

5th Annual Report 2012-13



SHIKHAR MICROFINANCE PRIVATE LIMITED

SHIKHAR MICROFINANCE PRIVATE LIMITED**5TH ANNUAL REPORT 2012-13****CONTENTS**

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5TH ANNUAL GENERAL MEETING

Day : Wednesday

Date : 18th September, 2013

Time : 3:00 P.M.

Venue : SMPL Office,
A-113, 2nd Floor, Behind ICICI Bank,
Palam Extension, Sector- 7, Dwarka,
New Delhi- 110077.

Board of Directors

Shri Cherian Thomas	: Chairman
Shri Satyavir Chakrapani	: Managing Director & CEO
Shri Saneesh Singh	: Director
Dr. Shantanu Dutta	: Director
Dr. Maj. Mallika Chidambaram	: Director
Shri Anil Vidyarthi	: Director
Shri Sanjay Naveen Gowan	: Director
Shri Thomas Vinoy Thomas	: Director & CFO

AUDITOR : M/s Mallya Shenoy & Associates
Chartered Accountants
6/86, Old Rajinder Nagar,
New Delhi- 110 060.

Company Secretary : Mr. Ravi Shankar Kumar

Bankers : State Bank of India
State Bank of Travancore
Axis Bank
Bank of Maharashtra
Dhanlaxmi Bank
HDFC Bank
ICICI Bank

Address : A-113, 2nd Floor, Behind ICICI Bank,
Palam Extension, Sector- 7, Dwarka,
New Delhi- 110077.

NOTICE

Notice is hereby given that the 5th Annual General Meeting of the members of Shikhar Microfinance Private Limited will be held on Wednesday, the September 18, 2013 at 3:00 P.M at the registered office of the Company – SMPL Office, A-113, 2nd Floor, Palam Extension, Sector- 7, Dwarka, New Delhi to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2013 and Profit and Loss Account for the financial year ended on that date together with Report of Board of Directors and Auditors thereon.
2. To appoint M/s Mallya Shenoy & Associates, Chartered Accountants, New Delhi, as the Statutory Auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the board to fix their remuneration.

SPECIAL BUSINESS

3. To consider and if through fit, to pass the with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

“Resolved That Shri Anil Vidyarthi, who was appointed as an Additional Director of the Company w.e.f January 16, 2013 to hold the office till the date of Annual General Meeting of the members of the Company and in respect of whom company has received a notice from member in writing under Section 257 of the Companies Act, 1956 be and is hereby appointed as Non-Executive Director (Independent Director) of the Company, who is not liable to retire by rotation.”

4. To consider and if through fit, to pass with or without modification(s), the following resolution as an ORDINARY RESOLUTION.

“RESOLVED THAT Shri S. N. Gowan, who was appointed as an Additional Director (SIDBI Nominee) of the Company by SIDBI vide letter no. 85/NDRO/SFMC/Shikhar dated August 19, 2013, till the date of Annual General Meeting of the members of the Company and in respect of whom company has received a notice in writing from SIDBI under Section 257 of the Companies Act, 1956 be and is hereby appointed as Nominee Director of the Company, who is not liable to retire by rotation.”

NOTE:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
2. The instrument appointing proxy, in order to be effective must be received at the registered office of the company not less than 48 hours before the commencement of the meeting.
3. Explanatory Statement as required under Section 173(2) of the Companies Act, 1956, related to the Special Business(s) is attached herewith.
4. The Authorised Representatives of the Corporate Members are requested to bring a certified true copy of the Board Resolution pursuant to Section 187 of the Companies

Act, 1956 duly authorizing them to attend and vote at the Annual General Meeting on their behalf.

5. All statutory Registers of the Company maintained under of the Companies Act, 1956 will be open for inspection at the registered office of the Company till the date of Annual General Meeting.

Place: Delhi

Date: 06/09/2013

By order of the Board

SD/-

Thomas Vinoy Thomas
Director & CFO

Registered Office:

SMPL Office,
A-113, 2nd Floor, Palam Extension,
Sector- 7, Dwarka, New Delhi-110077

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO. 3

Shri Anil Vidyarthi was appointed as an Additional Director by the Board of Director w.e.f. January 16, 2013 in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 32 of Article of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956 the above director holds office up to the date of the ensuing Annual General Meeting. In this regard the Company has received request in writing from a member of the company proposing her candidature for appointment as Non- Executive Director (Independent Director) of the Company in accordance with the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956. The Board feels that presence of Shri Anil Vidyarthi on the Board is desirable and would be beneficial to the company and hence recommend resolution No. 3 for adoption. None of the Directors is concerned or interested in this resolution. The Board recommends resolutions under Item No. 3 to be passed as ORDINARY RESOLUTION.

ITEM NO. 4

Shri S. N. Gowan was appointed as an Additional Director (SIDBI Nominee) by the Board of Director w.e.f. August 22, 2013 in accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 32 of Article of Association of the Company. Pursuant to Section 260 of the Companies Act, 1956 the above director holds office up to the date of the ensuing Annual General Meeting. In this regard the Company has received request in writing from a member (SIDBI) of the company proposing her candidature for appointment as Nominee Director of the Company in accordance with the provisions of Section 257 and all other applicable provisions of the Companies Act, 1956. The Board feels that presence of Shri S. N. Gowan on the Board is desirable and would be beneficial to the company and hence recommend resolution No. 4 for adoption. None of the Directors is concerned or interested in this resolution. The Board recommends resolutions under Item No. 4 to be passed as ORDINARY RESOLUTION.

DIRECTORS' REPORT

To the Members,

Shikhar Microfinance Private Limited.

The Directors of Shikhar Microfinance Private Limited (SMPL) are pleased to present the 5th Annual Report on the performance of the Company along-with Audited Statement of Accounts, Auditors' Report for the year ended on 31st March, 2013.

1. OPERATIONAL REVIEW

During the three year period from fiscal year 2010-11, SMPL borrowers expanded from 12384 to 17544. In the same period the number of localities increased from 79 to 154. Shikhar has expanded our area of operation in NCR, Delhi, Haryana and Uttar Pradesh.

Particulars	FY 2010-11	FY 2011-12	FY 2012-13
Area of operations	NCR & Delhi	NCR, Delhi & Haryana	NCR, Delhi, Haryana & Uttar Pradesh
Localities	79	142	154
Number of Branches	13	13	14
Loan outstanding (` in Lacs)	858.04	1268.99	1760.37
Active borrowers	12384	14084	17544
No. of staff	97	86	79
PAR > 30 days	2.18 %	2.62 %	1.41%
OSS	81.33 %	110.27 %	114.43%

Shikhar started branches in two new locations in the year 2012-13, including Agra – U.P. and Mathura – U.P. Although Agra was part of the expansion plan, however the operations were started in partnership with EHA. EHA project focuses on entitlements and Shikhar comes in as a microfinance partner supporting the livelihood objective.

Shikhar merged Hassanpur branch (NCR:02), dividing the clients between Noida branch (NCR:11) and Tahirpur Branch (NCR:08). The decision was taken as NCR:02 had branches on either side and was left with no scope to expand further.

2. FINANCIAL REVIEW

Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
Total Income	37,411,206.00	30,993,269.00
Less : Total Expenditure	34,377,934.00	29,024,059.40
Profit before exceptional and extraordinary items and tax	3,033,272.00	1,969,211.00
Less: Exceptional Item	2,356.00	387,689.00
Profit/ (Loss) before extraordinary items and tax	3,030,916.00	1,581,522.00
Less: Extraordinary items	0.00	-56,202.00
Profit/ (Loss) before tax	3,030,916.00	1,637,724.00
Less: Provision for Tax including deferred tax	82,136.00	26,708.00
Profit/ (Loss) after tax	2,948,780.00	1,611,016.00

3. MATERIAL CHANGES AND COMMITMENTS AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED SINCE END OF THE FINANCIAL YEAR.

After the end of financial year, SMPL has received the following loan sanction and disbursements from various financial institutions

S. No.	Financial Institution / Bank	Sanction Amount (Rs. Crores)	Disbursed Amount (Rs. Crores)
1	Reliance Capital	1.5	1.5
2	Maanaveeya Development & Finance	4.0	2.0
3	Small Industries Development Bank of India (SIDBI)	2.0	0.0

4. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.

There is no significant particulars relating to conservation of energy, technology absorption under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. During the period under review, the company has no earning and outgo in foreign exchange.

5. PARTICULARS OF EMPLOYEES' U/S 217 (2A).

During the period under review, there was no employee in receipt of remuneration exceeding the limit prescribed under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employee) Rules, 1975.

6. SHARE CAPITAL

During the year, the following changes were affected in the Share Capital of the Company:

During the year SMPL increased the authorized share capital of the company from Rs. 7,00,00,000/- to Rs. 10,00,00,000/-. SMPL has issued 30,00,000 Redeemable Optionally Convertible Preference Share (OCPS) of face value of Rs. 10/- each with option of cumulative and non-cumulative to SIDBI.

Company had issued 62,000 Class B Equity Share of Rs. 100/- each as follows:

- i. 2,000 equity shares to Partners of Shikhar Trust.
- ii. 60,000 equity shares to Shikhar Development Foundation.

The Authorized Share Capital of the Company is Rs. 10,00,00,000/- (Rupees Ten Crores) divided into:

- 1) 320,000 class "A" equity shares of Rs. 100/- each carrying 49% of the total voting rights at all times.
- 2) 380,000 class "B" equity shares of Rs. 100/- each carrying 51% of the total voting right at all times.
- 3) 30,00,000 Redeemable Optionally Convertible Preference Shares (OPCS) of face value of Rs. 10/- each with option of cumulative and non-cumulative.

7. DIVIDEND

Keeping in view the future fund requirement of the company, no dividend has been declared to the equity shareholders' of the Company. However in terms of the Shareholders Agreement with SIDBI the Company has paid interim dividend to its Preference Shareholders' on its 9% OPCS for the FY 12-13.

8. AUDITORS REPORT

The reports of the Statutory Auditor along with financial result of the company for the year ended 31st March, 2013 are herewith enclosed. Further no reservation, qualification or adverse remarks were found on the same.

9. PUBLIC DEPOSIT

Your Company has not accepted any public deposit and, as such, no amount of principal or interest was outstanding as on the balance sheet date.

10. DIRECTORS RESPONSIBILITY STATEMENT U/S 217 (2AA)

As required under section 217 of the Companies Act, 1956, the Directors hereby confirm the following:

- i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) 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 2012-13 and of the profit of the Company for that period;
- iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) The Directors have prepared the annual accounts on a going concern basis.

11. HUMAN RESOURCES COMMITTEE

The Human Resources Committee (HRC) is created by the Board of Directors of the Company to:

- Oversee the Company's compensation and benefits policies generally;
- Evaluate CEO/ MD performance and review the Company's management succession plan;
- Oversee and set compensation for the Company's executive officers;
- Review and discuss the Company's compensation discussion and analysis and provide a recommendation to the Board.

12. Finance and Audit Committee

The Board of the Company has constituted a Finance and Audit Committee to:

- oversee the Company's Financial, internal control and audit policies generally;
- Evaluate financial performance and review the Company's operational plan;
- Oversee and set company's standards for effective financial management;
- Discharging any other responsibilities handed by the board from time to time.

Place: New Delhi

Date: 05/09/2013

For and on behalf of Board

SD/-
(Cherian Thomas)
Chairman

Annexure to the Directors Report

MANAGEMENT DISCUSSION AND ANALYSIS REPORT**ECONOMIC SCENARIO**

The global economy wore a disappointing outlook during the year. The Sovereign debt crisis in the Dollar Zone, weakening of rupee against the dollar and hike in the crude oil price further weakened the growth prospect of the country.

The Indian economy is estimated to have registered a growth rate of 5.0 percent in 2012-13 in terms of gross domestic product, following a growth of 6.2 percent in 2011-12. Growth in 2011-12 and 2012-13 is on the lower side, in the context of the decadal average of 7.9 per cent during 2003-04 to 2012-13. This is attributable mainly to weakening industrial growth in the context of tight monetary policy followed by the Government of India and the Reserve Bank of India, and continued uncertainty in the global economy. There has been a reduction in the repo rate by the RBI by 50 basis points in April 2012 and by 25 basis points in January 2013.

Indian economy highlights:

1. The growth rate comes below 5% in 2012-13.
2. Indian Rupee weakened against US dollar to its historically low level of near Rs. 69 per dollar.
3. RBI cut repo rate by 50 basis points in April, 2012 and by 25 points in January, 2013.

India's economic growth is expected to pick up a faster pace in 2013-14 and record six per cent plus levels of gross domestic product (GDP), according to Mr C Rangarajan, Chairman, Prime Minister's Economic Advisory Council (PMEAC).

INDUSTRY STRUCTURE AND DEVELOPMENT

The Microfinance sector is undergoing a phase of transition now. The MFIs have started giving more attention to the importance of keeping a balance between financial sustainability for their operations and client level improvements of their credit services.

Despite India having one of the largest programmes for poverty alleviation like IRDP (Integrated Rural Development Program), its achievements have been limited. Regional Rural Banks promoted by Nationalized Banks and Commercial Banks, the National Bank for Agriculture and Rural Development (NABARD) and other financial institutions have also reached only certain segments and areas of population.

It is thus clear that NGOs, MFIs, the concerned government departments and the poor themselves have to work together in order to bring about meaningful change. But this can happen only with increased collaboration between these agencies. This requires a common platform which can enable a qualitatively better dialogue, especially between the MFIs and the government departments.

FINANCIAL AND BUSINESS REVIEW

Microfinance has been acknowledged as an effective tool for rural upliftment and development the world over. Microfinance enables the poor to have access to much-needed finance, which goes to long way towards the betterment of their lives. Several MFI (Microfinance Institution) models, primarily promoted by Non-Government Organizations' (NGOs), have been working independently for a long time in India too.

SMPL is working as Microfinance Institution, registered with Reserve Bank of India as NBFC. In spite of limited resources, our Company performed extremely well in every aspect for dynamic increase of interest income. Interest Revenues have now climbed to a high of Rs.349.14 lacs in F.Y. 2012-13 as against of Rs. 227.52 lacs in F. Y. 2011-12. The prudent approach helped the company increase its net profits after tax to Rs 29.48 lacs from Rs 16.11 lacs in F.Y. 2011-12 reflecting an increase of more than 50 %.

SMPL has been able to bring in higher operating efficiencies within the company based on the understanding and strength of our superior knowledge of local markets and efficient, proactive and conservative approach.

FUTURE OUTLOOK

Till the fiscal year 2017-18, SMPL is planning to expand its client base to 100,000. Company is also on a way to increase its loan portfolio outstanding to Rs. 100 crore.

Particulars	2013-14	2014-15	2015-16
Active Loan Clients	39311	70500	93600
Branches	24	30	36
Total Loan Officers	114	138	159
Total Staff	228	268	303
Case Load / Loan Officer	345	511	589
Total Loan Disbursed (Rs. in crs.)	43.24	77.55	102.96
Total Loan Outstanding (Rs. in crs.)	40.77	75.72	109.00

RISKS & CONCERNS

Being a Microfinance company, SMPL is exposed to specific risks that are particular to its business and the environment within which it operates, including interest rate volatility, economic cycle, credit risk and market risk. The most important among them are credit risk, market risk and operational risk. The measurement, monitoring management of risk remains key focus areas for the company.

SMPL has laid down stringent credit norms through the Lending Policy Framework approved by the Board. The company maintains a conservative approach and manages the credit risk through prudent selection of clients, delegation of appropriate lending powers and by stipulating various prudential limits.

MANAGEMENT INFORMATION SYSTEM

Shikhar implemented Jayam solution's software Financial Information Monitoring Organizer (FIMO) in September 2010.

Currently all the branches do collections on a system generated collection sheet, they are provided the collection sheets on a weekly basis. Basic reports like outstanding, collections and PAR etc. are being generated by FIMO, however a lot of reports are still pending like social indicators, PPI, loan utilization etc. HR, accounts and fund modules have also been given and data is being populated.

TRAINING AND CAPACITY BUILDING

Gender Training facilitated by Mr. Raaj Mondal (Let her Live-Initiative) was conducted for Shikhar staff. The team was made aware of the inequality prevailing on the basis of Gender in our society and measure and steps to curb the same.

Two Day workshop on Microfinance Risk Management was organised by IFC Advisory Services on 30 & 31 August'12. Shikhar was represented by two senior staff.

Code of Conduct orientation was also organised for all staff in different locations and groups, in order to facilitate better understanding among the staff and ensure better implementation in the field.

Workshop on Governance was attended by senior management staff, organized by Annanya and conducted by Micro Save.

Staff orientation was organized twice for new staff in December 2012 and February 2013.

RESPONSIBILITY FOR THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Board of Directors have reviewed the Management Discussion and Analysis prepared by the Management. Statement in this report of the Company's objective, projections, estimates, exceptions, and predictions are forward looking statements subject to the applicable laws and regulations. The statements may be subjected to certain risks and uncertainties. Company's operations are affected by many external and internal factors which are beyond the control of the management. Thus the actual situation may differ from those expressed or implied. The Company assumes no responsibility in respect of forward looking statements that may be amended or modified in future on the basis of subsequent developments, information or events.

Place: New Delhi

Date: 05/09/2013

For and on behalf of Board

SD/-
(Cherian Thomas)
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**SHIKHAR MICROFINANCE PRIVATE LIMITED****1. Report on Financial Statements**

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

2. Management's Responsibility for the Financial Statements

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

3. Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

4. Opinion

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

- (a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) In the case of the Profit and Loss Account, of the profit/ loss for the year ended 31st March, 2013; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended 31st March, 2013.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Statement of Profit and Loss and the Cash Flow Statement comply with the applicable Accounting Standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For Mallya Shenoy & Associates
Chartered Accountants
FRN 015276N

Place: New Delhi
Date: 05/09/2013

U Ganesh Mallya
(Partner)
Membership No. 205397

The Annexure referred to in paragraph 1 of the our Report of even date to the members of Shikhar Microfinance Private Limited on the accounts of the company for the year ended 31st March, 2013.

1. (a) The Company is generally maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) As explained to us, the management has physically verified the fixed assets of the Company during the end of the year and no material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us, the Company has not disposed off substantial part of its fixed asset during the year having effect on going concern.
2. We were informed that nature of business of the Company is such that the provisions of sub-clauses (a) (b) & (c) of clause 4(ii) of the said order relating to inventory management are not applicable.
3. (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and the provisions of sub clauses (a) to (d) of the clause 4(iii) of the Order are not applicable to the Company.

(b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, to companies during the year from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of sub clauses (e) to (f) of clause 4(iii) of the Order are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there are 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 for the sale of the services. Further, on the basis of our examination and according to the information and explanations given to us, no major weakness in the aforesaid internal control system has been noticed.
5. (a) According to the information and explanations given to us we are of the opinion that during the year the particulars of contracts/arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of Rupees Five Lacs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant times.

6. As the Company has not accepted any deposits from the public during the year within the meaning of section 58A and Sec 58AA or any other relevant provisions of the Companies Act, 1956, clause 4(vi) of the Order is not applicable to the company.
7. In our opinion, the internal control system of the company needs to be strengthened considering the size and nature of Business. Company should draw specific attention to the transactions involving huge cash and maintenance & processing of Loan Documents. Company has introduced internal audit system in its branches.
8. We are informed that Maintenance of Cost Records under Section 209 (1) (d) of the Companies Act, 1956 has not been prescribed by the Central Government for this company. Therefore the provisions of clause 4(viii) of the Companies(Auditors Report) order are not applicable to the company.
9. (a) According to the information and explanations given to us and the records of the Company examined by us, the Company has been generally regular, in depositing undisputed statutory dues including provident fund employee's state insurance dues and other material statutory dues as applicable with the appropriate authorities except in few instances where there have been delays. Undisputed statutory dues at the year end, outstanding for a period of more than six months from the date they became payable. Are as follows-

Particulars	Amount (In Rs.)
Provident Fund	19,884/-
Employee's State Insurance	1,794/-

Note: The above liability had been paid on 21 August 2013.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no disputed dues in respect of provident fund, employee's state insurance, wealth tax, service tax, cess, income tax and other material statutory dues which have not been deposited.

10. According to the information and explanations given to us and as per the records of the Company examined by us, the Company has accumulated losses of Rs. 39.98 Lacs as at 31st March, 2013. Company has not incurred any cash losses during the financial year 2012-13.
11. According to the records of the Company examined by us and on the basis of information and explanations provided to us, the Company has not defaulted in repayment of dues to any financial institution / bank and company has not issued any debentures during the year, accordingly clause 4(xi) of the order is not applicable.

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities, accordingly clause 4(xii) of the Order is not applicable.
13. The Company is not a chit fund / nidhi / mutual benefit fund/ society to which the provisions of special statute relating to chit fund are applicable; accordingly clause 4(xiii) of the Order is not applicable.
14. As the Company is not dealing or trading in shares, securities, debentures and other investments, paragraph 4 (xiv) of the Order are not applicable.
15. In our opinion and according to the information and explanations given to us, the Company has not given any guarantees during the year for loans taken by others from the banks or financial institutions.
16. In our opinion and according to the information and explanations given to us, prima facie the term loans raised during the year have been applied for the purpose for which the loan were obtained.
17. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that funds raised on short term basis have not been used during the year for long term investment.
18. According to the information and explanations 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.
19. According to the information and explanations given to us, the company has not issued any debentures during the year under audit. Accordingly, the provisions of clause (xix) of paragraph 4 of the aforesaid Order are not applicable to the company.
20. The company has not raised any money by public issue during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year nor we have been informed of such case by the management.

**For Mallya Shenoy & Associates,
Chartered Accountants
FRN: 015276N**

**U Ganesh Mallya
(Partner)**

Membership No. : 205397

Place: New Delhi
Date: 05/09/2013

SHIKHAR MICROFINANCE PVT LTD (PREVIOUSLY KNOWN AS ANUP LEASING PVT LTD) BALANCE SHEET AS AT MARCH 31, 2013			
			In `
	Note No.	As at March 31,2013	As at March 31,2012
I. Equity And Liabilities			
Shareholders' funds			
(a) Share capital	3	87,451,800	51,251,800
(b) Reserves and surplus	4	(3,997,799)	(5,983,684)
		83,454,001	45,268,116
Non-current liabilities			
(a) Long Term Borrowings	5	66,477,270	28,682,860
(b) Deferred tax liability (Net)	6	50,221	54,867
(c) Other Long Term Liabilities	7	557,674	777,868
(d) Long Term Provisions	8	433,090	308,274
		67,518,255	29,823,869
Current liabilities			
(a) Other current liabilities	9	80,784,184	55,877,492
(b) Short-term provisions	10	1,807,746	2,652,360
		82,591,930	58,529,852
TOTAL		233,564,186	133,621,838
II. ASSETS			
Non-current assets			
(a) Fixed assets			
(i) Tangible assets	11	1,343,199	1,239,831
(iii) Capital work-in-progress	11	-	204,000
		1,343,199	1,443,831
(b) Long Term Loans & Advances	12	1,321,183	703,199
(c) Other Non Current Assets	13	179,992	227,990
Total Non Current Assets		2,844,374	2,375,020
Loan Portfolio	14	176,034,515	126,899,047
Current assets			
(a) Cash and bank balances	15	51,508,639	2,637,944
(b) Short-term loans and advances	16	398,364	100,122
(c) Other current assets	17	2,778,293	1,609,705
Total Current Assets		54,685,297	4,347,771
TOTAL		233,564,186	133,621,838

Significant Accounting Policies
Notes on Financial Statements

1 to 35

As per our report of even date.

For Mallya Shenoy & Associates
Firm Reg No.015276N
Chartered Accountants

For and on behalf of the Board of Directors Of
Shikhar Microfinance Pvt Ltd.

(U Ganesh Mallya)
Partner
M.No.205397

Ravi Shankar Kumar
Company Secretary
M.No.A32681

Satyavir Chakrapani
Managing Director & CEO

Thomas Vinoy Thomas
Director & CFO

Place: New Delhi
Date : 05/09/2013

SHIKHAR MICROFINANCE PVT LTD
(PREVIOUSLY KNOWN AS ANUP LEASING PVT LTD)
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

In `

Particulars	Note	For year ended March 31, 2013	For year ended March 31, 2012
I. Income			
Revenue from operations	18	36,688,186	30,242,642
Other income	19	723,019	750,627
Total Income (I)		37,411,206	30,993,269
II. Expenses:			
Employee benefit expenses	20	15,645,327	13,187,738
Finance Cost	21	13,916,434	10,299,188
Depreciation & Amortization expense	22	397,832	374,858
Provision for Microfinance Loans	23	(553,366)	762,655
Other expenses	24	4,971,707	4,399,620
Total expenses(II)		34,377,934	29,024,059
Profit before exceptional and extraordinary items and tax (I-II)		3,033,272	1,969,211
III. Exceptional items			
Prior period expenses		2,356	59,042
(Profit)/ Loss on sale of assets		-	(1,955)
Loss of Currency in transit		-	330,602
V. Profit before extraordinary items and tax (III-IV)		3,030,916	1,581,522
VI. Extraordinary Items			
Excess provision of earlier years written back		-	(56,202)
		-	(56,202)
VII. Profit Before Tax (V- VI)		3,030,916	1,637,724
VIII. Tax expense:			
Current tax(Minimum Alternate Tax)		462,528	440,000
MAT Credit Entitlement		(375,746)	(435,544)
Net Current Tax Expenses		86,782	4,456
Deferred tax		(4,646)	22,252
IX. Profit After Tax (VII-VIII)		2,948,780	1,611,016
X. Earnings per equity share (face value Rs 100):			
Basic and Diluted Earning Per Share	26	3.52	3.14

SIGNIFICANT ACCOUNTING POLICIES
NOTES ON FINANCIAL STATEMENTS

1 TO 35

As per our report of even date.

For Mallya Shenoy & Associates
Firm Reg No.015276N
Chartered Accountants

For and on behalf of the Board of Directors Of
Shikhar Microfinance Pvt Ltd.

(U Ganesh Mallya)
Partner
M.No.205397

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Place: New Delhi
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SHIKHAR MICROFINANCE PVT LTD
(PREVIOUSLY KNOWN AS ANUP LEASING PVT LTD)
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

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SIGNIFICANT ACCOUNTING POLICIES
NOTES ON FINANCIAL STATEMENTS

1 TO 35

As per our report of even date.

For Mallya Shenoy & Associates
Firm Reg No.015276N
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For and on behalf of the Board of Directors Of
Shikhar Microfinance Pvt Ltd.

(U Ganesh Mallya)
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Satyavir Chakrapani
Managing Director & CEO

Thomas Vinoy Thomas
Director & CFO

Place: New Delhi
Date : 05/09/2013

SHIKHAR MICROFINANCE PVT LTD
(PREVIOUSLY KNOWN AS ANUP LEASING PVT LTD)
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

PARTICULARS	FOR THE YEAR ENDED 31.03.2013	FOR THE YEAR ENDED 31.03.2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxation and extra ordinary items	3,030,916	1,640,564
Adjustment for:		
Depreciation	349,834	326,860
Preliminary Expenses Written Off	47,998	47,998
Net Loss/(Profit) on sale of Fixed Assets	-	(1,955)
Royalty expenses for software	204,000	-
Provision for non-recovery of insurance claim	10,000	-
Loss of Currency in Transit	-	330,602
Provision for Microfinance Loan Loss	(553,366)	762,655
Operating Profit before Working Capital changes	3,089,382	3,106,724
Adjustments for:		
Decrease/(Increase) in Loans Portfolio	(49,135,468)	(41,128,713)
Decrease/(Increase) in Current Assets and Loans & Advances	(1,476,832)	(540,077)
Increase/(decrease) in Short Term Provisions	206,297	
Increase/ (Decrease) in other Current Liabilities	2,821,221	307,247
Increase/ (Decrease) in Other Long Term Liabilities	(220,194)	
Increase/(Decrease) in Long Term Loans & Advances	(9,545)	
Cash generated from operations	(44,725,139)	(38,254,819)
Less: Direct Taxes paid	1,067,950	67,271
Net Cash Flow from operating activities Before extraordinary items	(45,793,089)	(38,322,090)
Extraordinary items	-	2,840
Net Cash Flow from operating activities	(45,793,089)	(38,324,930)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(453,202)	(518,148)
Amount placed in bank deposits not considered as cash & cash equivalents(net)	(41,812,000)	25,925,000
Net Cash Flow from Investing activities	(42,265,202)	25,406,852
CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Shares :		-
Equity Share Capital	6,200,000	
Preference Share Capital	30,000,000	
Secured Borrowings(Net)	56,005,561	(20,343,063)
Unsecured Borrowings(Net)	2,911,425	33,319,538
Net Cash Flow from Financing Activities	95,116,986	12,976,475
Net Increase in cash/ cash equivalents	7,058,694	58,397
Add: Cash and Cash equivalents at the beginning of the year	1,637,945	1,579,548
Cash & cash equivalents at end of period	8,696,639	1,637,945

For Mallya Shenoy & Associates
Firm Reg No.015276N
Chartered Accountants

For and on behalf of the Board of Directors of
Shikhar Microfinance Pvt Ltd.

(U Ganesh Mallya)
Partner
M.No.205397

Ravi Shankar Kumar
Company Secretary
M.No.A32681

Satyavir Chakrapani
Managing Director & CEO

Thomas Vinoy Thomas
Director & CFO

Place: New Delhi
Date : 05/09/2013

Notes to financial statements for the year ended March 31, 2013**1. COMPANY BACKGROUND**

Shikhar Development Foundation (SDF) the not for profit Microfinance Institution registered as a Trust under the Indian Trust Act, 1882, came into existence with intent to develop and implement community focused development interventions. SDF envisaged to leverage the benefits of micro-lending to the marginalized rural and urban communities through sequential lending providing both savings and loan facilities at various levels.

SDF in its Board Meeting held on November 22, 2008 decided to acquire a Non-Banking Finance Company (NBFC) for undertaking its microfinance operations & it was decided that a SPV in the form of a for-profit trust would be created to invest into the NBFC.

Accordingly, Partners of Shikhar Trust (POST), a private mutual benefit trust was registered to act as a Special Purpose Vehicle for acquiring shares of Anup Leasing Pvt. Ltd., (ALPL), NBFC registered in Delhi and incorporated on February 16, 1993. The ownership and control of NBFC was transferred on March 25, 2009 through transfer of shares of the previous shareholders.

ALPL has also received approval from both RBI in December 2010 and Ministry of Corporate Affairs in October 2010 for change of its name from Anup Leasing Pvt. Ltd. to Shikhar Microfinance Private Limited (SMPL).

The present authorized share capital of SMPL is Rs. 1000 lacs divided into:

- a) Class "A" equity shares total 320,000 equity shares of Rs. 100/- each, the total voting rights of all Class A shares will be equal to 49% at all times.
- b) Class "B" equity shares total 380,000 equity shares of Rs. 100/- each, the total voting rights of all Class B shares will be equal to 51% at all times.
- c) 30,00,000 Redeemable Optionally Convertible Preference Shares (OCPS) of face value of Rs. 10/- each with option of Cumulative and Non-cumulative.

Nature of Operations

Shikhar Microfinance Pvt Ltd ("the Company") is engaged in micro finance lending activities for providing small loans to target clientele for income generation and debt redemption purposes using the Joint Liability Group (JLG) methodology. SMPL also provides insurance coverage (through tie-up with insurance services providers) in line with the loan amount extended to the target clients.

All financial transactions are conducted in the group meetings organized near the habitats of these women. The operations, in the initial stages of group formation, involves efforts on development training on financial discipline, and constant monitoring through fortnightly meetings and providing financial and support services at the doorsteps of the borrowers to ensure high rates of recovery. The Company follows collection process for recovery of loans and interest accrued thereon at the choice of the borrower, either weekly, fortnightly or monthly. The Company has provided insurance cover to all the borrowers in association with various insurance companies.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Preparation of Financial Statements

The financial statements have been prepared to comply in all material respects with the accounting standards notified by Companies (Accounting Standards) Rules, 2006 (as amended), relevant provisions of the Companies Act, 1956 and the provisions of the Reserve Bank of India as applicable to a non banking financial company. Financial Statements have been prepared under the historical cost convention on an accrual basis.

B. Use of Estimates

The preparation of financial statements, in accordance with the generally accepted Accounting Principles, require the management to make estimates and assumptions that effect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of financial statements, reported amount of expenses and revenues of the year and the amortized amount of preliminary expenditure of the year. Actual results could differ from these estimates. Any revision to accounting estimate is recognized prospectively in current and future at the date of the financial statements.

C. Cash & Cash Equivalents

Cash & cash equivalents for the purpose of cash flow statement comprises cash on hand, cash in bank, fixed deposits and other short term highly liquid investments with an original maturity of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of change in value.

D. Cash Flow Statement

Cash flow are reported using the indirect method whereby cashflows from operating, investing & financing activities of the company are segregated and profit before tax is adjusted for the effect of transactions of non-cash nature or any deferrals or accruals of past or future cash receipts or payments.

E. Fixed Assets

All fixed assets are stated at cost less accumulated depreciation and impairment loss. Cost is inclusive of all costs relating to the acquisition, pre-operational expenses and installation of fixed assets to bring the assets to working condition for intended use.

F. Depreciation

- i) Depreciation on all fixed assets of the Company is provided on written down value method at the rates specified in schedule XIV of the Companies Act, 1956.
- ii) Assets costing less than Rs.5,000/- individually are fully depreciated in the year of purchase.

G. Impairment of Assets

The Company identifies impairable assets based on individual assets or cash generating unit concept at the year-end in terms of Para 5.13 of AS-28 issued by the ICAI for the purpose of arriving at impairment loss thereon, if any, being the difference between the book value and

recoverable value of relevant assets. Impairment loss when crystallizes is charged against revenue of the year.

H. Revenue Recognition

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

- (i) Interest income on all loans given which are standard is recognized under accrual basis. Income on non-performing loans is recognized only when realized and any interest recognized and remaining unrealized on such loans becoming non performing is reversed.
- (ii) Interest income on deposits with banks is recognized on an accrual basis taking into account the amount outstanding and rate applicable.
- (iii) Processing fees on loans are recognized on an upfront basis.

All other income is recognized on an accrual basis

I. Classification of Loan Portfolio

(i) Loans are classified as follows:

- (a) Standard Assets Overdue for less than 30days
- (b) Non Performing Assets
 - Sub-Standard Assets Overdue for 31 days – 180 days
 - Doubtful Assets Overdue for 181 days – 365 days
 - Loss Assets Overdue for more than 365 days and are adversely affected or irrecoverable.

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

(ii) Provisioning Policy for Portfolio Loans & Advances

- (i) Provisions for non performing assets are made as per the management’s estimates, subject to the minimum provision required as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time. Provisioning norms adopted by the Company is as follows:

Asset Classification	Overdue Period	Provisions as per RBI Norms	Estimated Provision Adopted by the Company
Standard	Less than 30 days	0.25%	0.25%
Sub-Standard	31 – 90 days	0.25%	0.25%
Sub-Standard	91 – 180 days	0.25%	25.00%
Doubtful	181 – 365 days	10%	50.00%
Loss Assets	1 Year & above	100%	100.00%

However the company does not make provisions for the cases in which death of a borrower has occurred as the company gets all the borrowers insured and complete amount is recoverable from the insurance companies.

J. Expenditure

The provision is made for all the known losses and liabilities.

K. Income Taxes

- i) Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of Income Tax Act, 1961.
- ii) As per Accounting Standard (AS) 22 issued by The Institute of Chartered Accountants of India (ICAI), Deferred Tax resulting from "Timing Difference" between accounting and taxable profits/(losses) is accounted for using the tax rates and laws that have been enacted or substantially enacted as on the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty sufficient future taxable income will be available against which such deferred tax assets can be realized In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realized.

L. Employee Benefits

- Defined Contribution Plan
Company's contribution to Provident Fund, ESIC are considered as defined contribution plans and are charged to the Statement of Profit & Loss as they fall due, based on the amount of contribution required to be made.
- Compensated Absences
Based on the leave rules of the company, employees are not permitted to accumulate leaves. Any unavailed privilege leave to the extent encashable is paid to the employees and charged to the statement of Profit & Loss for the year.
Except above benefits, the company does not provide any other long term benefits to the employees.

M. Provisions

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events: it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Contingent liabilities are not recognized, but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

SHIKHAR MICROFINANCE PVT LTD
Notes to Financial Statements for the year ended March 31, 2013

3 Share Capital

Particulars	As at March 31, 2013		As at March 31, 2012	
	Nos.	In `	Nos.	In `
<u>AUTHORISED</u>				
Equity Share Capital				
Class "A" equity shares of `100 each	320,000	32,000,000	320,000	32,000,000
Class "B" equity shares of `100 each	380,000	38,000,000	380,000	38,000,000
	700,000	70,000,000	700,000	70,000,000
Preference Share Capital				
9% Redeemable Optionally Convertible Preference Shares	3,000,000	30,000,000	-	-
	3,000,000	30,000,000	-	-
<u>ISSUED, SUBSCRIBED AND PAID-UP</u>				
Equity Share Capital				
Class "A" equity shares of `100 each	250,001	25,000,100	250,001	25,000,100
Class "B" equity shares of `100 each	324,517	32,451,700	262,517	26,251,700
	574,518	57,451,800	512,518	51,251,800
Preference Share Capital				
9% Redeemable Optionally Convertible Preference Shares of `10 each	3,000,000	30,000,000	-	-
	3,000,000	30,000,000	-	-

- i) Rights attached with different classes of shares :-
- Class "A" equity shares total 320,000 equity shares of `100/- each, the total voting rights of all Class A shares will be equal to 49% at all times.
 - Class "B" equity shares total 380,000 equity shares of `100/- each, the total voting rights of all Class A shares will be equal to 51% at all times.
- ii) Dividend on 9% Optionally Convertible Preference Shares (OCPS) is to be paid within 3 months from the close of Financial Year. Dividend, if not paid, will be cumulative in nature. Dividend distribution tax and other statutory charges and levies thereon would be borne by the company. In case, SIDBI decides to convert outstanding OCPS into equity shares, either in full or in parts, OCPS would be converted into Equity Shares at break-up value (book value) of MFI based on Last Financial Year's audited results. In case, SIDBI decides not to convert OCPS into equity shares or converts only part of OCPS into equity, then OCPS would be redeemable as follows:
- 50% of outstanding OCPS at the end of 4 years.
 - Remaining 50% outstanding OCPS at the end of 5 years.
- Any dividend payable/ unpaid would also be paid along with redemption of OCPS.

3.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

Particulars	As at March 31, 2013		As at March 31, 2012	
	Number	In `	Number	In `
Class "A" Shares				
Equity Shares of ` 100 each				
Outstanding at the beginning of the year	250,001	25,000,100	250,001	25,000,100
Issued during the year	-	-	-	-
Bought back during the year	-	-	-	-
Class "A" Shares Outstanding at the end of the year	250,001	25,000,100	250,001	25,000,100
Class "B" Shares				
Equity Shares of ` 100 each				
Outstanding at the beginning of the year	262,317	26,231,700	262,517	26,251,700
Issued during the year	62,000	6,200,000	-	-
Bought back during the year	-	-	-	-
Class "B" Shares Outstanding at the end of the year	324,317	32,431,700	262,517	26,251,700
9% Redeemable Optionally Convertible Preference Shares				
Preference Shares of ` 10 each				
Outstanding at the beginning of the year	-	-	-	-
Issued during the year	3,000,000	30,000,000	-	-
Bought back during the year	-	-	-	-
9 % Preference Shares Outstanding at the end of the year	3,000,000	30,000,000	-	-

3.2 Details of the Shareholders Holding more than 5% of the Share capital
Equity Shares of ` 100 each

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	Number	% of Holding	Number	% of Holding
Class "A" Shares				
Dia Vikas Capital Pvt. Ltd.	250,001	43.51%	250,001	48.78%
	250,001	43.51%	250,001	48.78%
Class "B" Shares				
Nijjar Finance Pvt. Ltd.	-	0.00%	210,000	40.97%
Shikhar Development Foundation	270,000	47.00%	-	0.00%
Partners of Shikhar Trust	54,317	9.45%	52,317	10.21%
	324,317	56.45%	262,317	51.18%
Total	574,318	99.97%	512,318	99.96%

9% Convertible Preference Shares of ` 100 each

Name of Shareholder	As at March 31, 2013		As at March 31, 2012	
	Number	% of Holding	Number	% of Holding
SIDBI	3,000,000	100.00%	-	-
	3,000,000	100.00%	-	-

SHIKHAR MICROFINANCE PVT LTD

Notes to Financial Statements for the year ended March 31, 2013

4 Reserves & Surplus

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
(a) Surplus in the statement of Profit & loss		
Opening Balance	(5,983,684)	(7,594,700)
Add : Profit for the year	2,948,780	1,611,016
Less: Proposed Dividend on Preference Shares	828,493	-
Less : Dividend Distribution Tax on Above	134,402	-
Total Current Year Profit after Dividend and DDT	1,985,885	1,611,016
Net surplus in the statement of Profit & loss	(3,997,799)	(5,983,684)
Total Reserves & Surplus	(3,997,799)	(5,983,684)

5 Long Term Borrowings

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Secured		
(a) Term Loans:-		
From Banks	43,750,000	-
From Other Parties	-	8,000,000
Unsecured Loans		
(a) Loans and advances from related parties	22,727,270	20,682,860
Total	66,477,270	28,682,860

5.1 Secured Loans mentioned above are secured by way of charge on Loan Portfolio of the company

5.2 Secured Loans from Banks have been further guaranteed by Managing Director, Mr. Satyavir Chakrapani and CFO, Mr.Thomas Vinoy Thomas.

6 Deferred tax liability (Net)

Particulars	As at March 31, 2012	As at March 31, 2011
	(` in Rupees)	(` in Rupees)
Deferred tax liability		
Related to depreciation on fixed assets	27,715	19,643
Related to Preliminary Expenses	45,421	35,224
	73,135	54,867
Deferred Tax Asset		
Related to Performance Incentives Payable to Employees	22,914	-
Total Deferred Tax Liability (Net)	50,221	54,867

7 Other Long Term Liabilities

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Trade Payables	-	-
Others *	557,674	777,868
Total	557,674	777,868

*Includes Staff Security Deposit

8 Long Term Provisions

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Contingent provision against Standard Assets	433,090	308,274
Total	433,090	308,274

9 Other Current Liabilities

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Current Maturities of Long term Borrowings (Note 9.1)	75,614,680	54,492,104
Statutory Remittances	695,137	317,825
Dividend Payable	828,493	-
Insurance payable to Clients	690,230	445,581
Others**	2,955,645	621,982
Total	80,784,184	55,877,492

** includes Employee benefit Expenses Payable, Interest Payable & other expenses Payable.

9.1 Current Maturities of Long term Borrowings comprises the following :-

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Secured		
(a) Term Loans:-		
From Banks	26,250,000	2,800,000
From Other Parties	8,000,000	11,194,439
Unsecured Loans		
(a) Loans and advances from related parties	41,364,680	40,497,665
Total	75,614,680	54,492,104

9.1.1 Secured Loans mentioned above are secured by way of charge on Loan Portfolio of the company

9.1.2 Secured Loans from banks have been further guaranteed by Managing Director, Mr. Satyavir Chakrapani and CFO, Mr. Thomas Vinoy Thomas.

10 Short Term Provisions

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Provision against Non-Performing Loans	1,541,449	2,219,631
Provision for Employee Benefits	266,297	60,000
Provision for MAT (Net of advance payment of tax)	-	372,729
Total	1,807,746	2,652,360

SHIKHAR MICROFINANCE PVT LTD

Notes to Financial Statements for the year ended March 31, 2013

11 Fixed Assets

(in `)

	Fixed Assets	Gross Block				Accumulated Depreciation				Net Block	
		Balance as at April 1, 2012	Additions	Disposals	Balance as at March 31, 2013	Balance as at April 1, 2012	Depreciation charge for the year	On disposals	Balance as at March 31, 2013	Balance as at March 31, 2013	Balance as at March 31, 2012
A	Tangible Assets										
	Furniture and Fixtures	590,653	146,209	-	736,862	154,462	88,650	-	243,112	493,750	436,191
	Office equipment	484,602	117,953	-	602,555	181,176	49,964	-	231,140	371,415	303,426
	Computers	934,741	189,040	-	1,123,781	434,527	211,220	-	645,747	478,034	500,214
	Total	2,009,996	453,202	-	2,463,198	770,165	349,834	-	1,119,999	1,343,199	1,239,831
B	Capital Work In Progress	204,000	-	204,000	-	-	-	-	-	-	204,000
	Total	204,000	-	204,000	-	-	-	-	-	-	204,000
	Total (A+B)	2,213,996	453,202	204,000	2,463,198	770,165	349,834	-	1,119,999	1,343,199	1,443,831

SHIKHAR MICROFINANCE PVT LTD
Notes to Financial Statements for the year ended March 31, 2013

12 Long Term Loans and Advances (Unsecured, Considered good)

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
a) Security Deposits	154,167	144,622
b) Advance payment of Income Tax (Net of provision)-Till Previous Year	118,604	123,033
c) Advance payment of Income Tax (Net of provision)-for Current Year	237,122	-
d) MAT Credit Entitlement	811,290	435,544
Total	1,321,183	703,199

13 Other non current assets

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Preliminary Expenses (to the extent not written off)	179,992	227,990
Total	179,992	227,990

14 Loan Portfolio

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
A. Portfolio Loans (Unsecured, Considered Good)		
Joint Liability Group Loans	174,399,613	126,883,929
Individual Loans	-	-
B. Portfolio Loans (Unsecured, Considered Doubtful)		
Joint Liability Group Loans	1,634,902	15,118
Individual Loans	-	-
Total	176,034,515	126,899,047

14.1 Bifurcation of Loan Assets as per current provisioning norms

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
(i) Standard Assets	173,474,540	123,482,645
(ii) Sub-Standard Assets	925,073	955,878
(iii) Doubtful Assets	278,591	818,812
(iv) Loss Assets	1,356,311	1,641,712
Total	176,034,515	126,899,047

SHIKHAR MICROFINANCE PVT LTD
Notes to Financial Statements for the year ended March 31, 2013

15 Cash & Bank Balances

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
Cash and Cash Equivalents		
Cash	33,357	11,522
Bank Balances	8,663,282	1,626,423
Total cash & cash equivalents	8,696,639	1,637,945
Other Bank Balances		
Fixed Deposits		
Fixed Deposits (with original maturity 6 months to 12 months)	34,000,000	-
Fixed Deposits (with original maturity more than 12 months)	4,800,000	-
Fixed Deposits (Under Lien) (with original maturity more than 12 months)	4,012,000	1,000,000
Total Other Bank Balances	42,812,000	1,000,000
Total Cash & Bank Balances	51,508,639	2,637,945

16 Short-Term Loans and Advances (Unsecured, Considered good)

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
i) Staff Advances	124,863	31,740
ii) Balance with Revenue Authorities	123,312	27,403
iii) Prepaid Expenses	150,190	40,978
Total Current Loans and Advances	398,364	100,121

17 Other current assets

Particulars	As at March 31, 2013	As at March 31, 2012
	(In `)	(In `)
i) Interest accrued on Loan Portfolio	1,582,206	1,215,610
ii) Interest accrued on Term Deposits & Fixed Deposit	471,309	110,579
iii) Preliminary Expenses (to the extent not written off)	47,998	47,998
iv) Recoverable from Insurance Company	690,602	340,602
Less: Allowance for Non Recovery	(340,602)	(330,602)
v) Net Recoverable from Insurance Company	350,000	10,000
vi) Recoverable from Staff against Theft	135,724	130,297
vii) PSIG Grant Receivable from SIDBI	100,799	-
Less: Grant Share Payable to Shikhar Development Foundation	44,575	-
Net Grant Receivable	56,224	-
viii) Others	134,832	95,221
Total	2,778,293	1,609,705

SHIKHAR MICROFINANCE PVT LTD
Notes to Financial Statements for the year ended March 31, 2013

18 Revenue from Operations

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Interest Income (Note 18.1)	34,914,654	27,752,635
Other Financial Services (Note 18.2)	1,773,532	2,490,007
Total	36,688,186	30,242,642

18.1 Interest Income comprises the following :

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Interest income on Loan Portfolio	33,332,448	26,537,025
Interest Accrued on Loan Portfolio	1,582,206	1,215,610
Total	34,914,654	27,752,635

18.2 Revenue from other financial services comprises the following :

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Income from Processing Fee	1,773,532	2,490,007
Total	1,773,532	2,490,007

19 Other Income

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Other Non Operating Income	723,019	750,627
Total	723,019	750,627

19.1 Other Non Operating Income comprises the following :

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Interest on Fixed Deposits (Gross)	711,568	678,042
Sale of Scrap	3,200	-
Interest on IT Refund	-	5,693
Interest on Staff Loan	3,462	-
Miscellaneous Receipts	4,790	66,893
Total	723,019	750,627

20 Employee Benefit Expenses

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Salaries & Allowances	13,419,910	11,046,517
Contribution to provident and other funds	1,707,207	1,759,707
Staff welfare expenses	518,210	381,514
Total	15,645,327	13,187,738

21 Finance Cost

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Interest Expenses	11,646,828	10,064,188
Fund Raising Expenses*	915,723	-
Other Borrowing Cost**	1,353,883	235,000
Total	13,916,434	10,299,188

* Fund Raising Expenses Includes conveyance, social rating and other similar charges incurred for raising funds.

** Includes loan processing and documentation charges and interest on staff security.

SHIKHAR MICROFINANCE PVT LTD
Notes to Financial Statements for the year ended March 31, 2013

22 Depreciation & Amortization expense

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Depreciation	349,834	326,860
Preliminary Expenses Written off	47,998	47,998
Total	397,832	374,858

23 Provision for Microfinance Loans

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Standard Assets	-678,182	-526,312
Non-Performing Assets	124,816	1,288,967
Total	(553,366)	762,655

24 Other Expenses

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Rent	1,113,126	1,097,085
Electricity and Water Charges	156,453	153,229
Repairs and Maintenance		
-Buildings	114,596	210,100
-Equipments	66,633	32,506
Insurance Charges	32,132	59,779
Travelling and Conveyance	1,333,774	1,259,163
Printing and Stationery	342,753	444,289
Communication Costs	546,935	517,489
Advertising and Publicity	708	12,304
Professional Fees	145,293	330,379
Bank Charges	180,840	134,716
Hospitality Expenses	18,104	37,572
Royalty	343,326	-
Commission and Brokerage	9,804	25,250
Board Meeting Expenses	21,088	-
Interest and penalties on Statutory Dues	41,486	-
ROC Filing Fees	260,100	-
Office Expenses	94,613	-
MFI Reports	16,104	-
Other Operating expenses	43,838	25,759
Auditors' Remuneration (refer Note 22.1 below)	90,000	60,000
Total	4,971,707	4,399,620

24.1 Break up of Auditors' Remuneration:

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Audit Fees	60,000	60,000
Tax Audit Fees	-	-
Other Services*	30,000	-
Total	90,000	60,000

*Includes Professional Fees for RBI compliance certificates.

25 Contingent Liabilities & Commitments

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Contingent Liabilities	-	-
Commitments	-	-
Total	-	-

26 Earning Per Share In Accordance with Accounting Standard 20

Particulars	For year ended March 31, 2013	For year ended March 31, 2012
	(In `)	(In `)
Net Profit After Tax	2,948,780	1,611,016
Less: Adjustment of Dividend and DDT on OCPS	962,895	-
Net Amount Available for Equity Shares	1,985,885	1,611,016
Weighted Average Number of Equity Shares	564,496	512,518
Basic & Diluted EPS	3.52	3.14

27. No interest has been paid/payable by the Company during the year to the suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006. The above information takes into account only those suppliers who have responded to enquiries made by the Company for this purpose.
28. The balances of receivables and payables are subject to confirmation and reconciliation. Pending such confirmation and reconciliation, the impact on accounts is not ascertainable at this stage.
29. The company is a Small and Medium sized Company (SMC) as defined in the General Instructions in respect of Accounting Standards notified under the Companies Act, 1956. Accordingly, the company has complied with the Accounting Standards as applicable to Small & Medium Sized Company. Segment Reporting as per AS 17 is not mandatory for the Company being an SMC company.
30. During the financial year company had issued 62,000 Class B Equity shares of Rs. 100/- each as follows:
- i) 2,000 equity Shares to Partners of Shikhar Trust
 - ii) 60,000 equity shares to Shikhar Development Foundation.
31. Board of Directors in their meeting held on 22nd July, 2013 had declared interim dividend on 30,00,000 9%, Optionally Convertible Preference Shares amounting to Rs. 9,62,895/- (Includes Dividend Distribution Tax of Rs. 1,34,402/-) in line with the terms of the Shareholder's Agreement entered into with Small Industries Development Bank of India.
32. During the year company has been granted financial assistance by SIDBI for Capacity Building activities under the Poorest States inclusive Growth Programme of PSIG Project. Financial Assistance receivable as on 31st March 2013 is Rs. 1,00,799/- out of which Rs. 44570/- is to be shared with Shikhar Development Foundation their contribution in Capacity Building Activities.

33. Employee Benefits

The Company has recognized the following amounts in the Profit and Loss Account towards contribution to defined contribution plans which are included under Contribution to Provident Fund-

(Amount in Rs.)

Particulars	2012-13	2011-12
Provident Fund	13,34,262	13,48,609

The Company makes annual contribution to the Employee's State Insurance. The Company has recognized following amounts in the Profit & Loss Account towards contribution to ESI –

(Amount in Rs.)

Particulars	2012-13	2011-12
ESI	3,72,300	4,10,353

The company has paid and provided for performance incentive to eligible employees. The Company has recognized in the Profit and Loss Account Rs. 4,00,457/- towards Performance Incentives and Rs. 12,149/- towards Leave Encashment for the FY 2012-13.

34. Related Party Disclosure- Accounting Standard 18:

A. Names of the related parties:

Key Management Personnel	Mr. Satyavir Chakrapani, Managing Director & CEO. Mr. Thomas Vinoy Thomas, Director & CFO
Parties having Significant influence	DiaVikas Capital Pvt. Ltd. Nijjar Finance Pvt. Ltd. Partners of Shikhar Trust Shikhar Development Foundation SIDBI Mihubb Advisory and Management Services Pvt. Ltd

B. Related Party transactions:
(Amount in Rs.)

	Key Management Personnel		Parties having Significant Influence			Total	
	March 31, 2013	March 31, 2012	March 2013	March 31, 2012	March 2013	March 31, 2012	
(i) Partners of Shikhar Trust							
Issue of Equity Shares			2,00,000		2,00,000		
(ii) SIDBI							
Issue of Preference Shares			3,00,00,000		3,00,00,000		
(iii) Dia Vikas Capital P Ltd							
Loan taken			5,00,00,000	5,85,40,000	5,00,00,000	5,85,40,000	
Loan Repaid			4,98,05,195	2,50,03,862	4,98,05,195	2,50,03,862	
Interest Paid on above			81,31,520	52,02,499	81,31,520	52,02,499	
Balance at the year end			6,15,91,950	6,11,80,525	6,15,91,950	6,11,80,525	
Interest Payable as on 31.03.13			18,11,468	-	18,11,468	-	

(iv) Nijjar Finance Pvt. Ltd.						
Loan taken			25,00,000		25,00,000	
Interest on above			2,43,115		2,43,115	
Balance at the year end			25,00,000		25,00,000	
Interest Payable as on 31.03.13			94,564		94,564	
(v) Shikhar Development Foundation (SDF)						
Portfolio Transfers(From SDF)			1,80,01,071		1,80,01,071	
Portfolio Transfers(To SDF)			2,60,95,1212,		2,60,95,121	
Payments Made to SDF			20,18,042		2,20,18,042	
PSIG (Grant sharing with SDF)			44,570		44,570	
Payment Received from SDF			2,84,22,217		2,84,22,217	
Adjustment of installments of previously transferred portfolios			16,89,880		16,89,880	
Balance at year end			44,575		44,575	
Issue of Equity Shares			60,00,000		60,00,000	
(vi) Mr. Satyavir Chakrapani	<u>Rs.11,26,776</u>	<u>Rs. 3,17,124</u>			<u>Rs.11,26,77</u>	<u>Rs. 3,17,124</u>
Managerial remuneration*	<u>p.a plus</u>				<u>6 p.a plus</u>	
	<u>Rs.57,600</u>				<u>Rs.57,600</u>	
	<u>(Spl. Allow.)</u>				<u>(Spl.Allow.)</u>	
(vii) Mr. Thomas Vinoy Thomas	<u>Rs.10,64,904</u>	<u>Rs. 5,99,352</u>			<u>Rs.10,64,90</u>	<u>Rs. 5,99,352</u>
Managerial remuneration*	<u>p.a plus</u>				<u>4 p.a plus</u>	
	<u>Rs.54,000</u>				<u>Rs.54,000</u>	
	<u>(Spl. Allow,)</u>				<u>(Spl.Allow,)</u>	
(viii) Mihubb Advisory and Management Services Pvt. Ltd						
Web Designing Services			39,326		39,326	

* Net remuneration borne by company

Note: Related party relationships are identified by the management of the company and relied upon by the auditors.

35. The previous year figures have been regrouped/ reclassified wherever necessary, to make them comparable.

As per our report of even date.

For Mallya Shenoy & Associates

of

Firm Reg No. 015276N

Chartered Accountants

For and on behalf of the Board of Directors

Shikhar Microfinance Pvt Ltd

Sd/-

(U Ganesh Mallya)

M.No.205397

Sd/-

Ravi Shankar Kumar

Company Secretary

M.No.A32681

Sd/-

Satyavir Chakrapani

Managing Director & CEO

Sd/-

Thomas Vinoy Thomas

Director & CFO

Place: New Delhi

Date: 05/09/2013