband have been selling vegetables for the past 20 years, recently employing someone to make client deliveries. For several years, Meera has been restricted from saving money to increase inventory by her limited monthly earnings and school fees for her four children. In 2009, however, Meera learned about Swadhaar and is now in her 2nd loan cycle. As planned, Meera used the loans to increase her inventory and product range. Consequently, her monthly profits have tripled, allowing her to save enough money to buy a vehicle to make deliveries. Now Meera and her husband have begun saving to buy a home for their family.

“Swadhaar has enabled me not only to grow my business but to purchase an automobile for deliveries. I hope to eventually purchase a fixed structure/home for my family so my children have some security in the future.”

“I chose Swadhaar over other MFTs because of the monthly repayment schedule feature that it offers. As the funds are used as working capital, it becomes tough to repay every week. Also, the door step collections are very helpful. Door step collections motivate me to be more responsible, repay on time and hence build a better credit history.” — **Balaram Shankar Kadu, Individual Business Loan (IBL) Client**

Balaram Shankar Kadu (35) works with electronic parts. Currently in his 2nd loan cycle, he used the loan as working capital.

“I like the loan product that Swadhaar offers because of its loan term of 12 months. I have taken credit from a formal bank as well, however the minimum loan term at the bank is 36 months. Although Swadhaar’s interest rate is higher than a formal bank, it still works out better for me...”

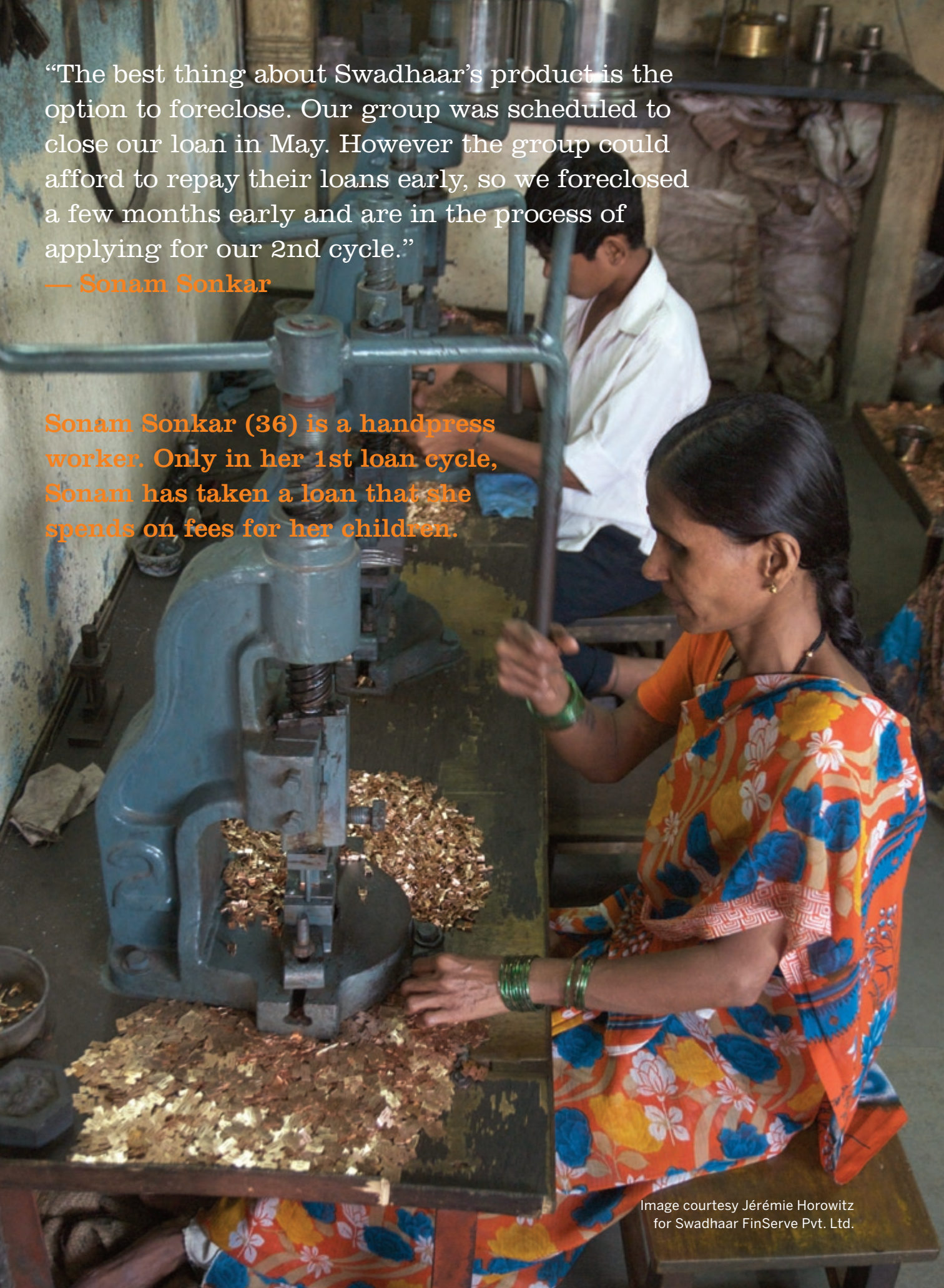
— **Ramesh Pawar, Individual Business Loan (IBL) Client**

Ramesh Pawar (36) is a cobbler. He uses the loan as working capital, and has reached his 4th loan cycle.

“The best thing about Swadhaar’s product is the option to foreclose. Our group was scheduled to close our loan in May. However the group could afford to repay their loans early, so we foreclosed a few months early and are in the process of applying for our 2nd cycle.”

— **Sonam Sonkar**

Sonam Sonkar (36) is a handpress worker. Only in her 1st loan cycle, Sonam has taken a loan that she spends on fees for her children.



Auditors' Report

To The Members of SWADHAAR FINSERVE PRIVATE LIMITED

1. We have audited the attached Balance Sheet of SWADHAAR FINSERVE PRIVATE LIMITED ('the Company') as at March 31, 2011 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in paragraph 3 above, we report that:
 - i. 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;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
 - b) in the case of the profit and loss account, of the loss for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For Haribhakti & Co.
Chartered Accountants
Firm's Registration No. 103523W

Rakesh Rathi
Partner
Membership No. 45228

Place: Mumbai
Date: 25th June, 2011

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of the Auditors' Report of even date to the members of SWADHAAR FINSERVE PRIVATE LIMITED on the financial statements for the year ended March 31 2011.

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

(b) The fixed assets of the company have been physically verified by the management during the year. However reconciliation needs to be done between book record and physical assets. Due to such non reconciliation we are unable to comment upon material discrepancy, if any. In our opinion, the frequency of verification is reasonable.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- ii. According to the information and explanation given by the management, the Company does not have any inventory therefore clause (ii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order 2004, is not applicable to the Company for the current year.
- iii. As informed, 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. Consequently sub clause (b),(c),(d),(e),(f), & (g) of clause 4(iii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- iv. In our opinion and according to the information and explanations given to us, there exists an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct weakness in internal control system of the company.
- v. (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 has been so entered.

(b) None of the transactions made in pursuance of such contracts or arrangements exceed the value of Rupees five lakh in respect of any one such party in the financial year.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. Since the Company is engaged in service sector, clause 4 (viii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- ix. (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, cess and other material statutory dues applicable to it.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

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

(c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.
- x. As the company is registered for a period less than five years, clause (x) of paragraph 4 of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, is not applicable to the company for the current year.
- xi. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- xii. According to the information and explanations given to us and based on the documents and records produced to us, the company has not granted loans & advances on the basis of security by way of pledge of shares, debentures and other securities.

- xiii. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
- xvi. In our opinion, the term loans have been applied for the purpose for which the loans were raised.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii. According to the information and explanation given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix. According to the information and explanations given to us, no debentures have been issued by the company during the year.
- xx. The Company has not raised any money by way of public issue during the year.
- xxi. According to the information and explanation given to us, ten instances of frauds are noticed and reported by the company during the year. All the frauds are of misappropriation of cash, done by the employee of the company, amounting to Rs.3,30,718. Based on the outcome of the investigation, after recovering of Rs.1,03,442, the company has written off the balance amount of Rs.2,27,276.

For Haribhakti & Co.

Chartered Accountants

Firm's Registration No. 103523W

Rakesh Rathi

Partner

Membership No. 45228

Place: Mumbai

Date: 25th June, 2011

SWADHAAR FINSERVE PRIVATE LIMITED
BALANCE SHEET AS AT 31ST MARCH 2011

PARTICULARS	Schedule No.	As at 31 st Mar 2011	As at 31 st Mar 2010
SOURCE OF FUNDS			
Shareholders Funds			
Share Capital	1	337,202,500	173,524,240
Reserves and Surplus	2	15,774,745	1,616,684
		352,977,245	175,140,924
Loan Funds			
Secured Loans:	3		
Short Term Loan		-	17,177,956
Long Term Loan		285,671,022	116,849,203
		285,671,022	134,027,159
TOTAL		638,648,267	309,168,083
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		21,048,606	12,976,505
Less: Accumulated Depreciation/Amortisation		8,141,954	4,127,000
Net Block		12,906,652	8,849,505
Investment	5	546,559	5,000
Deferred Tax Asset		1,619,378	507,785
Current Assets Loans and Advances			
Cash and Bank Balances	6	110,878,636	57,462,325
Other Current Assets	7	8,286,543	3,923,251
Loans and Advances	8	513,440,834	199,937,131
		632,606,013	261,322,707
Less : Current Liabilities and Provisions			
Current Liabilities	9	99,838,834	27,000,432
Provisions	10	6,542,450	2,462,755
		106,381,284	29,463,187
Net Current Assets		526,224,728	231,859,519
Profit and Loss Account		97,350,950	67,946,274
TOTAL		638,648,267	309,168,083
Significant Accounting Policies & Notes to Accounts Schedules referred to above form an integral part of financial statements	16		

As per Our Attached Report of Even Date
For Haribhakti & Co
Chartered Accountants

For and on behalf of the Board of
Swadhaar FinServe Pvt Ltd

Rakesh Rathi
Partner

Lalita D. Gupte
Chairperson

Veena Mankar
Managing Director

Anshu Mundhra
Company Secretary

Place : Mumbai
Date : June 25th, 2011

Place : Mumbai
Date : June 25th, 2011

SWADHAAR FINSERVE PRIVATE LIMITED
PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2011

PARTICULARS	Schedule No.	For the year ended 31 st Mar 2011	For the year ended 31 st Mar 2010
INCOME			
Operating Income	11	113,555,267	39,021,182
(less): Service Tax		(2,338,650)	(938,546)
		111,216,617	38,082,636
Other Income	12	4,516,454	1,176,226
TOTAL		115,733,071	39,258,861
EXPENDITURE			
Financial Expenses	13	25,191,093	7,098,759
Personnel Expenses	14	69,753,756	43,282,243
Administrative Expenses	15	47,289,538	27,760,113
TOTAL		142,234,387	78,141,115
Profit/(Loss) Before Depreciation, Prior Period item and Taxation		(26,501,316)	(38,882,254)
Depreciation & Amortisation		4,014,954	2,548,388
Profit/(Loss) Before Prior Period item and Taxation		(30,516,270)	(41,430,642)
Prior Period Expenses		-	(70,705)
Prior Period Income		-	152,871
PROFIT/(LOSS) BEFORE TAX		(30,516,270)	(41,348,476)
Less : Provision for Tax			
Deferred Tax Adjustments		(1,111,593)	(366,969)
		(1,111,593)	(366,969)
PROFIT/(LOSS) FOR THE YEAR AFTER TAX		(29,404,677)	(40,981,507)
Balance brought Forward from Previous Year		(67,946,274)	(26,964,767)
BALANCE CARRIED TO BALANCE SHEET		(97,350,950)	(67,946,274)
Basic & Diluted Earning Per share (Face Value Rs. 10 each)		(1.00)	(3.39)
Significant Accounting Policies & Notes to Accounts Schedules referred to above form an integral part of financial statements.	16		

As per Our Attached Report of Even Date
For Haribhakti & Co
Chartered Accountants

For and on behalf of the Board of
Swadhaar FinServe Pvt Ltd

Rakesh Rathi
Partner

Lalita D. Gupte
Chairperson

Veena Mankar
Managing Director

Anshu Mundhra
Company Secretary

Place : Mumbai
Date : June 25th, 2011

Place : Mumbai
Date : June 25th, 2011

SWADHAAR FINSERVE PRIVATE LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2011

PARTICULARS	AMOUNT	As at 31 st Mar 2011	AMOUNT	As at 31 st Mar 2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Profit before Taxes		(30,516,270)		(41,430,642)
+ Depreciation and amortisation		4,014,954		2,548,388
+ Net Prior Period Income		-		82,166
+ (Increase)/Decrease in Net Loan Portfolio		(308,406,851)		(138,830,033)
+ (Increase)/Decrease in other current assets		(9,460,144)		(14,507,760)
+ (Increase)/(Decrease) in other current liabilities		76,918,098		17,674,325
CASH GENERATED FROM OPERATING ACTIVITIES		(267,450,213)		(174,463,556)
- Taxes Paid		(584,773)		(85,727)
NET CASH FROM OPERATING ACTIVITIES		(268,034,986)		(174,549,282)
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase)/Decrease in long-term invest.		(541,559)		(5,000)
(Increase)/Decrease in Fixed assets		(8,072,101)		(3,654,017)
NET CASH FROM INVESTING ACTIVITIES		(8,613,660)		(3,659,017)
CASH FLOWS FROM FINANCING ACTIVITIES				
+ Receipt of Term Loan		243,700,100		179,767,000
- Term Loan repayment		(92,056,237)		(48,239,841)
+ Increase/(Decrease) in Equity		163,678,260		65,000,000
+ Share Premium		14,158,061		2,764,260
NET CASH FROM FINANCING ACTIVITIES		329,480,184		199,291,419
NET CHANGE IN CASH & DUE FROM BANKS		53,416,311		21,168,847
CASH & CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		57,462,325		36,293,478
CASH & CASH EQUIVALENTS AT THE END OF THE YEAR		110,878,636		57,462,325
Cash in hand	1,959,015		2,134,670	
Balance at Bank	108,919,620	110,878,636	55,327,655	57,462,325

As per Our Attached Report of Even Date
For Haribhakti & Co
Chartered Accountants

For and on behalf of the Board of
Swadhaar FinServe Pvt Ltd

Rakesh Rathi
Partner

Lalita D. Gupte
Chairperson

Veena Mankar
Managing Director
Anshu Mundhra
Company Secretary

Place : Mumbai
Date : June 25th, 2011

Place : Mumbai
Date : June 25th, 2011

SWADHAAR FINSERVE PRIVATE LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

(Amount in Rupees)
As at 31st Mar 2010

PARTICULARS

As at 31st Mar 2011

SCHEDULE 1 : SHARE CAPITAL

Authorised :

50,000,000 (PY 50,000,000) equity shares with face value of Rs.10/- each

500,000,000

500,000,000

500,000,000

500,000,000

Issued, Subscribed and Paid up :

37,000,000 (PY 18,500,000) equity shares with face value of Rs.10 each fully paid-up at premium of Re.1

370,000,000

185,000,000

(Less) Amount recoverable from Employee Welfare Trust (Face value of Rs.10 on 3,279,750 shares (PY 1,147,576) allotted to the Trust)

32,797,500

337,202,500

11,475,760

173,524,240

337,202,500

173,524,240

SCHEDULE 2 : RESERVES AND SURPLUS:

Security Premium as of the end of the period {Premium of Re.1 on 18,500,000 shares (PY 6,500,000)}

25,000,000

6,500,000

(Less) Amount recoverable from Employee Welfare Trust {Premium of Re.1 on 3,279,750 shares (PY 1,147,576) allotted to the Trust}

3,279,750

1,147,576

(Less) Total Share Issue Expenses

5,945,505

15,774,745

3,735,740

1,616,684

15,774,745

1,616,684

SCHEDULE 3 : Secured Loan (Refer note 14 of schedule 16)

Short Term Loan:

Loan from DCB Bank Ltd {Payable within one year Rs.Nil (PY Rs.2,916,625)}

-

2,916,625

Loan from HDFC Bank Ltd {Payable within one year Rs.Nil (PY Rs.4,844,667)}

-

4,844,667

Loan from Ananya Finance for Inclusive Growth Pvt. Ltd {Payable within one year Rs.Nil (PY Rs.9,416,664)}

-

9,416,664

-

17,177,956

Long Term Loan:

Loan from DCB Bank Ltd {Payable within one year Rs.7,000,000 (PY Rs.Nil)}

7,000,000

-

Loan from Ananya Finance for Inclusive Growth Pvt. Ltd {Payable within one year Rs.10,277,773 (PY Rs.23,333,340)}

11,388,877

26,944,441

Loan from HDFC Bank Ltd {Payable within one year Rs.3,466,667 (PY Rs.6,666,666)}

3,466,667

8,333,333

Loan from Central Bank of India {Payable within one year Rs.12,500,004 (PY Rs.1,041,000)}

48,958,333

30,000,000

Loan from Axis Bank Ltd {Payable within one year Rs.2,857,145 (PY Rs. 5,714,284)}

2,857,145

8,571,429

Loan from Standard Chartered Bank {Payable within one year Rs.25,000,000 (PY Rs.21,500,000)}

25,000,000

43,000,000

Loan from Ratnakar Bank {Payable within one year Rs.19,444,444 (PY Rs. Nil)}

50,000,000

-

Loan from Maanaveeya Holdings & Investments Pvt. Ltd {Payable within one year Rs.20,000,000 (PY Rs. Nil)}

100,000,000

-

Loan from MV Microfin Pvt. Ltd {Payable within one year Rs. 10,000,000 (PY Rs. Nil)}

37,000,000

-

285,671,022

116,849,203

285,671,022

134,027,159

SWADHAAR FINSERVE PRIVATE LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

SCHEDULE 4 : FIXED ASSETS

(Amount in Rupees)

PARTICULARS	GROSS BLOCK			DEPRECIATION / AMORTISATION			NET BLOCK			
	As at 01 st Apr 2010	Addition during the year	Deletion during the year	As at 31 st Mar 2011	As at 01 st Apr 2010	During the year	Deduction/ Adjustment	As at 31 st Mar 2011	As at 31 st Mar 2010	
Furniture and Fixtures	2,286,791	773,021	-	3,059,812	755,396	606,155	-	1,361,551	1,698,261	1,531,394
Office Equipment	689,932	776,882	-	1,466,814	173,190	108,536	-	281,726	1,185,088	516,742
Computer	4,638,209	2,134,495	-	6,772,704	1,147,733	1,152,534	-	2,300,267	4,472,437	3,490,476
Lease hold improvement	2,631,633	3,025,085	-	5,656,718	1,135,764	1,027,214	-	2,162,977	3,493,741	1,495,869
INTANGIBLE ASSET										
Computer Software	2,729,941	1,067,840	-	3,797,781	914,917	1,102,264	-	2,017,181	1,780,600	1,815,024
Company Logo	-	294,777	-	294,777	-	18,252	-	18,252	276,525	-
TOTAL	12,976,505	8,072,101	-	21,048,606	4,127,000	4,014,954	-	8,141,954	12,906,652	8,849,505
Previous Year	8,643,979	4,332,526	-	12,976,505	1,731,483	2,548,388	(152,871)	4,127,000	8,849,505	7,591,005

SWADHAAR FINSERVE PRIVATE LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

(Amount in Rupees)

PARTICULARS	As at 31 st Mar 2011	As at 31 st Mar 2010
SCHEDULE 5 : INVESTMENTS (LONG TERM, NON TRADE AND UNQUOTED)		
Alpha Microfinance Consultants Pvt. Ltd 50,000 (PY Nil) equity shares with face value of Rs.10 each	500,000	–
Swadhaar Employee Welfare Trust (Corpus fund)	46,559	5,000
	546,559	5,000

CURRENT ASSETS, LOANS AND ADVANCES**(A) CURRENT ASSETS****SCHEDULE 6 : CASH AND BANK BALANCES**

Cash in Hand	1,959,015	2,134,670
BANK BALANCES IN SCHEDULED BANKS		
Current accounts	8,144,418	6,770,355
Fixed Deposits		
– Free of lien	77,209,171	40,057,300
– Under lien	23,566,031	8,500,000
	110,878,636	57,462,325

SCHEDULE 7 : OTHER CURRENT ASSETS

Deposits	6,859,185	3,865,251
Stamp Papers in hand	293,694	58,000
Other Assets	1,133,664	–
	8,286,543	3,923,251

(B) LOANS AND ADVANCES**SCHEDULE 8 : LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)**

Loans given to customers			
Standard Assets:			
0-30 Days	472,111,891	193,855,761	
31-60 Days	1,326,966	591,367	
61-90 Days	1,436,394	348,242	
Sub-Standard Assets (91-180 Days)	2,727,765	844,891	
Doubtful Assets/ Lost Assets (>180 Days)	24,313	–	
Managed Portfolio	<u>26,419,783</u>	<u>504,047,112</u>	195,640,261
Interest Due but not received on outstanding portfolio		689,328	92,854
Interest receivable on Assigned Portfolio		4,405,977	–
Advance recoverable in cash or kind or for value to be received		2,448,752	3,243,114
Service tax credit		303,991	–
Advance Tax		1,545,675	960,902
		513,440,834	199,937,131
		632,606,012	261,322,707

SWADHAAR FINSERVE PRIVATE LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

(Amount in Rupees)

PARTICULARS**As at 31st Mar 2011** **As at 31st Mar 2010****CURRENT LIABILITES AND PROVISION****SCHEDULE 9 : CURRENT LIABILITIES****SUNDRY CREDITORS**

Dues to Micro, Small & Medium Enterprises (Refer Note 24 of Schedule 16)	-	-
Dues to Others	4,245,808	2,797,410
Margin Money	54,709,621	20,981,762
Statutory dues payable	1,782,008	929,624
Payable on Assigned Portfolio	31,289,950	-
Unearned Revenue (On Managed Portfolio)	3,115,916	-
Interest accrued but not yet due	1,288,583	427,905
Other Liabilities	3,406,950	1,863,731
	99,838,834	27,000,432

SCHEDULE 10 : PROVISIONS

Contingent Provisions on Standard Assets (0-30 days)	1,244,917	-
Provision on loan portfolio (Other than Standard Assets 0-30 days)	1,978,127	524,256
Provision for Gratuity	2,018,404	1,061,972
Provision for Leave Encashment	1,231,002	806,527
Provision for FBT	70,000	70,000
	6,542,450	2,462,755
	106,381,285	29,463,187

SCHEDULE 11 : OPERATING INCOME

	For the Period ended 31 st Mar 2011	For the Period ended 31 st Mar 2010
Interest on Loans	89,681,947	29,045,435
Loan Processing Fee	18,323,987	6,709,516
Collection Charges	2,813,557	2,592,294
Application Fees	224,059	265,231
Insurance Facility Charges	2,511,717	408,706
	113,555,267	39,021,182

SCHEDULE 12 : OTHER INCOME

Interest on Deposits with Bank (Gross: Tax Deducted at Source Rs. 584,773; Previous Year Rs. 35,726)	3,924,990	885,004
Bad Debt Recovery	420,910	206,162
Miscellaneous Income	170,553	85,059
	4,516,454	1,176,226

SWADHAAR FINSERVE PRIVATE LIMITED
SCHEDULES ANNEXED TO AND FORMING PART OF BALANCE SHEET

(Amount in Rupees)

PARTICULARS	For the Period ended 31st Mar 2011	For the Period ended 31st Mar 2010
SCHEDULE 13 : FINANCIAL EXPENSES		
Interest on Loan	21,877,272	6,236,133
Guarantee Fees	1,239,576	–
Bank Charges & Processing Fees	2,074,245	862,626
	25,191,093	7,098,759
SCHEDULE 14 : PERSONNEL EXPENSES		
Training Cost	218,679	224,939
Salaries, Allowances & other Emoluments	59,717,073	36,964,495
Contribution to PF, Labour Welfare & ESIC	6,149,361	3,546,498
Contribution to Gratuity	958,748	791,655
Ex-Gratia	436,500	–
Staff Welfare, Staff Insurance & Recruitment Charges	2,273,396	1,754,657
	69,753,756	43,282,243
SCHEDULE 15 : ADMINISTRATIVE EXPENSES		
Audit Fees	551,500	496,350
Bank Charges	179,706	59,988
Brokerage (Lease of Premises)	178,200	289,239
Computer & Web related expenses	510,516	358,490
Electricity Charges	954,198	665,319
Franking & Registration Charges	617,532	515,274
Insurance	387,784	116,763
Internet Charges	1,174,613	649,250
Legal Expenses	74,373	–
Memberships & Subscriptions	224,053	289,465
Office Expenses	957,851	872,031
Postage and Courier	354,499	294,625
Portfolio Loss	252,499	–
Rent on Premises	7,972,569	5,264,369
Printing & Stationery	3,767,031	2,517,652
Professional Fees	11,006,254	6,191,025
Retainership Charges	2,658,041	2,772,398
Security Charges	848,016	556,951
Telephone Charges	885,661	683,073
Travelling & Conveyance	4,582,623	2,263,224
Other Expenses	1,423,317	349,017
Bad Debts written off	5,029,913	2,383,891
Contingent Provisions on Standard Assets (0–30 days)	1,244,917	–
Provision on loan portfolio (Other than Standard Assets 0–30 days)	1,453,871	171,721
	47,289,538	27,760,113

SWADHAAR FINSERVE PRIVATE LIMITED
BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

Additional Information Pursuant to the Provisions of Part IV of the Schedule VI of the Companies Act, 1956

I Registration Details

Registration No.	U65990MH2007PTC175181	State Code	11
Balance Sheet Date	31-03-2011		
	DD-MM-YYYY		

II Capital Raised during the year

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	163,678,260

III Position of Mobilisation and Development of funds

Total Liabilities	647,678,601	Total Assets	647,678,601
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Sources of funds

Paid-up Capital	337,202,500	Reserves and Surplus	(81,576,205)
Secured Loans	285,671,022	Unsecured Loans	Nil
Deferred Tax Liability	Nil		

Application of funds

Net Fixed Assets	12,906,652	Investments	546,559
Net Current Assets	526,224,728	Misc. Expenditure	Nil
Deferred Tax Assets	1,619,378		

IV Performance of the Company

Turnover	115,733,071	Total Expenditure	146,249,341
Profit before Tax	(30,516,270)	Profit After Tax	(29,404,677)
Earning per Share in Rs.	(1.00)	Divided Rate %	Nil

V Generic Names of the Principal Products/ Services of the Company

(As per Monetary items)

Item Code No. (ITC Code)	Product Description	Finance activities
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For and on behalf of the Board of
Swadhaar FinServe Pvt Ltd

Lalita D. Gupte
 Chairperson

Veena Mankar
 Managing Director

Anshu Mundhra
 Company Secretary

Place : Mumbai
 Date : June 25th, 2011

SWADHAAR FINSERVE PRIVATE LIMITED**SCHEDULE 16:****Significant Accounting Policies and Notes to Accounts for the year ended March 31, 2011:****NATURE OF BUSINESS:**

The Company is Non-banking Financial Company (NBFC) registered with the Reserve Bank of India ("RBI") under section 45-IA of the Reserve Bank of India Act, 1934 and primarily engaged in lending and related activities. The Company received the Certificate of Registration from the RBI on 9th May 2008, enabling the Company to carry on business as a Non-banking Financial Company.

(A) SIGNIFICANT ACCOUNTING POLICIES:**1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS:**

The accompanying financial statements are consistently prepared under the historical cost convention, on the accrual basis of accounting and comply with the accounting standards issued by the Institute of Chartered Accountants of India (to the extent applicable) and in accordance with the generally accepted accounting principles, the provisions of the Companies Act, 1956 and regulations of Reserve Bank of India, to the extent applicable.

2. USE OF ESTIMATES:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual results to such estimates are recognized in the period in which the results are known / materialized.

3. REVENUE RECOGNITION:

- a) Interest income is recognized and accounted on accrual basis as per the agreed terms except in case of Non Performing Assets outstanding for more than 90 days, which is recognized on receipt basis, as per Company Provisioning Policy.
- b) Application fees and loan processing fees are recognised when loans are disbursed. Company has discontinued collecting the Application fee from 01st October 2010.
- c) Collection charges are recognised on date of installment.
- d) On sale of receivables under asset assignment arrangement, the profit arising on account of sale is recognised over the life of the receivables assigned on an accrual basis in proportionate to EMI payable to the bank and loss, if any, arises on account of sale is accounted immediately.
- e) All other incomes are recognised on accrual basis.
- f) Bad Debts recovered are recognized on receipt basis.

4. FIXED ASSETS & DEPRECIATION:

Fixed Assets are stated at cost less accumulated depreciation thereon. The cost of fixed assets comprises purchase price and any other incidental cost of bringing the asset to its working condition for its intended use. The Company provides pro-rata depreciation from the date on which asset is acquired/ put to use. On all assets, except as mentioned below, depreciation has been provided using the Straight line method at the rates specified in Schedule XIV to the Companies Act, 1956:

- a) Assets costing Rs. 5,000/- or less are fully depreciated in the year of purchase.
- b) Improvements to Leased Assets are amortized over the lease period from the date of cost incurred.
- c) Fixed Assets purchased from Swadhaar FinAccess are depreciated over a period of 4 years.

5. INTANGIBLE ASSETS & AMORTIZATION:

Expenses incurred on Computer Software having enduring benefits are capitalized and will be amortized over a period of 3 years on a pro rata basis from the date of purchase.

Expenses incurred on securing an irrecoverable right to use and acquire statutory rights in the trade mark/ name "Swadhaar" and Logo in perpetuity from Swadhaar FinAccess, having enduring benefits, are capitalized as an intangible asset with an amortization period of 5 years on straight line basis.

6. INVESTMENTS:

Investments are classified into long-term investments and current investments. Investments that are intended to be held for one year or more are classified as long-term investments and investments that are intended to be held for less than one year are classified as current investments.

Long term investments are valued at cost. Provision for diminution in value of long term investments is made if in the opinion of management such a decline is other than temporary.

Current investments are valued at cost or market value, whichever is lower. Profit/loss on sale of securities is determined based on the Weighted Average cost of the securities sold.

7. EMPLOYEE BENEFITS:**PROVIDENT FUND:**

Contribution payable to the recognised provident fund, which is a defined contribution scheme, is accounted for on accrual basis.

GRATUITY:

Gratuity is post employment benefit and is in the nature of Defined Benefit Plan. The Liability recognised in the balance sheet in respect of gratuity is the present value of defined benefit obligation

at the balance sheet date, together with the adjustments for unrecognized actuarial gain or losses and the past service costs. The defined benefit obligation is calculated at or near the balance sheet date by an independent actuary.

LEAVE ENCASHMENT:

Leave encashment is in the nature of short term benefit. It is calculated based on unutilized leave available to the employees as at the Balance Sheet date by an independent actuary.

Every confirmed employee/full time consultant is entitled to 12 working day's earned or privileged leave in a year. Earned or Privilege Leave (EL) can be accumulated for a maximum of 2 years (i.e. maximum of 24 EL can be accumulated). Accumulated EL over and above 24 days can be en-cashed at the rate of basic pay drawn as on 31st of March or as per the last basic pay drawn at the time of final settlement in case of resignation/retirement/termination.

8. TAXATION:

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

CURRENT TAX:

Provision for current tax is made on the basis of estimated taxable income for the accounting year in accordance with the Income Tax Act, 1961.

DEFERRED TAX:

Deferred tax expense or benefits is recognised on timing differences being the difference between taxable and accounting income and are capable of reversal in one or more future periods. Deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets. Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

9. OPERATING LEASES:

Lease payments in respect of operating lease are recognized as an expense in the statement of profit and loss account on accrual basis over the lease term.

10. PROVISION AND CONTINGENCIES:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

11. IMPAIRMENT OF ASSETS:

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit which the asset belongs to, is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost.

12. FINANCE EXPENSES:

Expenditure incurred for raising borrowed funds including ancillary costs incurred in connection with the arrangement of borrowings, which is not eligible for capitalisation, is fully charged to the profit and loss account on incurrence.

13. FOREIGN CURRENCY TRANSACTIONS:

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Exchange differences, if any arising out of transactions settled during the year are recognised in the profit and loss account. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the closing exchange rate on that date.

14. PROVISION FOR DOUBTFUL DEBTS:

The provisioning norms followed by the Company are more stringent than those prescribed by the Reserve Bank of India and are as follows:

No. of days portfolio outstanding overdue (days)	Provision (% on outstanding principal)
0-30	0.25 %
31-60	10 %
61-120	30 %
121-180	60 %
> 181	100 %

Provisioning in respect of managed portfolio will be done subject to the maximum guarantee given to respective assignee bank or financial institution.

Under exceptional circumstances including natural disasters, Management may renegotiate loans by rescheduling repayment terms for customers who have defaulted in repayment but who appear willing and able to repay their loans under a longer term agreement. Provisioning on such rescheduled loans will be subject to management decision.

(B) NOTES TO THE ACCOUNTS:

1. EQUITY SHARE CAPITAL RAISED DURING THE YEAR:

During the year, the Company has raised a capital of Rs. 185,000,000/- by way of issue of 18,500,000 equity shares of Rs. 10/- each at a premium of Re 1 per share. Out of the above 2,132,174 shares were issued to Swadhaar FinServe Employee Welfare Trust.

2. TRANSFER TO RESERVES:

As the Company has incurred losses during the year, there has been no transfer to the Reserve Fund in accordance with the provisions of Section 45-IC of the RBI Act, 1934.

3. LOAN TO SWADHAAR FINSERVE EMPLOYEE WELFARE TRUST:

In the current financial year, the Company has lent an amount of Rs. 23,453,914/- (PY Rs 12,623,336/-) to Swadhaar FinServe Employee Welfare Trust (the Trust) to enable the Trust to subscribe to 2,132,174 equity shares (PY 1,147,576), each of face value Rs. 10/- at a premium of Re. 1/- during the current financial year in the Company. The trust has been formed for the purpose of promoting employee welfare activities including, inter alia, administration, management, implementation and all other matters incidental to the Employee Stock Options to be introduced by the Company from time to time.

In accordance with the Guidance Note on Accounting for Share based Payments issued by Institute of Chartered Accountants of India ('ICAI'), the face value of equity shares issued to EWT till 31st March 2011 have been duly shown as deduction from the issued, subscribed and paid up capital and Security premium account. Suitable recasting of the balance sheet figures have been done by the Company to ensure compliance with the said guidance note of ICAI for the financial year 2009-10 also.

Accordingly, these shares are also not considered for calculating basic EPS. Basic EPS for the last year has also been restated, pursuant to such recasting.

4. EMPLOYEE STOCK OPTION SCHEME AND ASSOCIATE STOCK OPTION SCHEME:

a) During the year, the Company has granted 2,101,000 (Previous Year – NIL) Employee Stock Options to employees and Associate Stock Options to associates of the Company. During the year stock options were granted to Consultant and some of the employees.

b) Method of accounting for ESOS & ASOS:
The company has adopted Black- Scholes Options Pricing Model in accounting for employee and associate cost on account of ESOS & ASOS respectively. Option is offered with the intrinsic value of the shares based on stock value of Rs 11/- per share & the exercise price was fixed by the compensation committee of the

Company was Rs 11/- per share. The difference between the intrinsic value & the exercise price is being amortized as employee compensation cost over the vesting period. The total amount to be amortized over the vesting period is Nil. Accordingly, the company has not taken any impact in profit & loss account towards Compensation cost.

c) Salient Features: Options have been granted under the schemes as follows:

Particulars	2010-11	2009-10
Outstanding at the beginning of the year	-	-
Options Granted during the year	2,101,000	-
Lapsed during the year	-	-
Options vested & exercised during the year	-	-
Outstanding at the end of the year	2,101,000	-

d) As the options are granted using intrinsic value (RS 11/-) at an exercise price (RS 11/-) equivalent to intrinsic value therefore no employee compensation cost or charge will arise in the books.

e) The fair value of the options based on the Black Scholes Option pricing model is as follows:

Variables	Grant Date – 21 Dec 2010			
	Vest-1 21 Dec 2011	Vest-2 21 Dec 2012	Vest-3 21 Dec 2013	Vest-4 21 Dec 2014
No. of Shares				
1. Risk Free Interest Rate	7.68%	7.70%	7.71%	7.74%
2. Expected Life (Years)	2.89	3.39	3.89	4.39
3. Expected Volatility	0.00%	0.00%	0.00%	0.00%
4. Dividend Yield	0.00%	0.00%	0.00%	0.00%
5. Price of the underlying share in market at the time of option granted	11.00	11.00	11.00	11.00
Option Fair Value (Rs.)	2.12	2.45	2.76	3.07
Vesting %	10%	20%	30%	40%

5. INVESTMENTS:

In the last financial year, the company had created Swadhaar FinServe Employee Welfare Trust for the purpose of promoting employee welfare activities and for administration, management, implementation and all other matters incidental to any stock option plans. For the above purpose, the company has invested additional corpus of Rs. 41,559/- (PY Rs. 5,000/-), which is treated as long term investments.

A long term investment of Rs 500,000/- (PY Rs. Nil) has been made during the year in 50,000 shares of Rs 10/- each in Alpha Microfinance Consultants Pvt Ltd.

6. RECOGNITION OF RECEIVABLES AND PAYABLES OF ASSIGNED LOAN PORTFOLIO:

This amount represents the managed portfolio on behalf of DCB. The liability to manage and collect the funds lies with Swadhaar. The collected funds need to be repaid to DCB over the year. Any shortfall in the receivables will be borne by Swadhaar. Therefore, SFPL has recognized the payable to DCB with equivalent receivables from clients. The income from the managed portfolio will be recognized based on the agreed recovery schedule.

7. ASSIGNMENT OF LOANS:

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

Particulars	For the year ended March 31, 2011	For the year ended March 31, 2010
Total book value of the loan asset assigned	26,419,783	–
Sale consideration received for the loan asset assigned	29,999,890	–
Cash margin placed with banks outstanding	4,500,000	–
Portfolio loan assigned and outstanding	26,419,783	–

8. RESCHEDULED PORTFOLIO:

Management decided to reschedule the portfolio in Garibnagar area of Kherwadi GL branch for 36 clients. A major fire destroyed the houses of a number of clients on March 11, 2011. More than 50% of the clients were in their third cycle and above. Their loans were rescheduled by way of a repayment waiver of 3 months. These clients had an outstanding loan portfolio of INR 308,717/- as on 31st March 2011 on which 100% provision is made.

9. INTANGIBLE ASSETS & AMORTIZATION:

A total cost of INR 294,777/- has been incurred for securing an irrecoverable right to use and acquire statutory rights in the trade mark/ name "Swadhaar" and Logo in perpetuity from Swadhaar FinAccess. It is expected that future economic benefits will continue to flow to our enterprise, as "Swadhaar" is a well recognised brand in urban microfinance. Accordingly, the cost is being recognised as an intangible asset in our books of accounts with an amortization period of 5 years on straight line basis.

10. CONTINGENT LIABILITIES:

Claims against the company not acknowledged as debts are Nil

11. CAPITAL COMMITMENTS:

Estimated amount of contracts remaining to be executed on capital accounts and not provided for Rs Nil (Previous year Rs NIL).

12. IMPAIRMENT OF ASSET:

In the opinion of the board of directors, all current assets, loans & advances would be realizable at least of an amount equal to the amount at which they are stated in the balance sheet. Hence no impairment loss has been recognized on fixed assets.

13. EMPLOYEE BENEFIT:

LEAVE ENCASHMENT:

LEAVE ENCASHMENT VALUATION REPORT AS AT 31.3.2011

Assumptions as at	31.3.2011	31.3.2010
Mortality Rate	LIC(1994-96)	LIC(1994-96)
Discount Rate	8.00%	8.00%
Salary escalation rate	5.00%	5.00%
Rate of return (expected) on plan assets	0.00%	0.00%
Withdrawal rate	1%throughout	1%throughout
Retirement age	60	60
Expected average remaining service	25.54	29

	on 31.3.2011	on 31.3.2010
I DATA INFORMATION		
Number of members	413	44
Total monthly salaries	3,171,212	720,213
Total monthly CTC	5,310,134	NA
Average age	29	31
Average Leave balance	4.37	14
II CHANGES IN PRESENT VALUE OF OBLIGATIONS		
PVO at beginning of year	806,527	–
Interest Cost	58,837	–
Current Service Cost	555,879	711,123
Benefits Paid	(142,133)	(53,630)
Actual (gain)/loss on obligation	(1,057,580)	149,034
PVO at end of year	221,530	806,527
III CHANGES IN FAIR VALUE OF PLAN ASSETS		
Fair Value of Plan Assets at beginning of year	–	–
Expected Return on Plan Assets	–	–
Contributions	142,133	53,630
Benefit Paid	(142,133)	(53,630)
Actuarial gain/(loss) on plan assets	–	–
Fair Value of Plan Assets at end of year	–	–
IV FAIR VALUE OF PLAN ASSETS		
Fair Value of Plan Assets at beginning of year	–	–
Actual Return on Plan Assets	–	–
Contributions	142,133	53,630
Benefit Paid	(142,133)	(53,630)
Fair Value of Plan Assets at end of year	–	–
Funded Status	(221,530)	(806,527)
Excess of actual over estimated return on Plan Assets	–	–
V ACTUARIAL GAIN/(LOSS) RECOGNISED		
Actuarial Gain/(Loss) for the year (Obligation)	1,057,580	(149,034)
Actuarial Gain/(Loss) for the year (Plan Assets)	–	–
Total Gain/(Loss) for the year	1,057,580	(149,034)
Actuarial Gain/(Loss) recognised for the year	1,057,580	(149,034)
Unrecognised Actuarial Gain/(Loss) at end of year	–	–
VI AMOUNTS TO BE RECOGNISED IN THE BALANCE SHEET AND STATEMENT OF PROFIT & LOSS ACCOUNT		
PVO at end of year	221,530	806,527
Fair Value of Plan Assets at end of year	–	–
Funded Status	(221,530)	(806,527)
Unrecognised Actuarial Gain/(Loss)	–	–
Net Asset/(Liability) recognised in the balance sheet	(221,530)	(806,527)
VII EXPENSE RECOGNISED IN THE STATEMENT OF P & L A/C		
Current Service Cost	555,879	711,123
Interest Cost	58,837	–
Expected Return on Plan Assets	–	–
Net Actuarial Gain/(Loss) recognised for the year	(1,057,580)	149,034
Expense recognised in the statement of P & L A/C	(442,864)	860,157

VIII MOVEMENTS IN THE LIABILITY RECOGNISED IN BALANCE SHEET

Opening Net Liability	860,527	–
Expenses as above	(442,864)	860,157
Contribution Paid	(142,133)	(53,630)
Closing Net Liability	221,530	806,527

IX SHORT TERM COMPENSATED ABSENCE LIABILITY

Valuation date	31.3.2011	31.3.2010
No. of Days	3,779	NIL
Amount *	1,231,002	NIL

(* Not included in the Net Liabilities under Item No.VIII)

GRATUITY:

The company does not have a funded gratuity scheme for its employees as at 31st March 2011 and 31st March 2010. Gratuity provision has been made based on the actuarial valuation done as at the year end. The details of actuarial valuation as provided by the independent actuary are as follows:

GRATUITY VALUATION REPORT AS AT 31.3.2011

I Assumptions as at	31.3.2011	31.3.2010
Mortality Rate	LIC(1994-96)	LIC(1994-96)
Discount Rate	8.00%	8.00%
Salary escalation rate	5.00%	5.00%
Rate of return (expected) on plan assets	0.00%	0.00%
Withdrawal rate	1%throughout	1%throughout
Benefit: a PER Gratuity ACT with Limit	1,000,000	350,000
Retirement age	60	60
Expected average remaining service	31	32

on 31.3.2011

on 31.3.2010

I DATA INFORMATION

Number of members	413	278
Total monthly salaries	3,195,940	1,863,690
Average age	29	28
Average Service (years)	2	1

II CHANGES IN PRESENT VALUE OF OBLIGATIONS

PVO at beginning of year	1,061,972	270,317
Interest Cost	84,958	18,922
Current Service Cost	572,122	541,879
Benefits Paid	–	–
Actuarial (gain)/loss on obligation	299,352	230,854
PVO at end of year	2,018,404	1,061,972

III CHANGES IN FAIR VALUE OF PLAN ASSETS

Fair Value of Plan Assets at beginning of year	–	–
Expected Return on Plan Assets	–	–
Contributions	–	–
Benefit Paid	–	–
Actuarial gain/(loss) on plan assets	–	–
Fair Value of Plan Assets at end of year	–	–

IV FAIR VALUE OF PLAN ASSETS

Fair Value of Plan Assets at beginning of year	-	-
Actual Return on Plan Assets	-	-
Contributions	-	-
Benefit Paid	-	-
Fair Value of Plan Assets at end of year	-	-
Funded Status	(2,018,404)	(1,061,972)
Excess of actual over estimated return on Plan Assets	-	-

V ACTUARIAL GAIN/(LOSS) RECOGNISED

Actuarial Gain/(Loss) for the year (Obligation)	(299,352)	(230,854)
Actuarial Gain/(Loss) for the year (Plan Assets)	-	-
Total Gain/(Loss) for the year	(299,352)	(230,854)
Actuarial Gain/(Loss) recognised for the year	(299,352)	(230,854)
Unrecognised Actuarial Gain/(Loss) at end of year	-	-

VI AMOUNTS TO BE RECOGNISED IN THE BALANCE SHEET AND STATEMENT OF PROFIT & LOSS ACCOUNT

PVO at end of year	2,018,404	1,061,972
Fair Value of Plan Assets at end of year	-	-
Funded Status	(2,018,404)	(1,061,972)
Unrecognised Actuarial Gain/(Loss)	-	-
Net Asset/(Liability) recognised in the balance sheet	(2,018,404)	(1,061,972)

VII EXPENSE RECOGNISED IN THE STATEMENT OF P & L A/C

Current Service Cost	572,122	541,879
Interest Cost	84,958	18,922
Expected Return on Plan Assets	-	-
Net Actuarial Gain/(Loss) recognised for the year	299,352	230,854
Expense recognised in the statement of P & L A/C	956,432	791,655

VIII MOVEMENTS IN THE LIABILITY RECOGNISED IN BALANCE SHEET

Opening Net Liability	1,061,972	270,317
Expenses as above	956,432	791,655
Contribution Paid	-	-
Closing Net Liability	2,018,404	1,061,972

14. DETAILS OF SECURITY GIVEN AGAINST SECURED LOANS AVAILABLE:

Sr. NAME OF LENDER	SECURITY CREATED
1 Ananya Finance	Hypothecation of Book Debts
2 HDFC Bank	Hypothecation of Book Debts + 10% Margin + 10% Cash Collateral as FD
3 DCB Bank	Hypothecation of Book Debts + 10% Cash Collateral as FD
4 Axis Bank	Hypothecation of Book Debts + 10% Cash Collateral as FD
5 Standard Chartered Bank	Hypothecation of Book Debts + USD 3.75mn Accion Guarantee
6 Central Bank of India	Hypothecation of Book Debts + 15% Margin + 20% Cash Collateral as FD
7 MV Microfin Pvt Ltd	Hypothecation of Book Debts + 5% Cash Collateral as FD
8 Maanaveeya	Hypothecation of Book Debts + 5% Margin
9 Ratnakar Bank	Hypothecation of Book Debts + 15% Margin + USD 1mn Accion Guarantee + 10% Cash Collateral as FD

15. AUDITOR'S REMUNERATION:

PARTICULARS	(Amount in Rupees)	
	As at 31.03.2011	As at 31.03.2010
As Auditors:		
Statutory Audit Fees	390,000	350,000
Tax Audit Fees	110,000	100,000
Any other (including Certification)	50,000	70,000
Out of pocket expenses	6,108	6,503
Service Tax	57,280	54,230
Total	613,388	580,733

16. MANAGING DIRECTOR'S REMUNERATION:

PARTICULARS	(Amount in Rupees)	
	As at 31.03.2011	As at 31.03.2010
Salary	3,000,000	3,000,000
Total	3,000,000	3,000,000

Note: Gratuity has been computed for all the employees of the company. There are no particular computations for Chairperson and Whole Time Director. Hence the gratuity is not included in Managerial Remuneration.

17. DEFERRED TAX ASSET/(LIABILITY) FOR THE YEAR COMPRISE TIMING DIFFERENCES ON ACCOUNT OF:

PARTICULARS	(Amount in Rupees)
	31.3.2011
Deferred Tax Liability	(453,750)
Depreciation	(453,750)
Deferred Tax Asset	2,073,128
Preliminary exp	73,140
Provision for bad debts	995,921
Provision for gratuity	623,687
Leave Encashment	380,380
Net Deferred Tax Asset/ (Liability)	1,619,378
PARTICULARS	31.3.2010
Opening balance	140,816
Deferred Tax Liability	(126,501)
Depreciation	(53,361)
Preliminary exp	(73,140)
Deferred Tax Asset	493,470
Provision for bad debts	53,114
Provision for gratuity	191,139
Leave Encashment	249,217
Net Deferred Tax Asset/ (Liability)	507,785

18. BASIC & DILUTED EARNINGS/(LOSS) PER SHARE:

PARTICULARS	(Amount in Rupees)	
	As at 31.03.2011	As at 31.03.2010
Net Profit/(Loss) attributable to equity shareholders [A] (Rs)	(29,404,677)	(40,981,507)
Weighted Average number of equity shares issued [B]	29,460,131	12,087,985
Basic Earnings/(Loss) per share [A/B] (Rs.)	(1.00)	(3.39)

19. RELATED PARTY DISCLOSURE (AS IDENTIFIED BY THE MANAGEMENT):

a) Enterprise where control exists:

- Swadhaar FinServe Employee Welfare Trust

b) Enterprise that exercise control:

- Accion International
- Accion Technical Advisors India

c) Key Management Personnel (KMP):

- Ms Veena Mankar - Managing Director

d) List of enterprises in which KMP exercises significant influence:

Name of the Key Managerial Personnel (KMP)	Name of the enterprise in which the KMP exercises significant influence
Veena Mankar	R A Net India Pvt Limited India Consult Swadhaar FinAccess Mena Factors LLC Egypt Factors SAE India Factoring & Finance Solutions Private Limited

e) Relatives of KMP: Mr Vikas Bhagwan Mankar (Husband of Ms Veena Mankar)

20. DETAILS OF OPERATING LEASES AS LESSEE:

The company has operating lease agreements primarily for office premises.

Particulars	(Amount in Rupees)	
	As at 31.03.2011	As at 31.03.2010
Lease payments debited to the Profit and Loss	7,972,569	5,264,369

General Terms & Conditions:

Tenure for the rental lease is ranging from 30 to 36 months while for few locations the tenure is of 108 months. Escalation in rentals is in range of 5% to 10% while in case of few rentals there is no escalation in the entire lease tenure.

21. SEGMENT REPORTING:

The company is primarily engaged in the business of Micro financing. All the activities of the Company revolve around the main business. Further, the company does not have any separate geographic segments other than India. As such there are no separate reportable segments as per AS-17 "Segmental Reporting"

22. FOREIGN CURRENCY TRANSACTIONS:

Particulars	(Amount in Rupees)	
	As at 31.03.2011	As at 31.03.2010
Guarantee Fee payment	1,104,375	-
Admin Fee	90,360	-
Travel	3,602	3,852
Total	1,198,337	3,852

23. PROVISION FOR DOUBTFUL DEBTS:

During the current year company has made a provision of Rs 1,244,917/- being 0.25% of its standard assets as per the notification NO DNBS PD.CC.No.207/ 03.02.002 /2010-11 dated January 17, 2011 issued by RBI

24. MSMED ACT, 2006:

Company has sent letters to suppliers to confirm whether they are covered under Micro, Small and Medium Enterprises Act, 2006 as well as they have filed required memorandum with the prescribed authorities. Out of the letters sent to the parties, some confirmations have been received till the date of finalization of Balance Sheet.

Particulars	2010-11
Principal amount due to suppliers under MSMED Act as at year end	Nil

25. SHARE ISSUE EXPENSES:

Share issue expenses are charged off in its entirety in the year in which it is incurred. Considering the compliance of provisions of section 78 of the Companies Act, 1956 such issue expenses are reduced from the security premium account.

(Amount in Rupees)

TRANSACTION	For the year ended 31st March 2011			For the year ended 31st March 2010			
	Enterprise where control exists	Enterprise that exercises control	Key Management Personnel	Enterprise where control exists	Enterprise that exercises control	Key Management Personnel	List of enterprises in which KMP exercises significant influence
TRANSACTIONS WITH RELATED PARTIES							
Swadhaar FinServe Employee Welfare Trust:							
Towards Expenses	11,030			12,928			
Towards Investment	41,559			5,000			
Towards interest free Loan (Re-invested in Issue of Swadhaar's Share Capital (Incl. Security Premium))	23,453,914			12,623,336			
Accion International:							
Guarantee Fee		551,093		-			
Accion Technical Advisors India:							
Professional Charges		75,000		-			
Technical Assistance		2,842,144		-			
Accion Training Expenses reimbursement:							
Training expense reimbursement received		(850,962)		-			
Managerial Remuneration to Veena Mankar							
			3,000,000			3,000,000	
Swadhaar FinAccess:							
Rent							364,273
Deposit							-
Training Expense							-
Trademark & Logo charges							-
Electricity							17,004
Telephone							66,024
Office Expenses							4,800
Share Capital:							
Received from Veena Vikas Mankar Jointly with Vikas Bhagwan Mankar			495,000			500,000	
ESOP Granted to Veena Mankar (No of options)			1,000,000			-	
Note: Reimbursement received figures are shown in brackets.							
OUTSTANDING RECEIVABLE/PAYABLE WITH RELATED PARTIES							
Swadhaar FinServe Employee Welfare Trust:							
Expenses receivable	(23,958)			(12,928)			
Investment	(46,559)			(5,000)			
Loans & Advances Given	(36,077,250)			(12,623,336)			
Accion International							
		551,093		-			
Accion Technical Advisors India:							
Technical Assistance		761,581		-			
Accion Training Expenses reimbursement							
		(166,053)		-			
Managerial Remuneration Payable							
			249,800			250,000	
Swadhaar FinAccess:							
Rent Payable							11,030
Note: Reimbursement receivable figures are shown in brackets.							

PARTICULARS	AMOUNT OUTSTANDING
4. Break-up of Investments :	
CURRENT INVESTMENTS:	
1. Quoted	Nil
(i) Shares : (a) Equity	
(b) Preference	
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (Please specify)	Nil
2. Unquoted	Nil
(i) Shares : (a) Equity	
(b) Preference	
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (Please specify)	
LONG TERM INVESTMENTS	
1. Quoted	Nil
(i) Shares : (a) Equity	
(b) Preference	
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (Please specify)	Nil
2. Unquoted	
(i) Shares : (a) Equity	500,000
(b) Preference	Nil
(ii) Debentures and Bonds	Nil
(iii) Units of Mutual Funds	Nil
(iv) Government Securities	Nil
(v) Others (Corpus Fund in Employee Welfare Trust)	46,559

5. Borrower group-wise classification of assets financed as in (2) and (3) above : Please see note 2 below

CATEGORY	AMOUNT NET OF PROVISIONS		
	SECURED	UNSECURED	TOTAL
1. Related parties**			
(a) Subsidiaries	Nil	Nil	Nil
(b) Companies in the same group	Nil	Nil	Nil
(c) Other related parties	Nil	Nil	Nil
2. Other than related parties	Nil	50,08,24,067	50,08,24,067
TOTAL	–	50,08,24,067	50,08,24,067

PARTICULARS

6. Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): Please see note 3 below

CATEGORY	Market Value/Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related parties**		
(a) Subsidiaries	Nil	Nil
(b) Companies in the same group	Nil	Nil
(c) Other related parties	Nil	Nil
2. Other than related parties	496,689	496,689
TOTAL	496,689	496,689

** As per Accounting Standard of ICAI (Please see Note 3)

Break up value as per audited books of accounts as on 31st March 2011 of Alpha Microfinance Consultants Pvt Ltd

7. Other information (Please see note 4)

PARTICULARS	AMOUNT
(i) Gross Non-Performing Assets	
(a) Related Parties	Nil
(b) Other than related parties	Nil
(ii) Net Non-Performing Assets	
(a) Related Parties	Nil
(b) Other than related parties	Nil
(iii) Assets acquired in satisfaction of debt	Nil

NOTES:

- As defined in Paragraph 2(1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.
- The provisioning norms followed by the Company are more stringent than those prescribed by the Reserve Bank of India and are as follows:

No. of days portfolio outstanding overdue	Provision (% on outstanding principal)
0-30	0.25%
31-60	10%
61-120	30%
120-180	60%
>181	100%

27. PREVIOUS PERIOD COMPARATIVES:

Previous period figures have been regrouped and rearranged to the extent considered necessary.

For and on behalf of the Board of
Swadhaar FinServe Pvt Ltd

Lalita D. Gupte
Chairperson

Veena Mankar
Managing Director

Anshu Mundhra
Company Secretary

Place : Mumbai
Date : June 25th, 2011