SARVODAYA NANO FINANCE LTD

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have great pleasure in presenting this Directors Report along with the Audited Accounts for the year ended 31st March 2017.

PERFORMANCE REVIEW

As on March 31, 2017, the total paid up share capital of the Company was ` 2511.79 lakhs, which was held by 103 Sarvodaya Mutual Benefit Trusts (SMBTs) and Community based organisations. The Company has started lending to the members of SHGs and individuals directly from 1st March 2012 at its 92 branches. During the year, the branches have extended loans of `19,230.36 Lakhs. The loans granted to SMBTs till 2011-12 have been repaid or written off.

SUMMARY OF OPERATING RESULTS

(` in Lakhs)

PARTICULARS	YEAR ENDED	
	31.03.2017	**31.03.2016**
Income from operations for the year	910.77	860.40
Other Income	11.07	22.97
Total Income	**921.84**	**883.37**
Profit before Financial Expenses, Preliminary expenses, Depreciation and Taxation	485.93	435.81
Less: Financial expenses	255.90	276.03
Operating profit before Preliminary expenses, Depreciation & Taxation	230.03	159.78
Less: Depreciation, Preliminary expenses written off	3.52	1.33
Profit before Taxation	**226.51**	**158.45**
Less: Current tax Provision relating to earlier years Deferred tax	77.99 - (0.50)	47.00 1.75 0.27
Profit after Taxation	149.02	109.43
Add: Balance brought forward	**-**	**-**
Profit available for appropriation	**149.02**	**109.43**

DIVIDENDS

No dividend is being recommended for the year ended 31st March 2017.

RESERVES

The total reserves and surplus has increased to `624.61lakhs as on 31-03-2017from `451.45lakhs as on 31-03-2016.

DESCRIPTION OF THE COMPANY'S WORKING

Earlier the Company was extending loans to Sarvodaya Mutual Benefit Trusts (SMBTs) for onward lending to women SHGs. After the guidelines of RBI in December 2011, it was decided that the Company would directly lend to members of SHGs and other individuals through its branches.

CHANGE IN NATURE OF BUSINESS IF ANY

NIL

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

NIL

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN AND COMPANY'S OPERATIONS IN FUTURE

None

INVESTMENT

NIL

DETAILS OF SUBSIDIARY/JOINT VENTURES/ASSOCIATE COMPANIES

The Company does not have subsidiary, joint venture or associate company

PUBLIC DEPOSITS

As per the Non-Banking Financial Companies (RBI Directions, 1998), the Directors hereby state that the Company did not accept any public deposits during the year and did not have any public deposits at the end of the year.

STATUTORY AUDITORS

AUDITORS' REPORT

The Auditors' report is annexed.

SHARE CAPITAL

There has been issue of 12,06,875 Equity Shares of `10 each during the year equivalent to `1,20,68,750.

EXTRACT OF THE ANNUAL RETURN

Attached

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

Since the Company does not carry out any manufacturing activity, but is engaged in activities of promotion of rural livelihoods, the particulars regarding conservation of energy, technology absorption and other particulars as required by the Companies (Accounts) Rules, 2014 are not applicable

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The provisions of the Companies Act 2013 are not applicable. However, the employees of the Company engage in several social activities like health camp, eye camp, awareness programmes, supply of drinking water and conduct of community marriages in association with ASSEFA and SMBTs.

BOARD OF DIRECTORS

The Board of the Company provides leadership and strategic guidance, objectively reviews management decisions and exercises control over the Company

CHANGES IN DIRECTORS AND KEY MANAGERIAL PERSONNEL

The appointment of Mr. R.Asokkumar as Chairman and Managing Director ends on 27-06-2017. He is not seeking extension. He is also resigning from the Board after the above date. Mr. R. Ramaswamy, Director and Ms. T.R.Prema, Director will be resigning from the Board with effect from 25-06-2017. Ms. B. Raghini is being appointed as Managing Director from 28-06-2017. Mr. Vijay Mahajan and Mr. L. Sridhar are being appointed as Directors.

DECLARATION BY AN INDEPENDENT DIRECTOR(S) AND RE- APPOINTMENT, IF ANY

Ms. Mona Dikshit has been appointed as Independent Directors with effect from 07-07-2014. Mr. L. Sridhar is being appointed as Independent Director with effect from 24-06-2017. A declaration by them that they meet the criteria of independence as provided in sub-section (*6*) of Section 149 of the Companies Act, 2013 have been obtained.

BOARD STRUCTURE:

The Board comprises of non-executive directors with considerable experience in their respective fields. The Company did not have any pecuniary relationships or material transactions with the Directors during the year.

S. No.	Name of Director	Executive / Non- Executive
1.	R. Asokkumar	Executive
2.	S. Loganathan	Non - Executive
3.	R. Ramaswamy	Non-Executive, Independent
4.	Mona Dikshit	Non-Executive, Independent
5.	T.R.Prema	Non-Executive

The structure of the Board will undergo change as mentioned earlier.

NUMBER OF BOARD MEETINGS

The Meetings of the Board of Directors are scheduled with proper notice and agenda, with explanatory notes being distributed in advance to the Board Members. The Board Meetings were held six times in the year 2016-17.

COMMITTEES:

SHARE ALLOTMENT COMMITTEE

The Company has constituted Share Allotment Committee comprising of two members. The Committee considers the various applications and makes allotment on pro rata basis periodically which is confirmed by the Directors at the immediate subsequent Board meeting.

AUDIT COMMITTEE

The Company has constituted an Audit Committee. The Audit Committee considers the quarterly and annual financial statements and places its report to the Board of Directors periodically.

EXECUTIVE COMMITTEE

The Company has constituted an Executive Committee to exercise powers of the Board of the Directors, between regularly, scheduled Board meetings or when it was not practical or feasible for the Board to meet. The Committee would meet on requirement and report the action taken to the Board.

RISK MANAGEMENT COMMITTEE

The Company has constituted a Risk Management Committee to assist the Board in fulfilling its responsibilities relating to risk management and compliance practices of the Company. The Committee is responsible for understanding of areas where the Company is or may be, exposed to risk and compliance issues and to review the adequacy and effectiveness of the Company's policies and procedures which relate to risk management and compliance, make recommendations to the Board on the appropriate risk management reporting requirements and advise to the Board on the Company level performance indicators and targets for risk management and compliance activities.

NOMINATION & REMUNERATION COMMITTEE

The Company has constituted a Nomination and Remuneration Committee to assist the Board in fulfilling its responsibilities relating to adoption of proper and fair HR practices.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

Nil

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

Mr. R. Asokkumar is the Chairman and Managing Director of the Company as well as the Chairman and Director of Sarva Jana Seva Kosh Limited (SJSK). Mr. Loganathan, Director of the Company is also the Executive Director of Association for Sarva Seva Farms (ASSEFA). Mr. L. Kumar, the son of Mr. Loganathan is the Managing Trustee of Sarva Seva Gramodhyog Samithi (SSGS) and Whole Time Director of SJSK. The Company has several transactions with the above parties. SJSK has invested in the equity of the Company and also has extended a line of credit of Rs. Twenty five crores. Considerable time is spent by the CMD and COO of the Company in managing the affairs of SJSK. The services of employees of Head Office SNFL are utilized for receipt and dispatch of mails and visit to Bank branches for conducting transactions. Taking these factors into account a certain percentage of the expenses incurred on the employees of the Company is sought as reimbursement from SJSK. The Company has several employees of ASSEFA on deputation in its ranks and the Provident Fund and Gratuity deductions are remitted to ASSEFA. Besides, the Company has taken a few premises belonging to ASSEFA on rent for its offices. The Company has also taken a premises on rent from Mr. L. Kumar. The details of approvals obtained in the last AGM and actual transactions with these entities and Mr. L. Kumar during 2016-17 are furnished below.

(Amount in `)

	Approvals obtained in AGM – 2016-17	Actuals for 2016-17
SJSK		
- Investment receipt	12,500,000	12,000,000
- Loan receipt	100,000,000	55,000,000
- Loan repayment	50,000,000	67,000,000
- Interest and other charges payable/to be provided	40,000,000	24,583,043
- Other receipts for services	5,000,000	1,144,992
ASSEFA		-
- Rent payment	900,000	480,000
- PF contribution payment	1,250,000	835,145
- Other payments for services	500,000	268,482
- Other receipts for services	25,00,000	-
SSGS		
- PF contribution receipt	20,000	-
Mr. L. Kumar		
- Rent paid	57,600	57,600
- Telephone Bill Paid	7,200	3,525

RISK MANAGEMENT POLICY

Risk is an unavoidable part of any business. Consequently, risk management is now an integral and essential part of business planning. Risk management is the logical and systematic method of identifying, analyzing, treating and monitoring the risks involved in any activity or process. The objective of risk management is to identify risks and minimize their effects through improved awareness of likelihood of occurrence and potential impact and implementation of appropriate mitigation plans. Risk management should

- be an integral part of organizational processes.
- be systematic and structured.
- create value.
- be dynamic and capable of improvement.

The Company is now lending to SHG members and individuals. While entertaining proposals from them, their credit history is obtained from Credit Information Bureaus and are evaluated in addition to the repayment capacity.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of the Companies Act, 2013 read with the Companies (Particulars of Employees) Rules, 1975 as amended, we have to report that during the year there were no employees in this category.

MANAGERIAL REMUNERATION

Salaries and allowances paid during the period to the Chairman and Managing Director amounted to `13,90,600 (Last year `13,07,213). The details are as follows:

(Amount in `)

Particulars	Current year (2016-17)	Last year (2015-16)
Basic Pay	720,000	720,000
Dearness Allowance	196,800	196,800
House Rent Allowance	216,000	216,000
Conveyance	10,800	10,800
Medical Reimbursement	15,000	15,000
Fuel Expenses	26,400	26,400
Telephone Expenses	15,000	15,000
Incentive	190,600	107,213
Total	**1,390,600**	**1,307,213**

DIRECTORS RESPONSIBILITY STATEMENT

The Directors would like to inform the members that the audited accounts containing the financial statement for the year ended 31st March, 2017 are in full conformity with the requirements of the Companies Act, 2013 and they believe that the financial statements reflect fairly the form and substance of the transactions carried out during the year. The Accounting operations are in conformity with the applicable provisions of the Companies Act, 2013, the Reserve Bank of India Act, Non-Banking Companies Directions and Accounting Standards issued by the Institute of

Chartered Accountants of India. These policies are detailed under the "Accounting Policies" in the Notes to Accounts.
Further, the Directors declare that:

The Annual Accounts have been prepared in consonance with the applicable accounting standards.

The Accounting policies as applied by Directors are consistent, and prudent so as to give a true and fair view of the Accounts of the Company.

Proper and sufficient care has been taken by them for maintenance of proper accounting Records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for detecting frauds and irregularities.

Accounts are prepared on a going concern concept basis.

ACKNOWLEDGEMENT

The Company is grateful for the co-operation and assistance extended by the Banks and financial institutions and also wishes to place on record its appreciation for the employees for their continuous and untiring efforts, hard work and dedication.

For and on behalf of the Board



R.Ashokkumar
Chairman of the Board

Place: Chennai
Date: 24.06.2017

V.NAGARAJAN & CO.,

Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SARVODAYA NANO FINANCE LIMITED

1. Report on the financial statements

We have audited the accompanying financial statements of **SARVODAYA NANO FINANCE LIMITED (the 'Company')**,which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and loss, the Cash Flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's responsibility for the financial statements

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

3. Auditor's responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

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, of the state of affairs of the company as at March 31, 2017 and its profit and its cash flows for the year ended on that date.

5. Report on other legal and regulatory requirements

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

ii. As required by section 143(3) of the Act, we report that:

a) Except for the matter disclosed in paragraph 5(ii)(g)(4) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

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

c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow statement dealt with by this report are in agreement with the books of accounts;

d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014,as amended;

e) On the basis of the written representations received from the directors as on March 31, 2017 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of sub-section (2) of section 164 of the Companies Act, 2013;

f) With respect to the adequacy of internal financial controls over financial reporting of the company and the operating effectiveness of such controls, refer to our separate report in "Annexure B" issued under Clause (I) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

g) With respect to the other matters to be included in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014,as amended, in our opinion and to the best of our information and according to the explanations given to us:

1) The company does not have any pending litigations which would impact its financial position.

2) The company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

3) There were no amounts which were required to be transferred to the Investor Education and Protection fund by the Company.

4) The Company has provided disclosures in Note 23 to the financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. The disclosures are in accordance with books of accounts maintained by the company and as produced to us by the management. Appropriate audit evidence are not available with regard to collections/deposits in bank for Rs.1,81,11,000/-.

For **V. Nagarajan & Co.,**
Chartered Accountants

Date: Chennai
Place: 24-06-2017.

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

(V. Nagarajan)
Partner
Firm Reg. No.: 04879N| M. No.:019959

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF SARVODAYA NANO FINANCE LIMITED [THE 'COMPANY']

[Referred to in Paragraph 5 (i) of our report of even date]

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

i. In respect of its fixed assets:

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

b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its business.

c) The company does not have any immovable property. Therefore, the paragraph 3(i)(c) of the order is not applicable to the Company.

ii. The Company is a Non-Banking Financial Company ('NBFC') engaged in the business of providing loans and does not have any inventory. Therefore, the paragraph 3(ii) of the order is not applicable to the Company.

iii. According to the information and explanation given to us, the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the paragraphs 3 (iii) (a), 3 (iii) (b) and 3(iii) (c) of the Order are not applicable to the company.

iv. The company has not made any loans or investments and so the provisions of Sec 185 and Sec 186 were not applicable.

v. Based on our audit and representation from management, we state that during this financial year, the Company did not accept any deposits and hence the company did not make any contravention of the directives issued by the Reserve Bank of India and the provisions of Companies Act, 2013 and the rules framed thereunder.

vi. To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under Section 148 (1) of the Act, in respect of the services rendered by the company. Accordingly, the provisions of clause 3 (vi) of the Order are not applicable

vii. In respect of its Statutory dues: According to the information and explanations given to us and on the basis of our examination of the records of the Company

a) amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, duty of customs, value added tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. No undisputed statutory amount payable in respect of Provident Fund, investor education and protection fund, income tax, sales tax, wealth tax, service tax, excise duty, customs duty, cess and other material statutory dues were in arrears as at March 31, 2017, for a period of more than six months from the date they become payable.

b) There are no material dues of income tax or sales tax or duty of customs or duty of excise or service tax have not been deposited with the appropriate authorities on account of any dispute.

viii. The company has not defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders.

ix. The company did not raise any money by way of initial public offer or further public offer and term loans were applied for the purposes for which those are raised.

x. We have been informed that during the year covered by our audit, following cases of frauds/Cash embezzlements were noticed or reported by the company:

Cash embezzlements by the employees of the Company aggregating to Rs.12,45,750/- were reported during the year to the extent detected by the Company.

xi. The managerial remuneration has been paid /provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act.

xii. In our opinion and according to explanation given to us, the company is not a nidhi company. Accordingly para 3(Xii) not applicable as required by applicable accounting standards.

xiii. The transactions with the related parties are in compliance with sections 177 and 188 of the Companies Act, 2013 and disclosed in the financial statements.

xiv. According to information and explanations given to us and based on examination of records the Company has made preferential allotment of shares during the year. The requirement of the Companies Act, 2013 have been complied with and the amount raised has been used for the purposes for which the funds were raised.

xv. According to information and explanations given to us the company has not entered into any non-cash transactions with directors or persons and persons connected with him and so, the provisions of section 192 of Companies Act, 2013 not applicable.

xvi. The company is registered as a Non-Banking Financial Company, under section 45I of the Reserve Bank of India Act,1934 and is holding a valid Certificate of Registration bearing (No.:-B-07.00756), dated 8th November, 2006.

Date: Chennai
Place: 24-06-2017

V. NAGARAJAN & CO. GURGAON 04879N Chartered Accountants

For **V. Nagarajan & Co.,**
Chartered Accountants

(V. Nagarajan)
Partner
Firm Reg. No.: 04879N| M. No.:019959

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE TO THE MEMBERS OF SARVODAYA NANO FINANCE LIMITED [THE 'COMPANY']

[Referred to in Paragraph 5 (ii)(f) of our report of even date]

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

We have audited the internal financial controls over financial reporting of **SARVODAYA NANO FINANCE LIMITED** ("the Company") as of 31 March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls:

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

Auditors' Responsibility:

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

Meaning of Internal Financial Controls over Financial Reporting:

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
(3) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting:

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

Opinion:

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **V. Nagarajan & Co.,**
Chartered Accountants

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

(V. Nagarajan)
Partner
Firm Reg. No.: 04879N| M. No.:019959

Date: 24-06-2017
Place: Chennai

SARVODAYA NANO FINANCE LIMITED

CIN: U65923TN2003PLC050614
Address: No. 279, Anna Anna Shanmugam Salai, Royapettah, Chennai -600 014.
Ph: 044-2813 0537/6529 2218, Telefax: 044-2813 1880,
Email: info@sarvodayanano.org.in, www.sarvodayanano.org.in

(All amounts in unless otherwise stated)

BALANCE SHEET AS AT	Notes	31-Mar-17	31-Mar-16
I. EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	251,178,510	239,109,760
Share Application Money		132,000	-
Reserves and surplus	4	62,461,267	45,145,396
		313,771,777	284,255,156
Non-current liabilities			
Long term borrowings	5	188,000,000	200,000,000
Deferred tax liabilities	6	-	18,812
Long term provisions	7	4,951,265	4,816,482
		192,951,265	204,835,294
Current liabilities			
Short-term borrowings	8	9,838,919	9,899,209
Other current liabilities	9	11,541,059	11,766,156
		21,379,978	21,665,365
		528,103,020	**510,755,815**
II. ASSETS			
Non-current assets			
Fixed assets	10		
Tangible assets		1,072,042	1,378,277
Deferred tax (net)	6	31,791	-
Other non-current assets	11	(422,985)	2,375,932
		680,848	**3,754,209**
Current assets			
Cash and cash equivalents	12	33,847,322	34,816,261
Loans - Unsecured	13	490,201,913	465,898,854
Short-term loans and advances	14	1,294,720	1,765,093
Other current assets	15	2,078,217	4,521,398
		527,422,172	**507,001,606**
		528,103,020	**510,755,815**
Summary of significant accounting policies	**1-2**		
Other disclosures	**22-29**		

The accompanying notes form an integral part of the financial statements

As per our report of even date
for **V. NAGARAJAN & CO.**
Chartered Accountants

(V.Nagarajan)
Partner

(CA) Firm No. 04879N / M. No : 019959

Place: Chennai
Date: 24-06-2017

For and on behalf of the Board of Directors of
SARVODAYA NANO FINANCE LIMITED

Managing Director

Director

Chief Financial officer

SARVODAYA NANO FINANCE LIMITED

CIN: U65923TN2003PLC050614
Address: No. 279, Avvai Shanmugam Salai, Royapettah, Chennai -600 014.
Ph: 044-2813 0537/6529 2218, Telefax: 044-2813 1880,
Email: info@sarvodayanano.org.in, www.sarvodayanano.org.in

(All amounts in ₹ unless otherwise stated)

STATEMENT OF PROFIT AND LOSS FOR THE YEAR	Notes	31-Mar-17	31-Mar-16
REVENUE			
Revenue from operations	16	91,077,509	86,039,907
Other income	17	1,106,954	2,296,976
Total Revenue		**92,184,463**	**88,336,883**
EXPENSES			
Employee benefits expense	18	22,158,178	19,778,495
Finance costs	19	25,589,859	27,603,469
Other operating expenses	20	15,885,738	14,081,010
Provisions and write-offs	21	5,547,860	10,896,050
Depreciation	10	352,210	133,011
Total expenses		**69,533,845**	**72,492,035**
Profit/(Loss) before tax		**22,650,618**	**15,844,848**
Tax expense:			
Current tax		7,799,100	4,700,000
Provision relating to earlier years		-	175,518
Deferred tax		(50,603)	26,624
Profit/(Loss) for the year		**14,902,121**	**10,942,706**
Earning per equity share (EPS) - in ₹ *(Refer note 22)*			
- Basic and Diluted		**0.61**	0.47
Weighted average number of shares considered for			
- Basic and Diluted		**24,497,013**	**23,057,717**
Summary of significant accounting policies	**1-2**		
Other disclosures	**22-28**		

The accompanying notes form an integral part of the financial statements

As per our report of even date
for **V. NAGARAJAN & CO.**
Chartered Accountants

(V.Nagarajan)
Partner
Firm Regn. No.: 04879N|M.No.: 019959

Place: Chennai
Date: 24-06-2017

For and on behalf of the Board of Directc
SARVODAYA NANO FINANCE LIMITED

Managing Director

Director

Chief Financial officer

SARVODAYA NANO FINANCE LIMITED

CIN: U65923TN2003PLC050614
Address: No. 279, Avvai Shanmugam Salai, Royapettah, Chennai -600 014.
Ph: 044-2813 0537/6529 2218, Telefax: 044-2813 1880,
Email: info@sarvodayanano.org.in, www.sarvodayanano.org.in

(All amounts in ₹ unless otherwise stated)

CASH FLOW STATEMENT FOR THE YEAR ENDED	31-Mar-17	31-Mar-16
CASH FLOW FROM OPERATING ACTIVITES		
Net Profit before taxation	**22,650,618**	**15,844,848**
Adjustment for Non- cash (income) / expenditure:		
Depreciation	352,210	133,011
Bad debts & other write-offs	4,059,080	8,370,660
Provision for bad and doubtful advances	243,030	63,520
Provision for Tax , written back		(1,153,728)
Provision/payment of gratuity	(108,247)	(232,880)
Operating profit before changes in operating assets	**27,196,691**	**23,025,431**
Adjustments for:		
(Increase)/ decrease in other loans and advances	2,913,554	1,251,323
(Decrease)/increase in other liabilities	(285,387)	637,952
Net cash generated from operating activities before tax	**29,824,858**	**24,914,706**
(Increase)/ decrease in Portfolio		
Loans disbursed	(1,923,036,000)	(1,900,849,575)
Loans repaid	1,894,673,861	1,830,981,332
Net (increase)/decrease in loans	**(28,362,139)**	**(69,868,243)**
Less: Income tax	(5,000,183)	(4,844,477)
Net cash generated from operating activities after tax	**(3,537,464)**	**(49,798,014)**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(45,975)	(925,388)
Net cash flow from investing activities	**(45,975)**	**(925,388)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity share capital	14,614,500	12,971,000
Net proceeds from Secured loans	(12,000,000)	20,000,000
Net cash generated from financing activities	**2,614,500**	**32,971,000**
Net increase/(decrease) in cash and cash equivalents during the year (A)+(B)+(C)	(968,939)	(17,752,402)
Cash and cash equivalents at the beginning of the year	34,816,261	52,568,663
Cash and cash equivalents at the end of the year [refer below]	**33,847,322**	**34,816,261**
Components of cash and cash equivalents:		
Cash and cash equivalents [Refer Note 12]	33,847,322	34,816,261
Cash and cash equivalents considered for cash flow	**33,847,322**	**34,816,261**

Summary of significant accounting policies

Other disclosures

The accompanying notes are an integral part of these financial statements

As per our report of even date
for **V. NAGARAJAN & CO.**
Chartered Accountants

V. Nagarajan
Partner
Firm Regn. No.: 04879N | M.No.: 019959

Place: Chennai
Date: 24-06-2017

r and on behalf of the Board of Directors
SARVODAYA NANO FINANCE LIMITED

Managing Director **Director**

Chief Financial officer

SARVODAYA NANO FINANCE LIMITED

CIN: U65923TN2003PLC050614

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Summary of significant accounting policies and other explanatory information

1 SIGNIFICANT ACCOUNTING POLICIES: NOTES ON BUSINESS ACTIVITIES:

1.1 **SARVODAYA NANO FINANCE LIMITED ('the Company)** is engaged primarily in micro finance activities directed to ultimate benefit of poorer sections of the society for enhancement of their livelihoods in a financially viable manner and provide financial support to these sections.

1.2 Registration as NBFC-MFI with Reserve Bank of India.

Pursuant to a notification no. RBI/2011-12/290/DNBS.CC.PD.No. 250/03.10.01/2011-12, dated December 02, 2011, by the Reserve Bank of India(RBI), all the NBFCs engaged in "microfinance" as defined in the said notification, were required to be registered as a separate category called "NBFC-MFI" and to follow the directions, restriction on the business operations carried by the company, and certain governance and monitoring matters as stated therein. The company had applied for registration and categorization as per the said Notification and is yet to obtain certificate of registration. Presently, the company is complying with additional requirements of RBI as applicable to NBFC-MFI.

2 SIGNIFICANT ACCOUNTING POLICIES:

2.1 Basis of preparation of financial statements:

2.1.1 The financial statements have been prepared under historical cost conventions and on accrual basis unless stated otherwise elsewhere, assuming the principle of going concern and complying with the accounting standards specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the relevant provisions of the Companies Act, 2013, RBI Directions as applicable to NBFC-MFI.

2.1.2 The company also follows all the norms and directions relating to Non- performing assets, classification thereof, provisioning, de-recognition of income and write off, as applicable to Non banking Finance Companies-MFI, as per various applicable provisions of the Directions issued under section 45IA of the Reserve Bank of India Act, 1934.

2.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2.3 Revenue recognition

2.3.1 Interest income on loans, (including upfront interest), is recognized under the effective rate of interest method. Income on Non-performing assets is recognized on cash basis as per applicable Directions of Reserve Bank of India, Any interest already recognized but not received is de-recognized, when assets become Non Performing, upon default of loan/interest payment obligations.

2.3.2 Amount received against written off loans is recognized on receipt basis.

2.3.3 Interest income on deposits with banks is recognized on time proportion accrual basis taking into account the amount outstanding and rate applicable.

2.3.4 All other types of income are recognized on accrual basis.

2.4 Grants

Grant received on capital account is capitalized as capital reserve whereas grant received on revenue account is treated as revenue in proportion to the corresponding expenditures incurred during the year. When capital grant is utilized for revenue expenditure, the matching portion of capital reserve is transferred to revenue in the same period.

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

V. NAGARAJAN & CO. Chartered Accountants

Summary of significant accounting policies and other explanatory information

2.5 Loans and advances

2.5.1 ***Classification and Provisioning:***

Loans and advances extended by the company which are outstanding on balance sheet date are classified as standard assets and Non-performing assets in terms of the 'Non-Banking Financial Company - Micro Finance Institutions' (NBFC-MFIs) Directions dated December 2, 2011 and provisioning was made at the following rates as specified in those directions.

S.No	Classification of Assets	Rate of Provisions
1	Standard Assets	0%
2	Non-Performing Assets (interest/ principal payment has remained overdue for a period of 90 days or more)	Higher of: a) 1% of the outstanding loan portfolio or b) 50% of the loan instalments which are overdue for 90 days & above and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

2.6 Write-off policy

Loans are written off when the management has exhausted all options for recovery of Principal and interest on the loans.

2.7 Fixed assets

All fixed assets are stated at historical cost less accumulated depreciation and impairment losses, if any. Cost comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

2.8 Intangible assets

All intangible assets are capitalized in accordance with Accounting standard "Intangible Assets" issued by the ICAI and is amortized based on the management's estimate of its useful life.

2.9 Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors as per AS 28. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

2.10 Depreciation

Depreciation is provided pro-rata on the Straight-line method at the following rates based on useful lives specified under Schedule II of the Companies Act, 2013:

Class of fixed assets	Useful life (years)	Residual value	Rate of depreciation
Furniture and fixtures	10	5%	9.50%
Computers	3	5%	31.67%
Office equipment	5	5%	19.00%
Plant and machinery	15	5%	6.33%
Vehicles	8	5%	11.88%

2.11 Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

Summary of significant accounting policies and other explanatory information

2.12 Foreign currency transactions

2.12.1 **Initial Recognition:** Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of transaction

2.12.2 **Conversion:** Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.

2.12.3 **Exchange Difference:** Exchange differences arising on the settlement of monetary items, or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

2.13 Retirement and other employee benefits

2.13.1 Retirement benefits in the form of monthly contribution to Provident Fund are charged to Profit and Loss Account of the year, when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective trust.

2.13.2 Gratuity is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

2.14 Segment information:

The company operates in a single reportable segment i.e. lending activity, which has similar risks and returns for the purpose of reporting under AS 17 'Segment Reporting' issued by ICAI. The Company does not have any reportable geographical segment.

2.15 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

2.16 Accounting for taxes on income

In accordance with the Accounting Standard-22, Accounting for taxes on Income, provision for current tax is made based on the liability computed in accordance with the relevant tax rates and tax laws. Provision for deferred tax is made for all timing differences that arise in one accounting year and are capable of reversal in subsequent accounting year. As a prudent policy, any deferred tax asset is not recognized.

2.17 Closing cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and cash in hand, and short-term investments with an original maturity of three months or less.

2.18 Provisions and contingent liabilities

The Company creates a provision when there is a present obligation as a result of past event that probably requires an outflow of resources and reliable estimate can be made of the amount of obligation. A disclosure of contingent liability is made, when there is a possible obligation or a present obligation that will probably not require outflow of resources or where reliable estimate of the obligation cannot be made.

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

SARVODAYA NANO FINANCE LIMITED

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Summary of significant accounting policies and other explanatory information

(All amounts in ₹unless otherwise stated)

NOTES ON ACCOUNTS

3 Share capital	31-Mar-17		31-Mar-16	
	Number	Amount	Number	Amount
Authorised share capital				
Equity shares of ₹.10 each	30,000,000	300,000,000	25,000,000	250,000,000
	30,000,000	300,000,000	25,000,000	250,000,000
Issued, subscribed and fully paid-up				
Equity shares of ₹.10 each	25,117,851	251,178,510	23,910,976	239,109,760
Total	**25,117,851**	**251,178,510**	**23,910,976**	**239,109,760**

3.1 Reconciliation of the number of Equity shares	31-Mar-17		31-Mar-16	
	Number	Amount	Number	Amount
Number of equity shares outstanding at the beginning of the year	23,910,976	239,109,760	22,783,063	227,830,630
Add: Issued during the year	1,206,875	12,068,750	1,127,913	11,279,130
Number of equity shares outstanding at the end of the year	**25,117,851**	**251,178,510**	**23,910,976**	**239,109,760**

There was no issue of bonus shares/buy back of shares during the period and in the previous year.

3.2 Rights, preferences, restrictions of Equity Share Capital

The Company has only one class of equity shares of the par value of ₹.10 each and each share is entitled to one vote per share.

3.3 Shareholders holding Pattern:

	31-Mar-17		31-Mar-16	
	Number	% of share holding	Number	% of share holding
Equity shares of ₹10 each				
Shareholders holding more than 5% of the shares:				
Sarva Jana Seva Kosh Limited - *NBFC*	6,240,125	*24.84%*	5,240,125	*21.92%*
Sarvodaya Mutual Benefit Trust - Virdhunagar	1,515,275	*6.03%*	1,515,275	*6.34%*
Sarvodaya Mutual Benefit Trust - Sankarapuram	1,313,346	*5.23%*	1,243,646	*5.20%*
Sub total (A)	***9,068,746***	*36.10%*	***7,999,046***	*33.45%*
Others				
Sarvodaya Mutual Benefit Trusts (SMBTs)	15,764,505	*62.76%*	15,627,330	*65.36%*
Body Corporates	278,000	*1.11%*	278,000	*1.16%*
Individuals	6,600	*0.03%*	6,600	*0.03%*
Sub total (B)	***16,049,105***	*63.90%*	***15,911,930***	*66.55%*
Grand Total (A) + (B)	**25,117,851**	***100.00%***	**23,910,976**	***100.00%***

3.4 Consolidated

Mutual Benefit Trusts	18,593,126	*74.02%*	18,386,251	*76.89%*
Body Corporates	6,518,125	*25.95%*	5,518,125	*23.08%*
Individuals	6,600	*0.03%*	6,600	*0.03%*
Total	**25,117,851**	***100.00%***	**23,910,976**	***100.00%***

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

4	Reserves and surplus	31-Mar-17	31-Mar-16
4.1	**Securities premium reserve**		
	Opening balance	6,002,599	4,310,729
	Add: Addition during the year	2,413,750	1,691,870
	Closing balance	**8,416,349**	**6,002,599**
4.2	**Statutory reserve - Under section 45IC of Reserve Bank of India Act, 1934**		
	Opening balance	11,731,372	9,542,831
	Add: Addition during the year (20% of current year profits)	2,980,424	2,188,541
	Closing balance	**14,711,796**	**11,731,372**
4.3	**General reserve**		
	Opening balance	26,914,580	13,914,580
	Add: Addition during the year (Transfer from current year profits)	12,000,000	13,000,000
	Closing balance	**38,914,580**	**26,914,580**
4.4	**Surplus in the statement of profit and loss**		
	Opening balance	496,845	4,742,680
	Add : Transferred from statement of profit and loss	**14,902,121**	**10,942,706**
	Transferred To:		
	Transfer to Statutory Reserve	2,980,424	2,188,541
	Transfer to General Reserve	12,000,000	13,000,000
	Closing balance	**418,542**	**496,845**
	Total	**62,461,267**	**45,145,396**

4.2.1 Transfer to statutory reserve

In accordance with the provisions of Section 45 IC of the RBI Act, 1934, the Company being a NBFC is required to transfer every year 20% of net profit after tax for the year to a statutory reserve.

5	Long term borrowings	31-Mar-17	31-Mar-16
	Secured Loans		
	Term loans		
	- From Non-banking financial companies **(NBFCs)**	188,000,000	200,000,000
		188,000,000	200,000,000
	Less: Current maturities of long term borrowings (refer note 9)		
	Loans from NBFC's	-	-
		-	-
	Total	**188,000,000**	**200,000,000**

5.1 Details of security for each type of borrowings including terms of repayment

Term loans availed from non-banking financial companies are fully secured by way of hypothecation on loan assets. Loan of ₹18,80,00,000 availed from Sarva Jana Seva Kosh Limited is repayable on or before August 1, 2018 in a bullet payment, Interest on loan is payable @13.50% p.a.

V. NAGARAJAN & CO. GURGAON 004879N

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

6	Deferred tax liability/(Asset) [net]		31-Mar-17	31-Mar-16
	Deferred tax liability			
	Opening balance		18,812	(7,812)
	Addition during the year		(50,603)	26,624
		Total	**(31,791)**	**18,812**

6.1 *Deferred tax liability/(Asset) arising out of differences in depreciation in block of fixed assets as per tax books and financial books*

7	Long Term Provisions		31-Mar-17	31-Mar-16
	Gratuity provision		49,246	157,493
	Provision for Non-performing assets (Refer Note -13.1 below)		4,902,019	4,658,989
		Total	**4,951,265**	**4,816,482**

7.1 Employee benefits

i). The Company has taken a group gratuity policy for its employees with the Life Insurance Corporation of India (LIC). Under this policy the eligible employees are entitled to receive gratuity payments upon their resignation or death in lump sum after deduction of necessary taxes upto a maximum limit of ₹.1,000,000, as per the provisions of Payment of Gratuity Act, 1972.

ii). The following table sets out the status of the gratuity plan as required under Accounting Standard (AS) – 15, to the extent made available in Actuarial Valuation provided by Life Insurance Corporation of India. The data regarding change in the Projected Benefit Obligation/ Change in Plan Assets Position is not made available and hence not reported upon. However, by formation of independent trust with LIC and making the full contribution to the same, the company has assigned the entire future accruing gratuity obligation, in favour of LIC.

7.2 Reconciliation of Gratuity Liability

	31-Mar-17	31-Mar-16
Opening balance	157,493	390,373
Additions during the year	145,198	111,633
Payment/reversal during the year	253,445	344,513
Closing balance	**49,246**	**157,493**

7.3 For want of information from LIC, Defined Benefit Obligation, Fair Value of Plan assets, Expected Return on Planned Assets as required in the Accounting Standard 15 are not reported.

8	Short-term borrowings	31-Mar-17	31-Mar-16
	Secured		
	Cash credit from banks	9,838,919	9,899,209
	(Secured by hypothecation of receivables on loan assets)		
		9,838,919	**9,899,209**

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

mary of significant accounting policies and other explanatory information

e 10: Fixed assets

(All amounts in ₹unless otherwise stated)

Description	Gross block				Depreciation					Net block	
	As At April 1, 2016	Additions	Deletions	As At March 31, 2017	As At April 1, 2016	*Depreciation adjustment	For the period	On deletions	As At Mar 31, 2017	As At Mar 31, 2017	As at March 31, 2016
angible assets											
Computers and peripherals *	1,176,652	45,975	-	1,222,627	1,084,070	-	35,010	-	1,119,080	103,547	92,582
Office Equipment *	333,121	-	-	333,121	270,874	-	26,187	-	297,061	36,060	62,247
Plant and Machinery	498,945	-	-	498,945	261,455	-	67,103	-	328,558	170,387	237,490
Furniture and fixtures	973,108	-	-	973,108	816,446	-	123,499	-	939,945	33,163	156,662
Vehicles	845,208	-	-	845,208	15,912.00	-	100,411	-	116,323	728,885	829,296
al	**3,827,034**	**45,975**	**-**	**3,873,009**	**2,448,757**	**-**	**352,210**	**-**	**2,800,967**	**1,072,042**	**1,378,277**
vious year	***2,901,646***	***970,693***	***45,305***	***3,827,034***	***2,315,746***	***8,236***	***129,794***	***5,019***	***2,448,757***	***1,378,277***	

sets are re classified

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

9	Other current liabilities	31-Mar-17	31-Mar-16
	Income received in advance - Annapoorna Loan	6,501,852	7,485,396
	Statutory liabilities	30,146	-
	Other payables for expenses and services	5,009,062	4,280,760
	Total	**11,541,059**	**11,766,156**

9.1 Dues to Micro, Small and Medium Enterprises

As per the management assessment, there are no enterprises which have provided goods and services to the Company and which qualify under the definition of micro and small enterprises, as defined under Micro, Small and Medium Enterprises Development Act, 2006 (MSMEDA).

11	Other non-current assets	31-Mar-17	31-Mar-16
	Deposits	7,200	7,200
	Advance tax*	(430,185)	2,368,732
	Total	**(422,985)**	**2,375,932**

* Net of provision for tax of ₹.124,23,767 (Previous year: ₹.91,12,224)

12	Cash and cash equivalents	31-Mar-17	31-Mar-16
	Balances with banks		
	In Current accounts with scheduled banks	32,396,919	33,780,128
	Cash in hand	1,450,403	1,036,133
	Total	**33,847,322**	**34,816,261**

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

SARVODAYA NANO FINANCE LIMITED

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Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

13	Loans (Short-term)		31-Mar-17	31-Mar-16
	Unsecured, considered Good			
	Standard Assets (**As per RBI NBFC-MFI directions**)		487,099,103	463,545,724
	Unsecured, considered doubtful			
	Non Performing Assets (**As per RBI NBFC-MFI directions**)		3,102,810	2,353,130
		Total	**490,201,913**	**465,898,854**

13.1	**Provision for non-performing assets**	**31-Mar-17**	**31-Mar-16**
	Opening balance	4,658,989	4,595,469
	Additions/(reversed) during the year as per policy stated in 2.5	243,030	63,520
	Closing balance	**4,902,019**	**4,658,989**

14	Short-term loans & advances		31-Mar-17	31-Mar-16
	Secured, considered good			
	Loans to staff		580,412	866,666
	Unsecured, considered good			
	Advance to staff		302,060	172,500
	Unsecured, considered doubtful			
	Advance to others		1,561,760	2,147,985
	Less: Provision for doubtful advances		1,149,512	1,422,058
			412,248	**725,927**
		Total	**1,294,720**	**1,765,093**

15	Other current assets		31-Mar-17	31-Mar-16
	Interest accrued but not due			
	- On loan portfolio		787,616	837,154
	Other receivables		1,290,602	3,684,244
		Total	**2,078,218**	**4,521,398**

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

16	Revenue from operations		31-Mar-17	31-Mar-16
	Interest income on portfolio loans			
	Individual micro - entrepreneurs		70,887,031	66,517,429
	Other receipts from borrowers			
	Loan processing fee		19,007,245	18,814,100
	Recovery from bad debts written off		1,183,233	708,378
		Total	**91,077,509**	**86,039,907**

17	Other income		31-Mar-17	31-Mar-16
	Recovery from embezzlements written off		414,300	214,745
	Interest on term deposits		36,994	122,615
	Interest on employee loans		61,203	63,550
	Interest on Income Tax Refund		164,000	-
	Miscellaneous Income		-	47,142
			676,497	**448,052**
	Provision no longer required, written-back			
	- on non-performing loans		-	-
	- on others		430,457	695,196
	- on Tax		-	1,153,728
			430,457	**1,848,924**
		Total	**1,106,954**	**2,296,976**

18	Employee benefits expense		31-Mar-17	31-Mar-16
	Salaries, allowances and incentives		19,925,050	17,583,405
	Contribution to provident and other funds		1,773,758	1,725,394
	Staff development & training expenses		94,936	83,416
	Gratuity		364,434	386,280
		Total	**22,158,178**	**19,778,495**

19	Finance costs		31-Mar-17	31-Mar-16
	Interest on term loans from non-banking financial companies		24,333,043	26,450,960
	Interest on working capital loan from bank		455,144	350,278
	Processing charges		250,000	228,500
	Bank charges		551,672	573,731
		Total	**25,589,859**	**27,603,469**

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

20	Other operating expenses	31-Mar-17	31-Mar-16
	Travelling and conveyance	9,425,264	7,599,027
	Portfolio management charges	1,513,471	1,684,086
	Professional and consultancy charges	1,501,426	1,537,480
	Membership fee	191,407	134,200
	Communication expenses	442,327	456,539
	Rent	537,600	537,600
	Insurance	303,512	281,268
	Printing and stationery	130,225	177,191
	Electricity expenses	173,648	168,046
	Repairs and maintenance	186,125	158,394
	Meeting expenses	212,223	159,241
	Rates and taxes	389,115	15,955
	Miscellaneous expenses	59,538	542,282
	Total (a)	**15,065,881**	**13,451,309**

Payment to auditors	31-Mar-17	31-Mar-16
As auditor		
Audit fee, inclusive of service tax	500,000	535,000
In other capacity		
Other services	230,000	
Reimbursement of expenses	89,857	94,701
Total (b)	**819,857**	**629,701**
Total (a+b)	**15,885,738**	**14,081,010**

21	Provisions and write-offs	31-Mar-17	31-Mar-16
	Bad debts written off	4,059,080	8,370,660
	Loss due to embezzlements written off / Provision	1,245,750	2,461,870
	Provision for NPA	243,030	63,520
	Total	**5,547,860**	**10,896,050**

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

SARVODAYA NANO FINANCE LIMITED

CIN: U65923TN2003PLC050614

Address: No. 279, Avvai Shanmugam Salai, Royapettah, Chennai -600 014.

Ph: 044-2813 0537/6529 2218, Telefax: 044-2813 1880,

Email: info@sarvodayanano.org.in, www.sarvodayanano.org.in

Summary of significant accounting policies and other explanatory information

(All amounts in ₹unless otherwise stated)

Other disclosures

22 Earnings per share

	31-Mar-17	31-Mar-16
a) Computation of profit		
Net profit / (loss) for the period	14,902,121	10,942,706
Basic earnings per share	0.61	0.47
Diluted earnings per share	0.61	0.47
b) Computation of weighted average number of shares considered		
- for calculation of Basic earnings per share	24,497,013	23,057,717
- for calculation of Diluted earnings per share	24,497,013	23,057,717
c) Nominal value per share	10	10

23 Specified Bank Notes (SBN)

The details of SBNs held and transacted during the period 08/11/2016 to 30/12/2016 as mentioned in below table.

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	3,918,500	264,782	4,183,282
Add: Permitted receipts	-	195,957,377	195,957,377
Add: Non Permitted receipts *	56,737,000	-	56,737,000
Less: Permitted payments	-	89,672,818	89,672,818
Less: Amount deposited in Banks *	60,655,500	96,213,622	156,869,122
Closing cash in hand as on 30.12.2016	-	10,335,719	10,335,719

Note:

1.The company is in the business of advancing microfinance loans to borrowers and does not have a system of tracking denomination of notes during collection towards loan repayments.The company has however compiled data from various sources to identify the SBN, and in few cases collections /deposits denominations are still to be identified.

2*All such collections against pre existing loan obligations have been deposited in the bank and out of the receipts and deposits reported under SBN, evidence regarding denominations is not available for receipts/deposits for a value of Rs.1,81,11,000/-

24 Related party disclosure

a) Names of related parties with whom transactions have been entered

i.	*Key management personnel (KMP)*	Mr. R Asok Kumar
ii.	*Entity in which directors are interested*	Sarva Jana Seva Kosh Limited **(SJSK)** Association for Sarva Seva Farms **(ASSEFA)**
iii.	*Entity in which relatives of directors are interested*	Sarva Seva Gramodyog Samithi **(SSGS)**
iv.	*Relatives of director*	Mr. Loganathan Kumar

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Summary of significant accounting policies and other explanatory information

(All amounts in ₹unless otherwise stated)

Other disclosures

b) Transactions with related parties:

Transactions during the period / year	**31-Mar-17**	**31-Mar-16**
Entity in which directors are interested		
SJSK		
- Loan received	55,000,000	67,500,000
- Loan repaid	67,000,000	17,500,000
- Interest and other charges paid/provided	24,583,043	24,390,850
- Other receipts for services	1,144,992	2,146,271
- Investment in Shares of SNFL	12,000,000	11,500,000
ASSEFA		
- Rent paid	480,000	480,000
- PF contribution paid	835,145	834,809
- PF contribution received	-	-
- Other payments for services	268,482	274,647
- Other receipts for services	-	1,359,989
Relatives of director		
- Rent and other payments for services	61,125	57,600
Remuneration paid to KMP	1,390,600	1,307,213

c) Balances with related parties

	31-Mar-17	**31-Mar-16**
Balance (due to) / due from		
Entities in which directors of the Company are able to exercise control or have significant influence	1,144,992	3,639,518
Key management personnel (KMP)	Nil	Nil

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Summary of significant accounting policies and other explanatory information

(All amounts in ₹ unless otherwise stated)

25 Contingent liabilities and commitments	31-Mar-17	31-Mar-16
a) Contingent liabilities	Nil	Nil
b) Capital commitments	Nil	Nil

26 a) Earnings and expenditure in foreign currency on accrual basis - Nil (Previous year: Nil)

b) In the opinion of Board, all the assets other than fixed assets have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

c) Other information required undeR the head additional information in para 5 (viii) of Schedule III- Nil

27 Additional disclosures pursuant to the Reserve Bank Directions vide circular no. RBI/2010-11/18, DNBS (PD).CC.No.178/03.02.001/2010-11 dated 1 July 2010

(i) Capital to Risk-Assets ratio (CRAR)	As at	
Particulars	**31-Mar-17**	**31-Mar-16**
CRAR (%)	63.79%	60.55%
CRAR - Tier I capital (%)	63.79%	60.55%
CRAR - Tier II capital (%)	0.00%	0.00%

(ii) Company's exposure to real estate sector as on March 31, 2017 is Nil (Previous year: Nil)

(iii)Exposure to capital markts is Nil(Previous year Nil)

28 Comparatives

The previous year figures are regrouped /rearranged to conform to current year presentation.

As per our report of even date
for **V. NAGARAJAN & CO.**
Chartered Accountants

(V.Nagarajan)
Partner
ICAI Firm No. 04879N | M. No.: 019959

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants

For and on behalf of the Board of Directors of
SARVODAYA NANO FINANCE LIMITED

Managing Director **Director**

Chief Financial Officer

Place: Chennai
Date : 24-06-2017

28 (iii). Asset Liability Management

As at 31 March 2017

Maturity within

	1 to 30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 years and above	Total as per balance sheet
Liabilities									
Secured loans	9,838,919	-	-	-	-	188,000,000	-	-	197,838,919
Unsecured loans	-	-	-	-	-	-	-	-	-
Assets									
Loans to SMBTs	-	-	-	-	-	-	-	-	-
Loans to Micro Entrepreneurs	140,390,783	124,470,000	88,837,500	113,558,750	22,944,880	-	-	-	490,201,913
Excess/ (Shortfall)	**130,551,864**	**124,470,000**	**88,837,500**	**113,558,750**	**22,944,880**	**(188,000,000)**	-	-	**292,362,994**

As at 31 March 2016

Maturity with in

	1 to 30 days	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	5 years and above	Total as per balance sheet
Liabilities									
Secured loans	9,899,209	-	-	-	-	200,000,000	-	-	209,899,209
Unsecured loans	-	-	-	-	-	-	-	-	-
Assets									
Loans to SMBTs	-	-	-	-	-	-	-	-	-
Loans to Micro Entrepreneurs	144,217,854	115,635,000	91,558,000	77,656,000	36,832,000	-	-	-	465,898,854
Excess/ (Shortfall)	**134,318,645**	**115,635,000**	**91,558,000**	**77,656,000**	**36,832,000**	**(200,000,000)**	-	-	**255,999,645**

V. NAGARAJAN & CO. GURGAON 004879N Chartered Accountants