

## Belstar Investment and Finance Private Limited



### Annual Report 2015 -16



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## Belstar Annual Report 2015-16

## 01 The Indian Micro Finance Sector

The microfinance sector in India has regained its momentum. New policies and regulatory frameworks have ensured that problems such as multiple lending are almost nil. The sector is expected to grow robustly in the next few years as large players consolidate their position in the market, and some of the bigger MFIs are obtaining Small Finance Bank licenses demonstrating that the MFI space is a platform for healthy competition.

By increasing the income cap for the eligibility of a micro-loan borrower as well as the permissible total borrower indebtedness, the Reserve Bank of India (RBI) has indicated its strong support to Non-Banking Financial Companies – Microfinance Institutions '(NBFC-MFIs)' role in financial inclusion. The move is likely to significantly increase the potential market size without affecting borrowers' servicing ability and improve operating efficiency and strengthen responsible finance practices amongst the NBFC MFI.



Belstar Investment and Finance Private Limited (Belstar) is a non-deposit taking NBFC acquired by the Hand in Hand group in September 2008 to provide scalable microfinance services to entrepreneurs nurtured by Hand in Hand India's Self-Help Group (SHG) Programme. Over the past eight years, Belstar has successfully transitioned to a profitable and high-potential Microfinance Institution (MFI) with low credit risk. Belstar's business model is unique as it pursues a double bottom line by focusing on both financial performance as well as social performance. The social performance angle is achieved by closely working with Hand in Hand India (HiH India) to achieve HiH India's vision of alleviating poverty through job creation and integrated community development.

Belstar had a loan book size of INR 264.3 crores at the end of 15-16. The company has recorded profits for the last five financial years. Belstar is currently operating in 4 states and 1 union territory.

### **Our Vision**

To be a socially responsible microfinance institution that actively contributes to the financial inclusion process by adhering to responsible financing practices.

### **Our Mission**

To financially empower women and help them build and manage sustainable livelihoods.

### **Our Goal**

To provide financial inclusion to micro entrepreneurs.

### **Our Values**

Integrity, Professionalism, Accountability, Transparency, Team Work



## Message from the MD



We are proud to share the results of the last fiscal year 2015-2016. The company concluded its term sheet with a strategic partnership with Muthoot Finance Limited (MFL). We have diversified our risk and expanded our base in MP and Karnataka. Our net profit doubled and we leveraged our equity to the maximum resulting in good ROE and Profit after Tax. Belstar is poised for a fantastic growth in the coming years thereby maximising its returns to its shareholders. We have also launched Joint Liability groups in Northern India. The strategic combination of SHG and JLG will give the edge and positioning to Belstar in the expansion phase.

We have not lost sight of our social mission. We are committed to the clients we serve and making a mark in the financial inclusion space. We focussed financial and functional literacy to clients in addition to skilling to retain our focus on micro entrepreneurs. We also

invested in staff training and helped them to move from good to great by taking them through a visioning exercise while emphasising the need for improving productivity. We documented our journey in Belstar through a case study published by Professor Sriramof IIM Bangalore that captures our struggles and our growth strategy. What sets us apart and what delights us is that women who are marginalised and solely heading their families holdaround 30 % of our clientele base.

In the last year, we have focussed and invested a lot of time, effort in IT which will play a key role in driving growth and improving productivity. We have diversified our relationship with more than twenty financial institutions including banks and NBFC for leveraging debt.

Our key areas of focus for the next fiscal year will be to stay focussed on our social goals, to improve our profitability and to acquire a sizeable inroad in the financial inclusion arena. We see a lot of synergy in partnering with a big player like MFL for perfecting our processes and offering a wide range of products to the unbanked and under served micro entrepreneurs.

We are grateful to Mr. George Muthoot Alexander for his decision to invest in Belstar and giving the Company an impetus to take up the expansion plans. He outlined the future vision for Belstarbased on his solid experience in building a huge financial company and highlighted the critical role played by technology, controls and systems for the long term positioning of the company. We thank the impartial guidance provided byour Independent Director, Mr A.Subramaniam, his eye for minute details and rigorous follow up for ensuring various statutory and regulatory compliances.

Finally, I will be failing in my duty if I don't thank my top management team and all the staff who have toiled hard to restructure the organisation and make an impact!



### Dr. Kalpana Sankar

**Managing Director** 

Dr Sankar holds a double doctorate in theoretical nuclear physics and women's development. She has over 25 years of experience in microfinance in Tamil Nadu and has been a consultant with UNOPS, UNDP, Christian Aid, and Wetlands International on gender and microfinance issues. Dr. Sankar was working in a key position with Tamil Nadu Women Development Corporation, Govt. Of Tamil Nadu prior to cofounding Hand in Hand India of which she is now the Managing Trustee



### Dr. N. Jeyaseelan

Investor Director

With over two decades of experience in rural banking, Dr. N. Jeyaseelan has piloted several microfinance initiatives in the banking sector, including the Indian Bank's Special Unit for Microfinance Project. With a PhD in Microfinance, he has done several assignments in self-help groups, microfinance and micro insurance programmes across several countries. He has served as consultant to the UNDP, UNOPS, GIZ, IFAD, Agricultural Finance Corporation, Tamil Nadu Corporation for Development of Women Ltd, and Water Partner International (USA)



### Mr A. Subramanian

Independent Director

Mr Subramanian is the former Executive Director of Indian Bank. Prior to this, he was General Manager in the Oriental Bank of Commerce in charge of Treasury, International banking, Investor relations and HR. He has four decades of banking experience both in administrative office and the field. He is experienced in all facets of banking. While in service he was an active member of the Accounts and Taxation committee of Indian Banks Association since 2004.





### Ms. Sushma Kaushik

#### Investor Director

Ms Kaushik brings with her over 9 years of diverse experience in the field of consulting and investing. She started off with an entrepreneurial venture in engineering design services and moved on to a role in investments in Real Estate and Hospitality as a part of the acquisition team at Starwood Capital India Advisors. Sushma then moved to Ashoka-Innovators for the Public to work with social entrepreneurs in the 'Housing for All' initiative. She has worked closely on building collaborative partnerships in market based solutions for the low-income population. Sushma is an engineering graduate from RVCE, Bangalore and has an MBA from the Indian School of Business, Hyderabad.

### Mr. L. Muralidharan

Investor Director

Mr. Muralidharan has over 13 years of post gualification experience in Corporate Finance, Statutory, Internal and Management Audit of large public sector undertakings. Prior to this he worked with IFMR Trust as VP - Finance and at Emirates Trading Agency LLC in Dubai in their Corporate Affairs division. Mr. Muralidharan has also worked with Reliance Industries, Mumbai in their Management Audit

division and played active role at the time of setting up of RIL-Petroleum Units and Retail Outlets and Water Aid India, an

an International NGO as Finance Manager







### Mr. S. Chandrasekar

**Vice President** 

Mr. Chandrasekar is a qualified Chartered Accountant with more than 25 years of experience spanning accounting, audit, credit operations, ERP and entrepreneurship. His career graph includes stints at AF Ferguson, Coopers & Lybrand, National Finance Company, Oman and Sundaram Infotech Solutions. He comes with international business exposure in project delivery management and in solving client issues. He holds a global ERP delivery track record with multi-project and multiple locations management. Mr. Chandrasekar also shares the wealth of his knowledge at various reputed management institutes as a Visiting Faculty member.



### Mr. K.B. Balakumaran Chief Operating Officer

Mr Balakumaran has served in Indian Bank, for 21 years in various capacities such as Rural Development Officer, Officer in-charge of Gramodaya Kendra, Project Manager -IBSUM and Branch Manager. He has also managed the Agricultural Credit Desk. He possesses skill and field experience in rural banking, Self Help Group Movement and Microfinance especially in the areas of Group formation, credit appraisal, credit linking SHGs, monitoring and portfolio quality. With a Bachelor's degree in agriculture, he started his career as an Agricultural Officer in the Extension wing of Tamil Nadu State Agricultural Department.

## Mrs. P.S. Vijayalakshmi

**Chief Financial Officer** 

Ms. P S Vijayalakshmi, a qualified ACA and ACS, has 12 years of experience in Finance, Accounts and Taxation areas and 4.25 years of experience in Corporate Secretarial matters. She was previously with companies like TCS, Ford and the Murugappa groups. She has been in charge of special projects such as Raising of funds, Valuation of shares and Business analytics in the areas of Finance and also handling all Compliances with respect to (i) Corporate Secretarial domain and (ii) Regulatory Authorities (RBI).

### Mr. A. Sivaraman

Head-Human Resources

A Post graduate in Personnel Management, Industrial Relations & Labour Welfare with over 4 decades of exposure and experience in the field of HR and Labour Relations, Mr Sivaraman has varied experience across sectors like Engineering / Auto & Tool industries of repute in South India, besides NGO and NBFC. He comes with expertise in Establishment of Corporate HR practices, Long term negotiations, Introduction of HRIS, Mentorship & career development, Learning & Development, Statutory Compliances, Public relationship, Grievance handling, Compensation reviews and Competency Mapping. Mr Sivaraman has served in various capacities in FICCI, AUTVS,CII, EFSI, Tamil Nadu Institute of Labour Studies and Chairman Management Council - Institute of Technical Education.

### Mr. Ramesh Rajaraman

Chief Technology Officer

Mr. Ramesh has more than three decades of experience in IT Infrastructure Management and Software Services and has played a variety of roles in Services and support for both Global and Domestic clientele by developing value proposition and executing the strategy. He has wide exposure in Solution Design, Due- Diligence, Transition, Consolidation, Program Management and Service Delivery of IT Services Previously he has worked in leadership roles in DCM Data Products, HCL Comnet Systems and Services, Satyam Infoway, Sundaram Infotech Solutions, Wipro Technologies, Tata Consultancy Services and MindTree.

### Mr. V.N. Narayanan

Business Head - Retail & Synergy

Mr Narayanan has 25 years of experience in Retail Lending Space heading Profit Centre Operations in the areas of Personal Loans, Home Loans, Auto and Commercial Vehicles Business. He has worked for 10 years with NBFCs before moving to the Banking Industry. His experience has been with leading banks for 15 years such as ICICI Bank, Axis Bank and HDFC Bank. His expertise and exposure in setting up New Branches, New Market Development, Retail Distribution, Channel Management, etc. has been very beneficial for the operations of Belstar. He also has hands on experience in Cross Selling of various Retail Lending Products through Branch Network and Channel Partners.









### Mr. Akkiraju Chandramouli

**General Manager Operations** 

An MBA, coupled with a Risk Management certification from the Asian Institute of Management, Manila Philippines, Mr. Akkiraju possesses over 17 years of comprehensive experience in microfinance. He has headed the Microfinance division in KBS Local Area Bank, and prior to that he served in BASIX Group as Associate Vice President and handled microfinance business pan India. He has hands on experience in business development, operations and branchless banking. He also has exposure to international microfinance as a long-term technical advisor for UNCDF Micro Lead in Cameroon, Africa.

### Mr. Penugonda Prasad



**General Management Operations** 

A post graduate in Agricultural Sciences, Mr. Prasad has over 21 years professional experience in various middle management and leadership positions in leading agribusiness corporations such as Nagarjuna Fertilizers and Chemicals, Tata Chemicals, Department of Agriculture, (Government of Andhra Pradesh) and BASIX SubKi Transactions Limited where he was involved in agriculture extension, marketing, supply chain management and micro-credit. He is the recipient of the "Best Development Officer" award for promoting agri-inputs in Nagarjuna Fertilizers and Chemicals and the prestigious "Chairman's Club" award in BASIX group, Prasad has successfully carried out field level projects across several states in India. He has undergone "Senior Leaders" Programme at IIM, Ahmedabad.

### Mr. D.S. Chaakravarti

Head, Internal Audit

A Qualified Chartered Accountant having rich banking experience spanning over a period of 32 years in Canara Bank in various capacities and in various parts of the country handling various banking domains and specializing in Accounts, Auditing, Taxation, Inspection and SME Credit, Mr Charkravarti now heads the internal audit division at Belstar. Mr Chakravarti's experience has helped in rolling out a robust internal audit mechanism in Belstar.

## Mr. Sunil Kumar Sahu

### **Company Secretary**

Mr Sunil Kumar, is a qualified Company Secretary and a Chartered Accountancy finalist having over 4 years of corporate experience. His areas of expertise include Corporate Secretarial Compliance, RBI Compliances, ROC Compliances and conducting various meetings of the Board and Members. Some of his prior experiences include as Asst. Company Secretary with R R Group Companies and as an Audit Associate, exposed to both Internal and Statutory audits.



### **Sarvam Financial Inclusion Trust**

Being the apex body of all MBTs, SMBT has pooled the resources from all MBTs and had invested 60.97% in Equity of BIFPL. SMBT has adequate Corporate Governance and an independent Board of Trustees with representation from the SHGs.

### Hand in Hand Consulting Services Private Limited

HIHCSPL is a Consultancy arm of the HIH group. It is a company incorporated under the Companies Act, 1956, and having its registered office at Kancheepuram, Tamil Nadu, India.

### International Finance Corporation (IFC)

IFC is a member of the World Bank group. It promotes sustainable private sector investment in developing countries. Established in 1956 at Washington DC, USA, IFC is the largest multilateral source of loan and equity financing for private sector projects in the developing world.

### **NMI Frontier Fund**

NMI Frontier Fund invests primarily in Emerging MFIs both directly and through Microfinance Investment Vehicles (MIVs). The Frontier Fund provides equity, senior, subordinated, or convertible debt to Emerging MFIs, with a general orientation toward equity investments. The geographic concentration of the Frontier Fund is Sub-Saharan Africa and South Asia.

### Aavishkaar Goodwell India Microfinance Development Company

Aavishkaar Goodwell India Microfinance Development Company Ltd is a Mauritius-based, forprofit business development company that provides equity finance and support to entrepreneurial microfinance organisations in India.





### **Debenture Trustee**

IL&FS Trust Company Ltd, The IL&FS Financial Centre, Plot C- 22, G Block, Bandra Kurla Complex, Bandra(E), Mumbai 400051

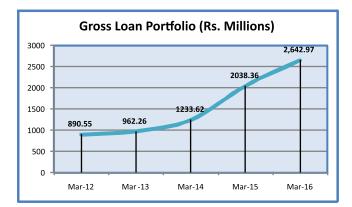
# Highlights of the past year (2015-16)

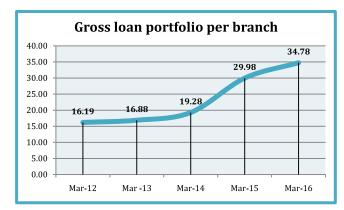
Your company closed the year with sound financial results including:

- 01. Profit After Tax increased by 103.6% to Rs.61.06 Million
- 02. No. of branches increased from 68 to 76
- 03. GLP grew by 29.67% to Rs 2642.97 Million
- 04. Operating expenses ratio declined from 8.45% to 7.71%
- 05. Return on Average Assets of 2.61% compared to 1.83% in the previous year.
- 06. Return on Average Equity of 16.57 % compared to 9.29% in the previous year.
- 07. Our net Non-Performing assets stood at 0.05% of our gross portfolio.
- 08. The Capital to Risk Adjusted Assets (CRAR), at the end of the year was at 16.66% indicating the level of leverage on the existing capital base. Pursuant to the RBI Circular DNBR(PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014, your Company is not a Systemically important NBFC and hence remains classified as "Non-Deposit taking NBFC (ND-NBFC).
- 09. Number of Customers: As at the Balance Sheet date we had 202340 Active clients.
- 10.In February 2016, discussions with regard to equity infusion were initiated with Muthoot Finance Pvt Ltd.

### **Operational and Financial Dashboard**

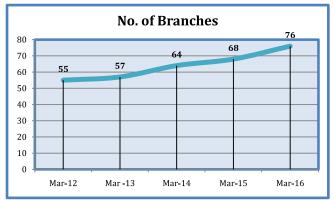
The operational and financial performance of the Company during the last five years is graphically presented below:

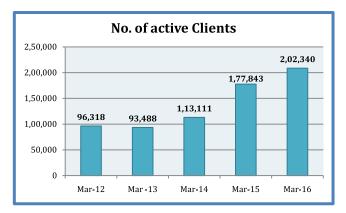


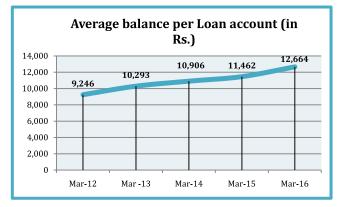


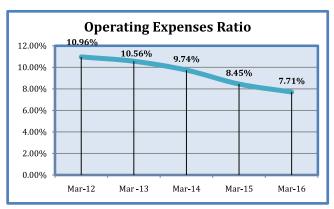


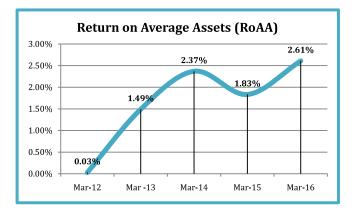


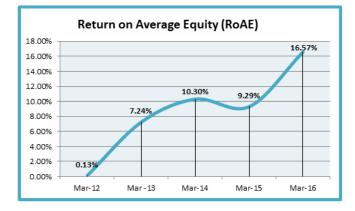












### **Risk Management:**

Risk management is one of the important functions of any organization especially for financial institutions as it assumes greater importance. Risks are inherent in a financial activity and in Micro Finance industry where lending is without collaterals; risks of various natures are very common.

Generally, a risk can be defined as a "Possible event of loss" to the Company's assets, properties or damage to the reputation of the Company caused by internal or external vulnerabilities.

Risks can be broadly classified as:

(0)	Credit risk:	Borrowers failing to repay the loan either due to inability or unwillingness.
02	Operational & Technology risk:	Risk arising out of failure of company's systems and processes including employees' negligence.
03	Environmental risk:	Risk arising out of political, caste, religious or any regulatory interventions, natural disaster etc., which affect the sector.
()4	Reputation risk:	The risk of the Company's goodwill being eroded due to internal and external factors.
05	Risk of frauds:	Internal frauds by employees or frauds committed by outsiders.
06	Liquidity Risk:	The entire Micro finance sector depends upon the funding support from Banks and NBFCs and is dependent on the overall image of the sector as well as the regulatory environment.
07	ALM Risk:	The Company ensures that the borrowings are medium term and the lending are short and medium term so that Asset Liability mismatch does not arise and that a sufficient float is maintained at all times.
08	Leverage:	The Company adopts a conservative policy when it comes to leveraging its capital. At all times, sufficient CRAR is maintained to ensure adequate liquidity.

Your Company takes all these Risk factors into account and all possible precautionary steps and proactive actions are being put in place to prevent these Risks including having an effective internal financial control and audit mechanism for detection of risk and mitigation at early stages.





## **Our Growth**

#### Expansion

During FY 2016-17,the Company proposes to take over 35 SHG branches from Hand in Hand India and form 54 new JLG branches in Karnataka, Madhya Pradesh, Maharashtra and Chattisgarh.

#### **New Products**

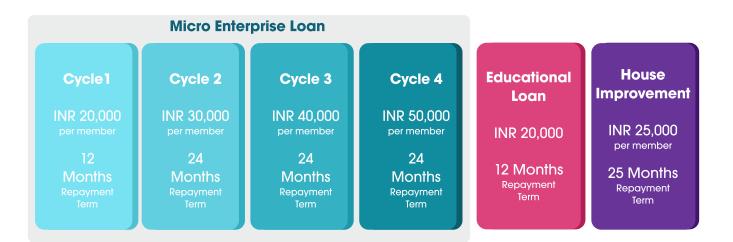
The Company proposes to roll out Consumer Goods Loan and MSME Loan products in FY 2016-17. In addition to continuing with the grant of Education loans and Home Improvement loans to our customers, the Company proposes to disburse Sanitation loans and also market insurance products.



#### **Loan Products**

Belstar Provides Collateral- free loans to SHG members for legally permitted enterprise creation or stengthening. Loans are provided for the following activities

#### Production & Manufacturing - Agriculture & Allied Activities - Trade - Services



#### **Services - Insurance**

Loan Amount (INR)	Sum Assured (INR)	Term
20,000	25,000	12
20,000	25,000	12
30,000	35,000	24
30,000	37,500	24
40,000	45,000	24
50,000	55,000	24

## 13 Case Studies

### **Changing lives through Education**

Valli is strong willed. Like all girls her age, she dreamt of getting married and leading a happy and contented life with her husband. Only that her happiness was short-lived. Three months into her marriage and having just found out that she was pregnant, she lost her husband and life was not the same anymore. Suddenly, there was a fatherless child she had to bring into this world and look after, educate and shoulder responsibility all by herself. Valli braced herself and soon overcame her sorrows. She joined Bharatha Thaai SHG in 2006, made agarbathis, stitched clothes, made and sold wire bags. Internal loans from her SHG helped her daughter complete her schooling but that was not all. When her daughter secured high grades and qualified for an engineering course, the exorbitant course fee loomed large. "It was then that help came in the form of an educational loan of INR 24000 from Belstar. We also took additional loans of INR 11, 000 in 2014 and INR 15000 in 2015 that helped me in paying my daughter's fee installments. This, coupled with internal loans from my SHG, has greatly helped in procuring an engineering college admission for my daughter Suchitra."she smiles confidently.

Thanks to her mother's untiring efforts in bringing her daughter up to be self-sufficient, Suchitra aspires to study beyond engineering and explore an MBA or an MCA course. With her mother and Belstar as her backbone, she is not too far from reaching her goals.



### **Building dreams**

Susila has lived in her modest dwelling under a thatched roof all her life. Stricken by adverse poverty compounded bythe passing away of her husband due to ill-health a few years ago only made things worse for her and her two sons. Family circumstances and the daily struggle to make ends meet forced her sons to discontinue their education mid-way and explore ways to support the family. Her elder son, a Std XI pass-out, took up a driver's job in Bangalore while the younger, who discontinued his studies after Std VIII, works at a hotel in Ocheri. Susila keeps herself occupied as a contractual worker for the local municipality as a daily wage labourer spraying disinfectants in and around the houses in the village, and by selling flowers. Their home was their abode till the roof started leaking during every monsoon and water would inundate their only place of shelter and damage their hard earned belongings every single year. Through the Sangamam SHG that she has been a part of since its inception, she approached Belstar for a Home Improvement Loan to fix the roof. The loan of INR 24000 was used to repair the roof.

"I do not have to worry about the rains anymore, my house and belongings are safe, thanks to the loan I received," she remarks with a smile!, Susila also plans to whitewash her house and construct a toilet before her elder son gets married!



### A family affair

Susila lived with her husband and two sons, and her two brothers-in-law in a modest dwelling at Nangamangalam, also their hometown. Her husband and his brothers managed a wholesale rented medical shop in the same area. Business was smooth and she was able to educate her children with the money they earned as a wholesale supplier.

She, accompanied by her husband, recently visited her parents' house near Balchetty to see her sister's newborn. Happy with the new arrival to their family, they embarked on their journey back home to Nangamangalam. As they were crossing the road on the highway near Balchetty, a car hit them and both Susila and her husband succumbed to the accident on the spot. When life was cruel in taking away both the parents of their children, Susila's brothers took it upon themselves to educate the children. Susila had, through her SHG, availed loans for their children's education. They had also recently availed a loan of INR 24,000 to expand their medical shop. Through the SHG, the family applied for life insurance from Belstar Investment and Finance. Today the insurance amount of INR 18000 has been handed over to her father-in-law and is being used for their children's education and to meet their family's daily expenses.

# Human Resources

The Company's Human Resources team manages a total of 561 dedicated staff. Some of the key activities include recruitment, framing of policies and procedures, training and development, grievance redressal and developing a performance management system. Over the past year, 61 employees were awarded for 'Best Performance'!

# **15** Information Technology

Information Technology, an enabling function for business in any vertical, is well geared up to handle the Business Growth in Belstar. While we have implemented Microsoft Dynamics NAVISION at all SHG branches, all JLG branches are using Jayam FINO application which would be seamlessly integrated with Microsoft Dynamics Finance module.

# **16** Synergy with Hand in Hand India

Hand in Hand India (HiH) is an Indian NGO registered as a Public charitable trust and focussed on alleviation of poverty alleviation through enterprise promotion and job creation using an integrated development approach.

HiH has a customer base of over one million, of which only 30% have been brought under the financial inclusion process. HiH operates in remote pockets with limited competition, thereby having access to virgin customers. There is a scope to reach out to the 70% of untapped customers!





#### Share of women clients



100% of our clients are women

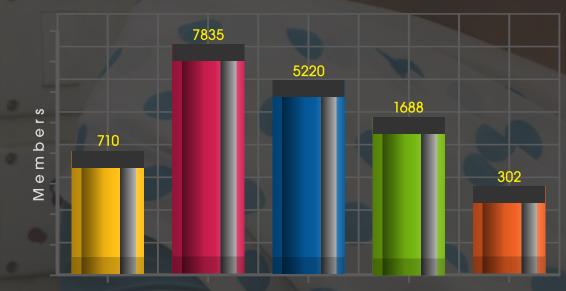
#### Share of vulnerable communities\*



Out of total borrower-clients, Percentage of vulnerable clients: 34%

\*Vulnerable communities include Scheduled Castes, Scheduled Tribes, Disabled, Widows and Separated women

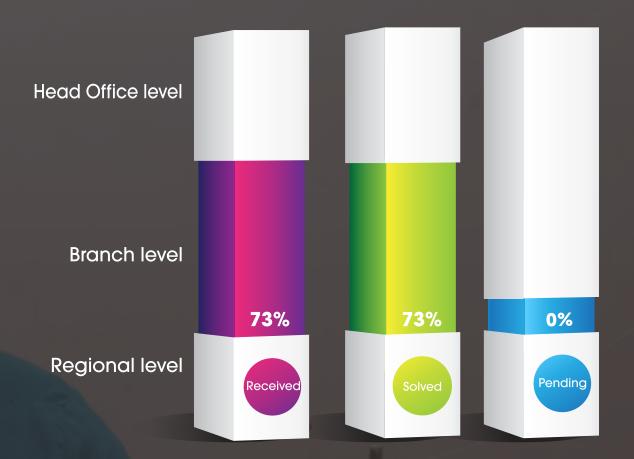
### Non-financial services offered



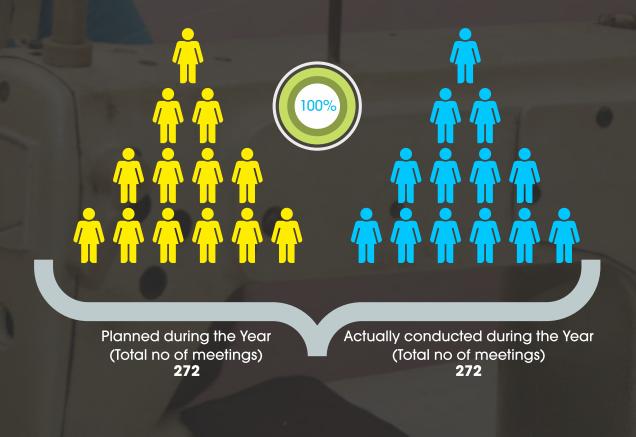
SHG leaders trained
SHG/JLG members trained on Group management
SHG/JLG members trained on financial literacy
SHG/JLG members trained on Entrepreneurship
Skill training given to women

#### **Grievances addressed**

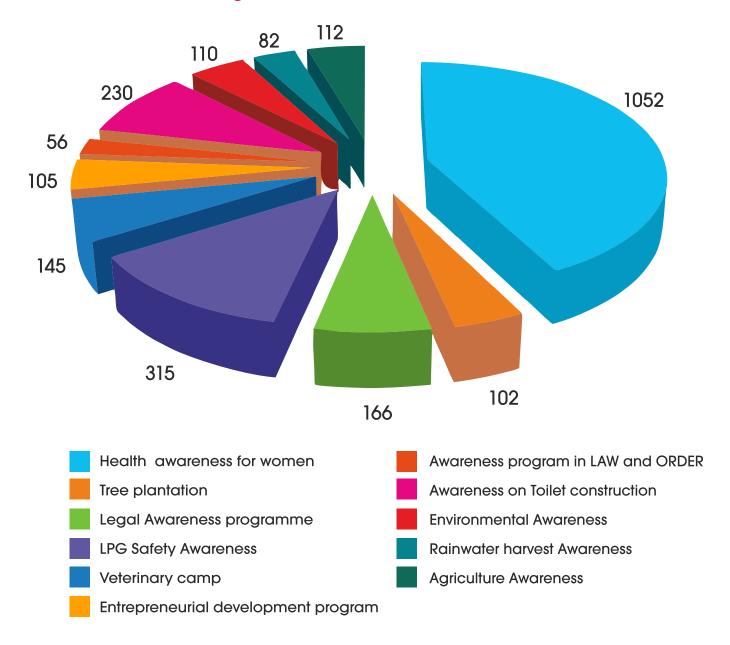
#### Level at which sorted out /pending



#### Customer service committee meetings conducted



#### Social awareness programmes conducted





#### Overview

The Company is a Non-Deposit taking Non Systemically Important Non-Banking Financial Company – Micro Finance Institution (ND-NSI-NBFC-MFI)and is registered with RBI under Section 45 IA of RBI Act, 1934 (Registration No B-07-00792).

#### **Financial Results**

The financial performance of the Company for the year ended March 31, 2016 is summarized below: **INR Million** 

Particulars	FY 2015-16	FY 2014-15	Change (%)
Total Income	580.69	364.78	59.19
Less: Total Expenditure	488.91	319.47	53.04
Profit / (Loss) for the year before Taxation	91.78	45.31	102.56
Less: Tax Expense	30.72	15.31	100.65
Profit / (Loss) for the year after Taxation	61.06	29.99	103.60
Earnings per share (INR per share)	4.25	2.09	103.35

The Return on Average Assets (ROAA) and Return on Average Equity (ROAE) for FY 2015-16 are 2.61% and 16.57% respectively.

#### Equity

During the year under review the Company has not raised any Share Capital.

#### **Tier II Capital**

During the year the Company has raised a sum of Rs. 10,00,00,000/- (Ten Crore) of Unsecured, Subordinated, Redeemable, Non-Convertible Debentures at a Coupon rate of 15%.

#### Dividend

Considering the Capital adequacy requirements in view of the expansion plans, your Company wants to plough back its profits. Hence your Directors do not recommend any dividend for the year ended March 31, 2016.

#### **Operational Highlights**

Particulars	FY 2015-16	FY 2014-15
Number of branches	76	68
Number of Members (in nos)	202340	177843
Number of employees	561	491
Amount disbursed (Rs. in Million)	2933.00	2263.00
Gross loan portfolio (Rs. in Million)	2642.97	2038.36
Gross loan portfolio other than Tamil Nadu &Puducherry (Rs. in Million)	505.67	271.82

Further Your Company has successfully migrated more than 80% of its branch operation into a fully integrated ERP platform- Microsoft Navision as at March 31, 2016.

The year under review continued to be a year of growth with your Company registering a pre-tax profit of INR 91.78 Million. Your Company was able to mobilize debt to the tune of INR 2185Million during the year through the Banks and Financial institution.

#### **Management Discussion and Analysis**

The detailed analysis of the operational performance of the Company during the year under review, the state of affairs and the key changes in the operating environment has been provided in the Management Discussion and Analysis report which forms part of this report.

#### **Events subsequent to the date of financial statements**

Your Company has signed a binding Term Sheet with M/s Muthoot Finance Limited on March 16,2016. As per the said Term Sheet M/s Muthoot Finance Limited will invest in the Equity Share Capital of the Company by way of subscribing to fresh issue equity shares amounting to Rs 40 Crores in addition to acquiring the existing shares held by International Finance Corporation, Aavishkaar Goodwell India Microfinance Development Company and Norwegian Microfinance Initiative Frontier Fund KS.

The relevant documents for obtaining RBI approval in respect of the above transaction have been submitted to RBI and clearance obtained.

#### **Change in nature of business**

There was no change in the nature of business of the Company during the financial year. The Company continues to create a niche for itself in the Indian Microfinance space.

#### Micro Finance Grading

Your Directors are happy to inform you that your Company has obtained a grading score of "MFI 2" from CARE. Grading is assigned on an eight-point scale with "MFI 1" being the highest and "MFI 8" being the lowest.

#### **Bank Loan Rating**

Your Directors are happy to inform you that your Company has also received a Bank loan rating of CARE BBB-(Triple B Minus) for the year under review. Having obtained an investment grade rating and with the strategic partnership with M/s Muthoot Finance Limited your Company is hopeful of upgrading its rating in the coming years and reduce the cost of borrowing.

#### Social and Environment Management System (SEMS) plan

With its continuing commitment to Social Performance and Responsible Financing, your Company strives to focus on the double bottom lines i.e. financial bottom line and social bottom line to improve the living standards of the people at the bottom of the pyramid through financial inclusion. Your Company follows the Social Performance standards reporting format developed by MIX (Micro Finance Information Exchange).

#### **Directors**

The present composition of the Board of Directors is as under:

#### 1. Dr. Kalpana Sankar, Managing Director

Dr. Kalpana Sankar is a double doctorate in theoretical nuclear physics and women's development and holds an Executive MBA from TRIUM. She has over two decades of experience in microfinance in Tamil Nadu and has been a consultant with UNOPS, UNDP, Christian Aid, and Wetlands International on gender and microfinance issues. She was working as Key Person in Tamil Nadu Women Development Corporation, Government of Tamil Nadu. She is also the Chairperson and Managing Trustee of Hand in Hand India.

#### 2. Dr. N Jeyaseelan

Dr. N. Jeyaseelan, with over two decades of experience in rural banking has piloted several microfinance initiatives in the banking sector, including the Indian Bank's Special Unit for Microfinance Project. A PhD in Microfinance, he has done several assignments in self-help groups, microfinance and micro insurance programmes across several countries. He has served as consultant to the UNDP, UNOPS, GIZ, IFAD, Agricultural Finance Corporation, Tamil Nadu Corporation for Development of Women Ltd, and Water Partner International (USA).

#### 3. Mr. L. Muralidharan

Mr. L. Muralidharan has over 15 years of post-qualification experience in Corporate Finance, Statutory, Internal and Management Audit of large public sector undertakings. Prior to joining Hand in Hand India, he worked with IFMR Trust as VP- Finance and with Emirates Trading Agency LLC in Dubai in their Corporate Affairs division. Mr. L. Muralidharan holds a B.Com degree from Delhi University and is a Chartered Accountant and Company Secretary by profession.

#### **Investor - Nominee Director:**

#### Ms. Sushma Kaushik

Ms. Sushma Kaushik brings with her over 9 years of diverse experience in the field of consulting and investing. She started off with an entrepreneurial venture in engineering design services and moved on to a role in investments in Real Estate and Hospitality as a part of the acquisition team at Starwood Capital India Advisors. She has extensively evaluated real estate transactions covering debt and equity structures. Sushma then moved to Ashoka-Innovators for the Public to work with social entrepreneurs in the 'Housing for All' initiative. She has worked closely on building collaborative partnerships in market based solutions for the low-income population. Sushma is an engineering graduate from RVCE, Bangalore and has an MBA from the Indian School of Business, Hyderabad.

#### **Independent Director:**

#### Mr.A.Subramanian

Mr. A. Subramanian is former Executive director of Indian Bank. Before elevation as Executive Director, He was General Manager in Oriental Bank of Commerce in charge of Treasury, International banking, Investor relations and HR. He has four decades of banking experience both in administrative office and the field, In all facets of banking and also visited many foreign countries for attending various seminars and meeting investors of the bank. While in service he was an active member of Accounts and Taxation committee of Indian Banks Association since 2004.

#### **Changes in Board Constitution**

The following are the changes in the composition of the Board of Directors during the year ended 31st March 2016:

#### (i) Appointment:

Dr. N Jeyaseelan was appointed on September 23,2015, as a Non-Executive Promoter Director.

Ms. Sushma Kaushik was appointed on March 14, 2016 as an Investor Nominee Director of Aavishkaar Goodwell India Microfinance Development Company

#### (ii) Cessation:

1. Ms. T. Vijayalakshmi, Promoter-nominee Director representing M/s. Sarvam Mutual Benefit Trust Kanchipuram resigned from the Board with effect from September 23, 2015.

2. Mr. Pradeep Pathiyamveetil, Investor Nominee Director of Aavishkaar Goodwell India Finance Development Company resigned from the Board with effect from March 1, 2016.

#### **Key Managerial Person**

The following are the changes in Key Managerial Person of the Company

- 1. Ms. P S Vijayalakshmi Company Secretary of the Company resigned from the Company with effect from July 1,2015 and continuing as Chief Financial Officer of the Company.
- 2. Mr. Sunil Kumar Sahu, appointed as Company Secretary of the Company with effect from September 23, 2015.

### **Meetings of Board / Committee**

S. No.	Quarter	Date of Board Meeting
1	Apr 2015 – Jun 2015	Jun 26, 2015
2	Jul 2015– Sep 2015	Sep 23, 2015
3	Oct 2015 – Dec 2015	Dec 23, 2015
4	Jan 2016 – Mar 2016	Feb 05, 2016, Feb15,2016, March 18, 2016 &
		March 30,2016

The Board at present has 4 (Four) Committees viz., Audit Committee, Risk Management Committee, Share Allotment and Transfer Committee and Nomination and Remuneration Committee.

The Board delegates power to these Committees from time to time. The constitution of the Committees with their specific terms of reference is done by the Board. The minutes of the meetings of the Committees convened between two Board Meetings are being placed before the Boardat its next meeting for its information and confirmation.

#### Audit Committee

The composition of the Audit Committee as on March 31, 2016 is as below:

- 1. Mr. A. Subramanian (Chairman of Audit Committee)
- 2. Mr.L. Muralidharan
- 3. Ms. Sushma Kaushik

During the financial year 2015-16, the Audit Committee meetings were convened on the following dates:

S. No.	Quarter	Date of Audit Committee Meeting
1	Apr 2015 – Jun 2015	Jun 26, 2015
2	Jul 2015– Sep 2015	Sep 23, 2015
3	Oct 2015 – Dec 2015	Dec 23, 2015
4	Jan 2016 – Mar 2016	March 30, 2016

#### **Risk Management Committee**

The composition of the Risk Management Committee (RMC) as on March 31, 2016 is as below:

- 1. Dr. Kalpana Sankar (Chairperson of RMC Committee)
- 2. Dr. N Jeyaseelan
- 3. Mr. L. Muralidharan

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During the financial year 2015-16, the Risk Management Committee Meetingswere convened on the following dates:

S. No.	Quarter	Date of ALM Committee Meeting		
1	April 2015-June 2015	June19, 2016		
2		July 29, 2015		
3	Jul 2015 Son 2015	Aug 20, 2015		
4	Jul 2015 – Sep 2015	Sep 01, 2015		
5		Sep 16, 2015		
6		Oct 01, 2015		
7		Oct 29, 2015		
8	Oct 2015 – Dec 2015	Oct 31, 2015		
9		Nov 06,2015		
10		Dec 22, 2015		
11	Jan 2016 – Mar 2016	Jan 21, 2016		
12	eraeraeraeraeraeraeraeraeraeraeraeraerae	Jan 29, 2016		
13		Feb 05, 2016		
14		Feb 15, 2016		
15		Mar 04, 2016		
16		Mar 14, 2016		
17		Mar 17, 2016		
18		Mar 30, 2016		

#### Share Allotment and Transfer Committee

The composition of the Share Allotment and Transfer (SAT) Committee as on March 31, 2016 is as below:

- 1. Mr. L. Muralidharan (Chairman of SAT Committee)
- 2. Dr. Kalpana Sankar
- 3. Mr. A. Subramanian

During the financial year 2015-16, the Company convened one SAT Committee meeting for approval of Share Transfer on June 16, 2015 but was adjourned and held on June 26, 2015.

#### Nomination and Remuneration(N&R) Committee

The composition of the Nomination and Remuneration (N&R) Committee as on March 31, 2016 is as below:

- 1. Ms. Sushma Kaushik (Chairman of N&R Committee)
- 2. Mr. L. Muralidharan (Director)
- 3. Mr. A. Subramanian (Independent Director)

During the financial year 2015-16, the Company Convened the N&R Committee on September 23, 2015.

#### **General Meetings**

The 27th Annual general Meeting (AGM) of the Company was held on August 12, 2015.

During thefinancial year 2015-16,the Company convened Two Extra Ordinary General Meeting on April 29, 2015 & March 19, 2016.

#### Details of Meetings Attended by each Director for the Financial Year 2015-16

Directors	DIN	No. of Board Meetings attended	No. of General Meetings attended	No. Audit Committee Meetings attended	No. RMC Meetings attended	No of SATC Meeting attended	No. of N&R Committee Meetings attended
Dr. Kalpana Sankar	01926545	7	1	-	17	1	-
Mr. A. Subramanian	01777552	7	1	4	-	1	1
Mr. Pradeep Pathiyamveettil	02196030	5		3	-		1
Mr. L. Muralidharan	01957930	7	3	4	17	1	1
Dr. N Jeyaseelan	02281278	6	1	-	12	-	-
Ms. Sushma Kaushik	05142705	2	-	1	-	-	-
Ms.T.Vijayalakshmi	06948971	-	-	-	-	-	-

#### Extract of Annual return

The extract of the annual return in Form MGT-9 is annexed (as Annexure – I) and forms part of this report.

#### **Deposits**

Your Company is registered with the RBI as a non-deposit taking NBFC and your Company has not accepted any deposit during the year under review.

#### **Compliance with RBI**

Your Company, being a "NBFC-MFI" complies with the RBI guidelines with respect to NBFC-MFIs as may be prescribed by RBI from time to time. Further your Company had been classified as "Non-Deposit taking Non -Systemically Important NBFC (ND-NSI-NBFC-MFI)"

#### **Code of Conduct**

Your Company follows fair practices in its dealings with the clients and has adopted the revised Fair Practices Code specified as per RBI circular no RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 in dated 1stJuly 2015. The Fair Practices followed in lending are with regard to:

- Application for Loans and their processing
- Loan appraisal and terms/conditions
- Disbursement of loans including changes in terms and conditions
- Responsibility of Board of Directors
- Regulation of Interest
- Disclosures in loan agreement / loan card
- Checking Multiple-Lending, Over-borrowing and Ghost borrowers
- Non-Coercive Methods of Recovery
- Internal control system

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Your Company has also put in place a robust customer grievance redressal mechanism, toll-free number for airing grievances, gender sensitivity in dealing with customers, etc.

#### **Capital Adequacy**

The Capital Adequacy ratio for the year ended March 31, 2016 is 16.66% thus ensuring compliance with the RBI guidelines.

#### **Auditors:**

M/s. N. Sankaran & Co., Chartered Accountants, Chennai Auditors of the Company were appointed as the Company's Statutory Auditors at the 26th Annual General Meeting for a period of 5 years (Up to 31st AGM) subject to the ratification of the members and confirmation of the auditor every year. The Company has received a letter from them, stating that they satisfy the criteria provided in Section 141 of the Companies Act, 2013 and the appointment, if made, will be in accordance with the conditions prescribed under the Companies (Audit and Auditors) Rules, 2014.

The Board recommends the ratification of appointment of M/s. N. Sankaran & Co., Chartered Accountants, Chennai as Statutory Auditors of the Company to hold office till the conclusion of the 31st Annual General meeting of the Company, subject to the ratification of the members at every Annual General Meeting. The members are requested to authorize the Board of Directors to fix their remuneration.

### Explanation or comments by the Board on every qualification, reservation, adverse remark or disclaimer made by the auditor

No such explanation or comment is required since there are no qualifications, reservations, adverse remarks or disclaimer made by the auditor.

#### Holding and Subsidiary Company

Your Company does not have any holding or subsidiary Company.

#### **Risk management policy**

Your Company has a Risk management policy duly approved by the Board.Details on the Risk Management processes are elaborated in the Management Discussion and Analysis Report that forms part of this Report.

#### **Contracts / arrangements with related parties**

The particulars of contracts or arrangements with related parties in Form AOC-2 (as Annexure – II) are annexed and form part of this report.

#### Information as per Section 134(3)(m) of the Companies Act, 2013

- 1. The Company has no activity relating to consumption of energy or technology absorption.
- 2. <u>Expenditure in Foreign currency:</u>

During the year under review the Company incurred foreign travel expenditure amounting to Rs.2,18,781/- (PY. Rs. 149,550/-).

3. The Company does not have any foreign currency earnings during the year under review.

#### **Material orders**

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

#### **Internal financial controls**

The Company has adequate internal financial controls with reference to the Financial statements for the year ended March 31, 2016.

#### Particulars of loans, guarantees or investments

The Company has duly complied with the provisions of Section 186 of the Companies Act, 2013. The Company has not granted any loans, made any investments, given guarantees or extended any security during the financial yearended March 31, 2016.

#### **Particulars of employees**

There was no employee drawing remuneration in excess of Rs.60,00,000/- per annum or Rs.5,00,000/- per month. None of the employees of the Company hold, by themselves, or with their spouse and dependent children, more than 2% of the paid-up equity capital of the Company and draw remuneration.

#### Whistle Blower Policy

Your Company has a Whistle Blower policy duly approved by the Board . Your Company affirms that no employee has been denied access to the top Management of the Company and that no complaints were received during the year.

#### **Directors' Responsibility statement**

Your Directors' confirm:

- a) that in the preparation of the Annual Accounts the applicable Accounting Standards have been followed along with proper explanation in relation to material departures.
- b) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and the loss of the company for that year.
- c) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- d) that the Directors have prepared the annual Accounts on a going concern basis.
- e) that the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **Fraud Reported by Auditor**

The Auditor has not reported any Fraud under Section 143(12) of the Companies Act, 2013. **Managing Director(MD)/Chief Financial Officer (CFO) Certification** MD and CFO have given a Compliance Certificate to the Board

### Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirement of the Sexual Harassment of Women at workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees(permanent, contractual, temporary, trainees) are covered under this policy.

The following is a summary of sexual harassment complaints received and resolved during the year 2015-16.

No. of Complaints received: Nil

No. of Complaints resolved: Nil

#### Acknowledgement

Your Directors take this opportunity to thank all the shareholders of the Company for their continued support.

Your Directors hereby place on record their appreciation for the co-operation and support received from the Client, Banker, NBFC, Rating Agencies, Debenture Trustee, Bankers and also thank all the employees of the Company for their valuable contribution in the growth of the Company.

#### For and on behalf of the Board of Directors

Sd/-

Dr. Kalpana Sankar Managing Director DIN: 01926545

Sd/-

**Dr. N Jeyaseelan** Director DIN: 02281278

Date: June 27, 2016 Place: Chennai

**Annexure – I** - Extract of the annual return in Form MGT-9 **Annexure – II** - Particulars of contracts or arrangements with related parties in Form AOC-2

# **ANNEXURE - I**

Form No. MGT-9

#### **EXTRACT OF ANNUAL RETURN**

as on the financial year ended on 31st March, 2016

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

#### I. REGISTRATION AND OTHER DETAILS:

- 1) CIN: U06599TN1988PTC081652
- 2) Registration Date: 25-08-2011 (Date of Incorporation: 11-01-1988)
- 3) Name of the Company:- Belstar Investment and Finance Private Limited
- 4) Category/Sub-Category of the Company:- Company Limited by Shares/ Indian Non-Government Company
- 5) Address of the Registered office and contact details:-

**Belstar Investment and Finance Private Limited** 

Old No. 14, New No. 33, 48th Street, 9th Avenue

Ashok Nagar, Chennai – 600 083

Telephone : 044-43414567, Email ID: bifpl@belstar.in

- 6) Whether listed company:- Yes / No :-No
- 7) Name, Address and Contact details of Registrar and Transfer Agent, if any:-Not Applicable

#### **II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

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

SI. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company	
1	Micro-credit	9971190	100%	

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES -

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING/ SUBSIDIARY /ASSOCIATE	% of shares held	Applicable Section
		NIL			

Category of Shareholders	No. of Sha	res held at the	e beginning of	the year	No. of Shares held at the end of the year % of				% of Cha nge dur ing the Yea r
	Demat	Physical	Total	Total Shares	Demat	Physical	Total	Total Shares	
A. Promoters									
(1) Indian									
(a)Individual/ HUF	398,742	75,241	473,983	3.30%	398,742	75,241	473,983	3.30%	Nil
(b)Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(c)State Govt (s)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(d)Bodies Corp.	Nil	729,472	729,472	5.08%	Nil	729,472	729,472	5.08%	Nil
(e)Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(f)Any Other	Nil	8,754,225	8,754,225	60.97%	Nil	8,754,225	8,754,225	60.97%	Nil
Sub-total (A) (1):-	398,742	9,558,938	9,957,680	69.35%	398,742	9,558,938	9,957,680	69.35%	Nil
(2) Foreign									
a) NRIs- Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Other - Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c)Bodies Corp.	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) Banks / Fl	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Any Other	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (A) (2):-	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total shareholding of Promoter (A) = (A) (1) + (A) (2)	398,742	8,758,938	9,558,938	69.35%	398,742	9,558,938	9,957,680	69.35%	Nil
B. Public Shareholding									
1.Institutions									
a) Mutual Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b) Banks / FI	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
c) Central Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
d) State Govt	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
e) Venture Capital funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
f) Insurance Companies	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
g) FIIs	2,000,000	2,400,000	4,400,000	30.65%	2,000,000	2,400,000	4,400,000	30.65 %	Nil
h) Foreign Venture Capital Funds	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i)Others	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sub-total (B)(1):	2,000,000	2,400,000	4,400,000	30.65%	2,000,000	2,400,000	4,400,000	30.65%	Nil

2. Non-									
Institution									
a) Bodies	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Corporate									
i) Indian	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii) <b>Overseas</b>	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
b)Individuals	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
i) Individual	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
shareholders									
holding									
nominal share									
capital upto Rs.									
1 Lakh									
ii)Individual	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
shareholders									
holding									
nominal share									
capital in									
excess of Rs. 1									
Lakh									
c) Others	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(Foreigners &									
NRIs) Sub total	Nil	Nil	N1:1	Nil	Nil	NI:L	N.L.I	NUL	NI:I
(B)(2): <sup>-</sup>	INII	NII	Nil	INII	NII	Nil	Nil	Nil	Nil
(B)(2): Total Public	2,000,000	2,400,000	4,400,000	30.65%	2,000,000	2,400,000	4,400,000	30.65%	Nil
Shareholding	2,000,000	2,400,000	4,400,000	50.05%	2,000,000	2,400,000	4,400,000	50.05%	INII
(B)=(B)(1)+									
(B)(2)									
C. Shares held	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
by Custodian									
for GDR and									
ADR									
Grand Total	2,398,742	11,958,938	14,357,680	100%	2,398,742	11,958,938	14,357,680	100%	Nil
(A+B+C)									

# (ii) Shareholding of Promoters

S.No.	Shareholder's Name	r's Shareholding at the beginning of the year year			end of the	d of the % change in shareholding during the		
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbe red to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbe red to total Shares	year
1	Dr. Kalpana Sankar	398,742	2.78%	Nil	4,02,774	2.81%	Nil	0.03%
2	Ms. D. Bindhu	38,842	0.27%	Nil	38,842	0.27%	Nil	Nil
	Ms. Kamini Dhandapani	32,367	0.22%	Nil	32,367	0.22%	Nil	Nil
	Mr. R. Ashwin Kumar	4,032	0.03%	Nil			Nil	-0.03%
5	Capt. P. K. Ayre Trustee of SMBT	8,754,225	60.97%	Nil	8,754,225	60.97%	Nil	Nil
	Hand in Hand Consulting Services Pvt. Ltd.	729,472	5.08%	Nil	729,472	5.08%	Nil	Nil
	Total	9,957,680	69.35%	Nil	9,957,680	69.35%	Nil	Nil

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SI. No.	Particulars		ng at the beginning f the year	Cumulative Shareholding during the year		
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	
	At the beginning of the year	9,957,680	69.35%	9,957,680	69.35%	
	Datewise Increase/Decrease in Promoters Shareholding during the year 30-06-2014 (Increase through Share Transfer)	Nil	Nil	Nil	Nil	
	At the end of the Year	9,957,680	69.35%	9,957,680	69.35%	

### (iii) Change in Promoters' Shareholding (please specify, if there is no change)

#### (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

SI. No.			Shareholding at the beginning of the year		hareholding during ne year		
	For Each of the Top 10 Shareholders	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the company		
1.	1. International Finance Corporation						
	At the beginning of the year	2,000,000	13.93%	2,000,000	13.93%		
	Date wise Increase / Decrease inShare holding during the Year	Nil	Nil	Nil	Nil		
	At the End of the year	2,000,000	13.93%	2,000,000	13.93%		

SI. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year			
	For Each of the Top 10 Shareholders	No. of % of total shares shares of the Company		No. of shares	% of total shares of the company		
2.	2. Norwegian Microfinance Initiative Frontier Fund KS						
	At the beginning of the year	1,600,000	11.15%	1,600,000	11.15%		
	Date wise Increase / Decrease inShare holding during the Year	Nil	Nil	Nil	Nil		
	At the End of the year	1,600,000	11.15%	1,600,000	11.15%		

SI. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year			
	For Each of the Top 10 Shareholders	No. of % of total shares shares of the Company		No. of shares	% of total shares of the company		
3.	. Aavishkaar Goodwell India Microfinance Development Company						
	At the beginning of the year	800,000	5.57%	800,000	5.57%		
	Date wise Increase / Decrease inShare holding during the Year	Nil	Nil	Nil	Nil		
	At the End of the year	800,000	5.57%	800,000	5.57%		

# (v) Shareholding of Directors and Key Managerial Personnel:

No.			Shareholding at of the year	t the beginning	Cumulative Shareholding during the year		
		For Each of the		% of total shares	No. of shares	% of total shares	
	Directors an	Directors and KMP		ofthe		of the company	
				Company			
1.	Dr. Kalpana S	ankar, M	anaging Director				
	At the begin	nning of	398,742	2.78%	398,742	2.78%	
	the year						
	Date	wise			4032	0.03%	
	Increase	/					
	Decrease	in					
	Shareholdin	g					
	during the ye	ear					
	At the End	of the	398,742	2.78%	402,774	2.81%	
	year						

No.		-	at the beginning ne year	Cumulative Shareholding during t year				
	For Each of the Directors and KMP	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the company			
2.	2. Ms. P S Vijayalakshmi , Company Secretary							
	At the beginning of the year	Nil	Nil	Nil	Nil			
	Date wise Increase / Decrease in Share holding during the year	Nil	Nil	Nil	Nil			
	At the End of the year	Nil	Nil	Nil	Nil			

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SI. No.		Shareholding at the beginning of the year			reholding during the year			
	For Each of the Directors and KMP	No. of shares	% of total shares of the Company	No. of shares	% of total shares of the company			
3.	3. Mr.Sunil Kumar Sahu, Company Secretary							
	At the beginning of the year	Nil	Nil	Nil	Nil			
	Datewise Increase/Decrease in Promoters Shareholding during the year		Nil	Nil	Nil			
	At the End of the year	Nil	Nil	Nil	Nil			

# (V) INDEBTEDNESS

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

Particulars	Secured Loans excluding	Unsecured Loans	Deposits	Total Indebtedness
	deposits			
Indebtedness at the beginning of the				
financial year				
i) Principal Amount	2,080,553,382	Nil	Nil	2,080,553,382
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	5,561,567	Nil	Nil	5,561,567
Total (i+ii+iii)	2,086,114,949	Nil	Nil	2,086,114,949
Change in Indebtedness during the financial year				
Addition	2,085,000,000	100,000,000	Nil	2,185,000,000
Reduction	1,488,968,250	Nil	Nil	1,488,968,250
Net Change	59,60,31,750	100,000,000	Nil	69,60,31,750
Indebtedness at the end of the financial year				
i) Principal Amount	2,666,396,385	100,000,000	Nil	2,766,396,385
ii) Interest due but not paid	Nil	Nil	Nil	Nil
iii) Interest accrued but not due	1,57,50,314	Nil	Nil	1,57,50,314
Total (i+ ii+ iii)	2,682,146,699	100,000,000	Nil	2,782,146,699

#### VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

SI. no.	Particulars of Remuneration	Name of MD/ <del>WTD/</del>	Total Amount
		Manager	(Rs.)
		Dr. Kalpana Sankar	
1.	Gross salary		
	(a) Salary as per provisions contained in		
	section 17(1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-	48,41,600	
	tax Act, 1961	Nil	
	(c) Profits in lieu of salary under section		
	17(3) Income-tax Act, 1961	Nil	48,41,600
			10,11,000
1.	Stock Option	Nil	Nil
2.	Sweat Equity	Nil	Nil
3.	Commission		
	- as % of profit	Nil	Nil
	- others specify		
	Total (A)	48,41,600	48,41,600
	Ceiling as per the Act	5% of the Net Profit	

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

#### B. Remuneration to other directors:

SI. no.	Particulars of Remuneration	Name of Directors	Total Amount
		Mr. A. Subramanian	
1	Independent Directors		
	Fee for attending board committee		
	meetings*		
	Commission		
	Others (Sitting Fees)	Rs.4,60,000	Rs.4,60,000
	*excludes reimbursement of travel and other expenses incurred for the Company's		
	business/ meetings		
	Total (1)	Rs.4,60,000	Rs.4,60,000
		Mr. L Muralidharan	
2	Other Non-Executive Directors		
	Fee for attending board /committee		
	meetings	Nil	Nil
	Commission		
	Others, (Salary)	13,14,600	13,14,600
	Total (2)	13,14,600	13,14,600
	Total (B)=(1+2)	Rs.17,74,600	Rs.17,74,600
	Overall Ceiling as per the Act	11% of the Net Profit	

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#### C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

SI. no.	Particulars of Remuneration		Details of KMP	
		Ms. P S Vijayalakshmi, CS(Up to 1 <sup>st</sup> July 2015)	Mr. Sunil Kumar Sahu, CS	Total
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the			
	Income-tax Act, 1961 (b) Value of perquisites u/s 17(2) Income-tax	5,93,000	3,05,300	8,98,300
	Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act,	Nil	Nil	Nil
	1961	Nil	Nil	Nil
2.	Stock Option	Nil	Nil	Nil
3.	Sweat Equity	Nil	Nil	Nil
4.	Commission -as % of profit	Nil	Nil	Nil
	- others, specify	Nil	Nil	Nil
5.	Others	Nil	Nil	Nil
	Total	5,93,000	3,05,300	8,98,300

VII. PENALTIES / PUNISHMEN	<b>C/ COMPOUNDING OF OFFENCES:</b>
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Туре	Section of Companies Act	Brief Description	Details of Penalty/Punishment / Compounding fees imposed		Appeal made, if any give Details
A. COMPANY					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
B. DIRECTORS					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
C. OTHER OFFIC	ERS IF DEFA <b>U</b>			·	
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

#### For and on behalf of the Board of Directors

Sd/-**Dr. Kalpana Sankar** Managing Director DIN: 01926545

> Sd/-**Dr. N Jeyaseelan** Director DIN: 02281278

Date: June 27, 2016 Place: Chennai

# ANNEXURE - II

#### FORM NO. AOC.2

#### **EXTRACT OF ANNUAL RETURN**

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

#### (Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

#### 1. Details of contracts or arrangements or transactions not at arm's length basis

- (a) Name(s) of the related party and nature of relationship: NIL
- (b) Nature of contracts/arrangements/transactions NIL
- (c) Duration of the contracts/arrangements/transactions NIL
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any NIL
- (e) Justification for entering into such contracts or arrangements or transactions NIL
- (f) Date(s) of approval by the Board NIL
- (g) Amount paid as advances, if any: NIL
- (h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188 NIL

#### 2. Details of material contracts or arrangement or transactions at arm's length basis

- (a) Name(s) of the related party and nature of relationship
  - 1. Hand in Hand Consulting Services Private Limited(HIHCSPL) (where Dr. Kalpana Sankar , Dr.N Jeyaseelan & Mr L. Muralidharan are interested )
  - 2. Hand in Hand India (Trust in which Managing Director is the Chairman and Managing Trustee)
  - 3. Mr. L Muralidhran a Director of the Company
- (b) Nature of contracts/arrangements/transactions
  - 1. Consultancy Service contract with Hand in Hand Consulting Services Private Limited(HIHCSPL)
  - 2. Reimbursement of the following expenses of incurred by Hand in Hand India on behalf of the Company:
    - I. Consultancy fee incurred by Hand in Hand India for Rs. 5,36,939 in respect of payment made to M/s. Stanton Chase International Private Limited, Executive Search consultants, Lakshmi Sadan Building, No.5, Warren Road, Mylapore, Chennai 600 004 vide Bill No.215/CHN/S/IP/DEC/1-16 dated December 12, 2015
    - II. Rent advance for Dhar Branch for Rs.5,000/-

- 3. Mr. L Muralidhran Director of the Company appointed as chief risk officer of the Company Value of the transaction being Rs. 13,14,600
- (c) Duration of the contracts/arrangements/transactions
  - 1. One Year
  - 2. One time transaction
  - 3. 1st Sept 2015 to 31st March 2016
- (d) Salient terms of the contracts or arrangements or transactions including the value, if any:
  - 1.Consulting Services like
    - a. Engage, coordinate & liaise with Company and its employees right from the Credit officer to COO on a regular basis and work out to provide training for them to improve their performance,
    - b. Feedback and refresher training
    - c. Handholding staff related grievances and other issues mutually agreeable basis
    - d. Regular meetings with the field level team to improve their ability to perform and deliver better
    - e. Help and participate in the review mechanism of the employees at various levelProvided by HIHCSPL to Belstar for Rs 20 Lakhs per annum (Approx. Rs. 1.67 lakhs per Month)during the Financial year 2015-16.
  - 2. Office or place of Profit
- (e) Date(s) of approval by the Board, if any:
  - 1. Consulting Agreement -30th March 2016
  - 2. Office or place of Profit 23rd December 2015
- (f) Amount paid as advances, if any: Nil

#### For and on behalf of the Board of Directors

Sd/-

**Dr. Kalpana Sankar** Managing Director DIN: 01926545

Sd/-

**Dr. N Jeyaseelan** Director DIN: 02281278

Date: June 27, 2016 Place: Chennai

# **MD/CFO CERTIFICATE**

The Board of Directors Belstar Investment and Finance Private Limited Old No.14, New No.33 48th Street, 9th Avenue Ashok Nagar Chennai – 600083

This is to certify that:

- 1. We have reviewed the financial statements and the cash flow statement for the year ended March 31, 2016 and that to the best of our knowledge and belief:
  - a) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - b) These statements, together with the notes attached thereto, present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- 2. To the best of our knowledge and belief, the Company has not entered into any fraudulent or illegal transactions.
- 3. We accept responsibility for establishing and maintaining internal controls for financial reporting.

Place: Chennai Date : June 27, 2016 Sd/-**Dr. Kalpana Sankar** Managing Director Sd/-**P S Vijayalakshmi** Chief Financial Officer



# Financial Statement



# 19 Audited Financials and other Statutory Disclosures

# N SANKARAN & CO

CHARTERED ACCOUNTANTS

I-A, Raja Annamalai Building, 2nd Floor, 19, Marshalls Road, Chennai – 600 008 Tel: 28554090 / 42148283 Fax: 044-28555009 Email: nsankaranandco@gmail.com

### **INDEPENDENT AUDITORS' REPORT**

# To the Members of M/s Belstar Investment and Finance Private Limited

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of M/s Belstar Investment and Finance Private Limited ("the company"), which comprise the Balance Sheet as at 31st March 2016 and also the Statement of Profit and Loss for the year then ended and also the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

TheCompany'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 of 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 the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

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 disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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.

#### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements read together with the notes thereon 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, 2016; and
- (b) In the case of the Statement of Profit and Loss, of the PROFIT for the year ended on that date;
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### **Report on Other Legal and Regulatory Requirements**

- 1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act and on the basis of such checks of the books and reports of the company as we considered appropriate, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
- 2. As required by section 143(3) of the Act, we report that:
- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion proper books of account as required by law have been kept by the Centre so far as appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit and Loss and also the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the Balance Sheet, the Statement of Profit and Loss and also the Cash Flow Statement comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e. On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016, from being appointed as a director in terms of clause (g) of sub-section (1)of section 164(2) of the Act.
- f. With respect to the adequacy of the Internal Financial Controls over the financial reporting of the Branch and the operating effectiveness of such controls refer to our separate report in "Annexure B"
- g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us.
- a. The Company does nothave any pending litigations which would impact its financial position
- b. The Companydid nothave any long-term contracts including derivative contracts for which there were any material foreseeable losses
- c. The requirement regarding transfer of amounts to Investor Education and Protection Fund is not applicable to the Company

For **N.SANKARAN & CO** Chartered Accountants Firm Regn No 003590S Sd/-**Partner** Membership No 022023

**(L.PATTABHIRAMAN FCA)** Place: Chennai Date:27/06/2016

# "Annexure "A" to Independent Auditors' Report

Referred to in paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of our audit report of even date to the Members M/s Belstar Investment and Finance Private Limited.

#### I. In respect of its Fixed assets:

- a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. The management during the year has physically verified all the assets and there is a regular programme of verification, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification. We have been informed that no serious discrepancy have been noticed on such physical verification.
- c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, this clause is not applicable to the Company since there are no immovable properties in the name of the Company.
- II. The Company is a non banking financial company and primarily engaged in financing activities, accordingly it does not hold any physical inventories thus paragraph 3 (ii) of the order is not applicable.
- III. In our opinion and according to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 189 of the Act. Accordingly clauses (iii) (a) & (b) of Paragraph 4 of the order are not applicable to the Company for the current year.
- IV. The Clause regarding loans, investments and guarantees and security as per provisions of section 185 & 186 of Companies Act, 2013 is not applicable to the Company.
- V. The Company has not accepted any deposits from the public within the meaning of sections 73 to 76 of the Companies Act, and the rules framed there under.
- VI. In our opinion and according to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records, for any services rendered by the Company, under section 148(1) of the Companies Act.

#### VII. In respect of statutory dues

- a. According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues including provident fund, investor education and protection fund, employees state insurance, income-tax, wealth tax, service tax, cess and other material statutory dues as applicable, have been regularly deposited by the Company during the year with the appropriate authorities and there are no undisputed statutory dues which are outstanding for more than six months as at the Balance Sheet date.
- b. According to the information and explanations given to us and according to the books and records as produced and examined by us, there were no cases of disputed incometax, wealth tax, service tax, and cess.
- VIII. Based on our audit procedure and on the information and explanations given by the management, in our opinion, the company has not defaulted in repayment of loans or borrowing to any financial institution, bank, government or dues to debenture holders.
- IX. No moneys were raised by way of initial public offer or further public offer (including debt instruments) and term loans.

- X. According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- XI. Since the company is a private company, provisions of section 197 read with schedule V to the Companies Act does not apply.
- XII. In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- XIII. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- XIV. The company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the Year under review. However, during the year end, as per Special Resolution in EGM, the company has raised Rs. 10.00 crores unsecured subordinated redeemable non-convertible debentures on private placement basis @ the interest rate of 15% per annum.
- XV. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.

The company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and the same has been complied with.

For N.SANKARAN & CO Chartered Accountants Firm Regn No 003590S Sd/-Partner Membership No 022023

**(L.PATTABHIRAMAN FCA)** Place: Chennai Date:27/06/2016

### "ANNEXURE B" TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF Belstar Investment and Finance Private Limited, CHENNAI

#### 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 **Belstar Investment** and Finance Private Limited, Chennai as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on thatdate.

#### 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". 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 corporation'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 financialreporting.

#### 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 authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized 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 commensurate with the nature of the business of the Company and operating effectively as at March 31, 2016, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

#### (L.PATTABHIRAMAN FCA)

Place: Chennai Date : June 27, 2016 For N.SANKARAN & CO Chartered Accountants Firm Regn No 003590S Sd/-Partner Membership No 022023

# N SANKARAN & CO

CHARTERED ACCOUNTANTS

I-A, Raja Annamalai Building, 2nd Floor, 19, Marshalls Road, Chennai – 600 008 Tel: 28554090 / 42148283 Fax: 044-28555009 Email: nsankaranandco@gmail.com

# AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF M/s BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED

This report is issued in accordance with the terms of our engagement letter dated 18th August 2015.

We have audited the financial statements of M/s Belstar Investment and Finance Private Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2016, and the related Statement of Profit and Loss and Cash Flow Statement for the year ended on that date and issued our report dated 27th June 2016.

#### 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 of 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 the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Management is also responsible for ensuring compliance with the applicable provisions of Reserve Bank of India Act, 1934 and RBI directions and guidelines specified in the directions.

#### Auditors' Responsibility

Pursuant to the requirements of the Non-Banking Financial Auditors' Report (Reserve Bank) Directions, 2008 ('the Directions'), it is our responsibility to examine the books and records of the Company and report on the matters specified in paragraph 3 and 5 of the said directions to the extent applicable to the Company.

We conducted our examination in accordance with the Guidance Note on Special purpose Audit Reports and certificates issued by the Institute of Chartered Accountants of India.

#### Conclusion

Based on our examination of the books and records of the Company as produced for our examination and the information and explanations given to us we report further that:-

- I. The Company is engaged in the business of non banking financial institution and the Company has obtained a Certificate of Registration (CoR) from the Reserve Bank of India as a Non Banking Financial Company without accepting public deposits vide Certificate No.B-07-00792 dated 12th December 2011.
- II. The Company is entitled to continue to hold such CoR in terms of its asset/income pattern as on 31st March 2016.

III. Based on the criteria set forth by the Reserve Bank of India in circular No.DNBS.CC.PD.No.250/03.10.01/2011-12 dated December 2 ,2011 and subsequent modification issued vide Master Circular DNBR(PD) CC.No.047/03.10.119/2015-16 dated July 1st, 2015 as may be amended by RBI from time to time for classification of NBFCs as Non Banking Financial Company – Micro Finance Institutions' (NBFC-MFIs), M/s Belstar Investment and Finance Private Limited is eligible to be classified as NBFC-MFI as defined in Non Banking Financial Company – Micro Finance Institutions (Reserve Bank) Directions, 2011 with reference to the business carried on by the Company during the financial year 2015-16. The Company has received from RBI its endorsed CoR for classification as NBFC-MFI with effect from 11th December 2013.

Further we report,

- IV. The Board of Directors has passed a resolution for non-acceptance of any public deposits.
- V. The Company has not accepted any public deposits during the financial year 2015-16.
- VI. In our opinion and to the best of our information and according to the explanations given to us, the Company has complied with the prudential norms relating to income recognition, accounting standards, assets classification and provisioning for bad and doubtful debts as applicable to it in terms of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.
- VII. The Company is non Systemically Important Non-Deposit taking NBFC, as defined in paragraph 2(1)(xix) of the Non-Banking Financial (Non-Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Direction, 2007, we report that –
  - a) Based on the records examined by us and according to the information and explanations given to us the capital adequacy ratio has been correctly arrived and such ratio is in compliance with the minimum Capital to Risk-weighted Assets Ratio (CRAR) prescribed by the Reserve Bank of India;
  - b) On the basis of our examination of books of accounts and according to the information and explanations given to us the Company has furnished the annual statement of capital funds, risk assets/exposure and risk assets ratio (NBS-7) to the Reserve Bank of India.

#### **Restriction on use**

This report is issued pursuant to our obligations under Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 2008 to submit a report on exceptions, noted while issuing our report dated 27th June 2016 on additional matters as stated in the above directions, to Reserve Bank of India and should not be used by any other person or for any other purpose. We neither accepts nor assumes any duty or liability for any other purpose or to any other party to whom our report is shown or into whose hands it may come without our prior consent in writing.

For **N.SANKARAN & CO** Chartered Accountants Firm Regn No 003590S Sd/-**Partner** Membership No 022023

**(L.PATTABHIRAMAN FCA)** Place: Chennai Date : June 27, 2016

#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED BALANCE SHEET AS AT MARCH 31, 2016

EQUITY AND LIABILITIES Shareholders' Funds		Note	As at	As at
			March 31, 2016	March 31, 2015
			March 51, 2010	110101 51, 2015
Share Capital		1	1435,76,80	0 1435,76,800
Reserves and Surplus		2	2554,52,29	
			3990,29,09	
Non-Current Liabilities				
Long Term Borrowings		3	10530,35,04	9 7942,51,017
Long Term Provisions		4	234,45,28	
			10764,80,33	
Current Liabilities				
Short Term Borrowings		5	686,59,83	3 956,91,944
Other Current Liabilities		6	16756,88,74	1 12061,10,095
Short Term Provisions		7	604,17,29	6 230,34,936
			18047,65,87	0 13248,36,975
TOTAL			32802,75,29	8 24766,69,969
ASSETS				
Non - Current Assets				
Fixed Assets		8		
(i) Tangible Assets		u.	72,96,97	8 22,41,790
(ii) Intangible Assets			38,33,19	
(ii) Capital Work-in-Progr	220		111,03,53	
(ii) copies work in 105			222,33,69	
Deferred Tax Assets (Net	1	9	110,93,54	
Receivables under Financ		10	6770,24,24	
Long - Term Loans and A		11	503,14,96	
Other Non-Current Asset		12	1323,75,00	
			8930,41,45	
Current Assets Receivables under Financ	ing Activity	12	19659,46,85	7 16319,65,373
Cash and Bank balances	cing Activity	13 14		
Short - Term Loans and A	duancas	15	3606,13,20	
Other Current Assets	lavances	15	231,10,04	and the second se
Other Current Assets		10	375,63,73	
то	TAL		32802,75,29	8 24766,69,969
For M/s. N. Sankaran &	Co. For and on		1 to 25 ne Board	
Chartered Accountants Firm No. 003590S				
	Sd/-		Sd/-	Sd/-
<b>L.Pattabhiraman</b> Partner	Dr.Kalpana Sankar Managing Director	D	r. N. Jeyaseelan Director (	P S Vijayalakshmi Chief Financial Officer

Place: Chennai Date : June 27, 2016 Sd/-Sunil Kumar Sahu Company Secretary

#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED MARCH 31, 2016

				nts in Rs.
		Note	Year ended	Year ended
Devenue from Orestation			March 31, 2016	March 31, 2015
Revenue from Operations:		17	EE77 26 200	2510 77 133
Income from Operations			5577,36,208	3518,72,133
Other Income Total Revenue		18	229,53,638 5806,89,846	129,06,864 3647,78,997
Total Revenue		-	5600,85,840	3047,78,997
Expenses:				
Finance Cost		19	3085,16,555	1812,04,661
Employee Cost		20	1232,57,564	977,79,646
Other Operating Expenses		21	458,65,529	285,20,535
Depreciation and Amortizatio	n Expenses	8	51,98,417	38,95,660
Provisions and Write-offs		22	60,68,435	80,74,316
Total expenses		1.2	4889,06,500	3194,74,818
Profit/(Loss) before Tax			917,83,346	453,04,179
Tax Expenses			Contraction of the	
Current tax			343,50,000	174,75,993
Deferred tax		9	(36,27,894)	(26,44,458
Short / (Excess) provision w	vritten off/(back)		Anne and a	4,83,352
Profit (Loss) for the Year		-	610,61,240	299,89,294
Profit (2033) for the real			44.68	48.50
Earnings / (Loss) per Equity Sh	hare of Rs.10/- each:	23	1.000	79100
- Basic			4.25	2.09
- Diluted			4.25	2.09
Circlificant Accountion Dollator	and Nature to the Associate		14-25	
Significant Accounting Policies	and Notes to the Accounts		1 to 25	
For M/s. N. Sankaran & Co.	For and on beha	alf of the Board		
Chartered Accountants				
Firm No. 003590S				
	Sd/-	Sd/-	Sd	-
L.Pattabhiraman	Dr.Kalpana Sankar	Dr. N. Jeyaseelan		alakshmi
Partner	Managing Director	Director	Chief Finan	
M. No.022023	HIBHODIND ENCOUCH	an each	• Feller Filler	elar emicer
	Sd	/-		
Place: Chennai	Sunil Kur			
Date : June 27, 2016		Secretary		
<b>Face</b> . June 27, 2010	company	searchary		

#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED Cash Flow Statement for the year ended March 31, 2016

	cash now stat	ement for the year en	ded March 31,	Amounts in	Rs.
	Particulars			2015-16	2014-15
. CASH FLOW FROM OP	ERATING ACTIVITIES				
Profit Before Tax				917,83,346	453,04,17
Add: Depreciation				51,98,417	38,95,660
Add: Finance costs				2882,12,654	(121,75,306
Less: Interest income	e on deposits			(224,24,897)	1653,44,20
Add: Provisions				60,68,435	80,74,31
Less: Provisions writt	ten back				(1,20,115
	FORE WORKING CAPITAL CHAN	IGES		3688,37,955	2103,22,93
(Increase) / Decrease in	n net Receivables under Financin	a Activities		(6046,18,975)	(8047,35,015
(Increase) / Decrease in				(155,88,037)	(17,78,320
(Increase) / Decrease in				(19,29,301)	(42,11,762
increase / (Decrease) in				60,93,904	41,57,21
Cash (Used in) / From				(2472,04,454)	(5962,44,951
Less: Interest paid on B	ank Borrowings			(2780,23,907)	(1667,85,812
Less: Direct Taxes Paid				(328,94,060)	(174,34,699
NET CASH (USED IN) /	FROM OPERATING ACTIVITIES		(A)	(5581,22,421)	(7804,65,462
. CASH FLOW FROM INV	ESTING ACTIVITIES				
Bank deposits				(1291,29,129)	(1276,25,000
Purchase of Fixed Asse	ts (Including capital advance for	NAV Software)		(176,13,113)	(71,48,021
Interest on Deposits				114,76,448	56,10,78
NET CASH (USED IN) /	FROM INVESTING ACTIVITIES		(B)	(1352,65,794)	(1291,62,240
CASH FLOW FROM FIN	ANCING ACTIVITIES				
Proceeds from issu	uance of share capital			· · · ·	· · · · · · · · · · · · · · · · · · ·
Proceeds from Lor	ng term borrowings			7128,75,113	17789,45,85
Proceeds from Sho	ort term borrowings			2	1.1
Repayment of Lon	g term borrowings				(8100,46,841
Repayment of Sho	rt term borrowings			(270,32,111)	10,64,934
NET CASH (USED IN) /	FROM FINANCING ACTIVITIES		(C)	6858,43,002	9699,63,951
Net Increase / (Decreas	se) in Cash and Cash Equivalents		(A)+(B)+(C)	(75,45,213)	603,36,249
Cash and Cash Equivale	ents at the beginning of the Year		1. S.	1640,29,293	1036,93,04
Cash and Cash Equival	ents at the end of the Year		-	1564,84,080	1640,29,29
Significant Accounting	Policies and Notes to the Accou	nts		1 to 25	
For M/s. N. Sankaran 8	& Co.		For and on bel	half of the Board	
Chartered Accountant Firm No. 0035905	s				
	Sd/-	Sd/-		Sd/-	
L.Pattabhiraman	Dr.Kalpana Sankar	Dr. N. Jeyaseela	п	P S Vijayalakshmi	
Partner	Managing Director	Director	(	Chief Financial Officer	
M. No.022023					
		Sd/-			

Place: Chennal Date : June 27, 2016 Sunil Kumar Sahu Company Secretary

#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED Notes Forming Part of the Financial Statements for the year ended March 31, 2016

			As at March 31, 2016	As at March 31,2015
SHARE CAPITAL				
Authorised				
Equity Shares:				
2,50,00,000 (2,50,00,000) Equity Shares of Rs.10/- each			2500,00,000	2500,00,000
Issued, Subscribed & Fully paid up				
14,357,680 (14,357,580) Equity Shares of Rs.10/- each			1435,76,800	1435,76,800
a) Reconciliation of number shares and amount outstanding at t	he beginning and at the end o	of the year:		
	As at March 31, 20	16	As at March 3	1, 2015
Equity Shares	No	Amount	No	Amount
At the beginning of the year	143,57,680	1435,76,800	143,57,680	1435,76,800
Issued during the year	1			
Outstanding at the end of the year	143,57,680	1435,76,800	143,57,680	1435,76,800

#### b) Terms/ rights attached to Equity shares

The Company has only one class of equity shares having par value of Rs. 10 per share. Each holder of equity share is entitled to one vote per share.

Promoters' Shareholding of 99,57,680(PY 99,57,680) equity shares of Rs.10/- each which amounts to 69.36%(PY 69.36%) shareholding in the Equity Share Capital of the Company. Transferability of the Promoters' Shareholding is restricted to 43.36%(PY 43.36%) of their existing stake of 69.36%(PY69.36%) until the successful consummation of QIPO. Shareholding of other Investors are freely transferable.

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

#### c) Details of shareholder holding more than 5% shares in the company

	As at March 31, 2016		As at March 3	1, 2015
	No	% holding	No	% holding
(I) Capt.P.K Ayre*	87,54,225	60.97%	87,54,225	60.97%
(ii) International Finance Corporation	20,00,000	13.93%	20,00,000	13.93%
(iii) Norwegian Microfinance Initiative Frontier Fund KS	16,00,000	11.14%	16,00,000	11.14%
(Iv) Aavishkaar Goodwell India Microfinance Development Company	8,00,000	5.57%	8,00,000	5.57%
(v) Hand In Hand Consulting Services Pvt. Ltd.	7,29,472	5.08%	7,29,472	5.08%
TOTAL	138,83,697	96.69%	138,83,697	96.69%

\*Managing Trustee, Sarvam Mutual Benefit Trust, Kancheepuram

#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED

Notes Forming Part of the Financial Statements for the year ended March 31, 2016

	As at March 31, 2016	As at March 31,2015
2. RESERVES & SURPLUS		
(a) Securities Premium Reserve:		
Balance at the beginning of the year	1283,65,200	1283,65,200
Add: Additions during the year		
	1283,65,200	1283,65,200
Less: Deductions during the year	· · · · · ·	÷
Balance at the end of the year	1283,65,200	1283,65,200
Note:		

Balance in Securities Premium account represents Premium on allotment of 85,57,680 equity shares (Previous year 85,57,680 equity shares) comprising: a) 52,00,000 equity shares (Previous year 52,00,000 equity shares)International Finance Corporation, Washington D.C., USA, Norwegian Microfinance Initiative Frontier Fund KS, Norway,Swedfund International AB, Sweden and Aavishkaar Goodwell India Microfinance Development Company, Mauritius

b) 33,57,680 equity shares (Previous year 33,57,680) to Dr. Mrs. Kalpana Sankar, Ms. D. Bindhu, Ms. Kamini Dhandapani, Capt.P.K Ayre, M/s. Sarvam Mutual Benefit Trust, Kancheepuram and Hand in Hand Consulting Services Pvt. Ltd.

(b) Other Reserves:		
(I) General Reserves	10,000	10,000
(ii) Statutory Reserve		
Balance at the beginning of the year	184,54,158	124,56,299
Add: Amount transferred from surplus in Profit and Loss Statement	122,12,248	59,97,859
	306,66,406	184,54,158
Less: Deductions during the year		
Balance at the end of the year	306,66,406	184,54,158
Note:		
Statutory Reserve represents the Reserve Fund created under Section 45 IC of the Reserve Bank of India Act, 1934.		
(c) Surplus in Profit & Loss Account		
Balance at the beginning of the year	475,61,698	235,70,263
Add: Profit / (Loss) for the year	610,61,240	299,89,294
	1086,22,938	535,59,55
Less: Transfer to Statutory Reserve	122,12,248	59,97,859
Less: Transfer to Debenture Redemption Reserve	1,11,111	-
	962,99,579	475,61,698
(d) Debenture Redemption reserve		
Balance at the beginning of the year		
Add: Amount transferred during the year	1,11,111	-
	1,11,111	÷.
Less: Deductions during the year		
Balance at the end of the year	1,11,111	~
Total Reserves and Surplus (a) + (b) + (c)+(d)	2554,52,296	1943,91,056

Note:

On prudence basis, Debenture Redemption Reserve has been created proportionately in respect of the 15% Unsecured, Subordinated, redeemable, Non-Convertible Debentures.

#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED Notes Forming Part of the Financial Statements for the year ended March 31, 2016

	As at March 31, 2016	As at March 31,2015
3. LONG TERM BORROWINGS		
(i) Redeemable Non convertible debentures		
15% Unsecured, Subordinated, Redeemable, Non-Convertible Debentures (A)	1000,00,000	-
(ii) Term Loans		
(i) From Banks - Secured	14052,97,880	12372,08,411
(ii) From Others - Secured	12081,88,986	7532,14,594
	26134,86,866	19904,23,005
Less: Current maturities of Long Term Loan	16604,51,817	11961,71,988
(8)	9530,35,049	7942,51,017
(A) + (B)	10530,35,049	7942,51,017

Notes-

a) The Company has issued 100 No.s of 15% Unsecured, Subordinated, Redeemable, Non-Convertible Debentures of face value of Rs. 10,00,000/- (Rupees Ten Lakh only) amounting to Rs. 10,00,00,000/- (Rupees Ten Crores only).

Details of the Debentures are as under:

Coupon rate	Maturity Date	Debenture Details		As at 31 March 2016	As at 31 March 2015	Options	Date of Redemption if option is
		Nos	Face Value	Rs in Lakhs	Rs in Lakhs	Available	exercised
15%	29 March 2021	100	10,00,000	1000.00	~	Not Applicable	Not Applicable
				1000.00			

b) Term loans are secured by way of specific charge on receivables created out of the proceeds of the loan.

c) Details of Long term Borrowings:

late of Interest	Maturity	Installment	Amount o	outstanding
			Long Term	<b>Current Maturity</b>
Base Rate + Spread	< 1 year	269		16604,51,817
(2.5% to 5.00%)	1 - 2 years	155	7792,15,553	
	2 - 3 years	44	1738, 19, 496	
	3 - 4 years		-	
	>4 years	1	1000,00,000	

#### 4. LONG TERM PROVISIONS

Provision for Standard Receivables under financing activity Provision for Loan to Staff

234,45,283	196.14.121
9,127	1,332
234,36,156	196,12,789

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#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED

Notes Forming Part of the Financial Statements for the year ended March 31, 2016

	Amount In Rs.		
	As at	As at	
	March 31, 2016	March 31,2015	
5. SHORT TERM BORROWINGS			
Loans repayable on demand			
From Banks - Cash Credit facility - Secured			
State Bank of India, Chennai	686,59,833	956,91,944	
(Secured by hypothecation of Receivables under Financing activity created out of the Cash Credit facility)			
	686,59,833	956,91,944	
6. OTHER CURRENT LIABILITIES			
Current maturities of Term Loans from Banks	16604,51,817	11961,71,988	
Dues to:			
Employees	1,91,459	72,952	
Statutory Authorities	58,97,493	25,24,778	
Others	91,47,972	73,40,377	
	16756,88,741	12061,10,095	
7. SHORT TERM PROVISIONS			
(a) Provision for Employee benefits			
Provision for Gratuity	1,11,611	15,69,904	
Provision for Bonus	54,46,070	31,92,690	
(b) Others			
Provision for Non Performing Receivables under Financing activity	29,93,555	7,70,732	
Provision for Taxation	518,25,991	174,75,991	
Provision for Loan to staff	40,069	25,619	
	604,17,296	230,34,936	

Note: 7 (a)Provision for Bonus has been calculated as per the Payment of Bonus (Amendment) Bill 2015

Notes Forming Part of the Financial Statements for the year ended March 31, 2016 **BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED** 

Upto 31.03.2016 As at 31.03.2016 As at 31.03.2015 Amount in Rs. Net Carrying Value 34,175 6,58,656 11,60,640 72,96,978 47,26,895 54,43,507 22,41,789 38, 33, 191 38,33,191 **74,44,047** 45,77,874 15,61,579 24,393 8,48,183 101,36,974 78,04,730 50,09,892 101,36,974 Withdrawn Depreciation ended 31.03.2016 5,583 28,66,174 23,32,244 8,30,520 2,00,347 18,29,724 13,41,127 23,32,244 25,54,533 For the period **45,77,873** 32,36,747 As at 31.03.2016 Upto 01.04.2015 18,810 7,31,059 31,80,168 78,04,730 78,04,730 52,50,196 6,47,836 139,70,165 27,22,219 58,568 147,41,025 68,19,663 125,31,625 15,06,839 .04,53,399 139,70,165 Deletions **Gross Block** 17,33,129 5,24,945 79,21,362 14,38,540 17,05,104 56,91,313 14,38,540 54,14,892 Additions **68,19,663** 50,86,534 10,17,115 58,568 As at 01.04.2015 47,62,086 125,31,625 71,16,733 9,81,894 125,31,625 <sup>-</sup>urniture and Fixtures Computer Software Description Intangible Assets Office Equipment 8. FIXED ASSETS **Tangible Assets** Previous Year Previous Year Computers

Vehicles

2,86,056 39,758 3,34,058 15,81,918 22,41,790 47,26,895

18,49,787

47,26,895

18,66,536

69,68,685

111,30,169

175,81,020

51,98,417

123,82,603

287,11,190

93,59,902

193,51,288

**Grand Total** 

87,78,211 181,38,113 99,98,340

28,50,319

Capital Work In Progress

222,01,607

122,03,267

**Previous Year** 

28,50,319 98,19,004

111,03,530

222,33,699

175,81,020 123,82,603

5,25,000

51,98,417

123,82,603 84,86,943

**403,39,720** 222,01,607

116,28,530

38,95,661

5,25,000

98,19,004

37,16,324

Note:

1. Pursuant to the applicability of the Companies Act 2013 ("the Act") with effect from 1st April 2014, depreciation on fixed assets for the year has been calculated based on the useful life of the asset as required by Schedule II of the Act(refer our policy No.4 under note No.24 on depreciation).

2. Capital work In progress includes all costs incurred for implementation of Microsoft Dynamics NAV 2013 software until the balance sheet date, which will be capitalized on completion of the Project.

#### BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED

	As at	As at
	March 31,2016	March 31,2015
). DEFERRED TAX ASSETS (NET)		
Deferred Tax Asset		
Provision for Receivables under Financing activity	87,54,602	66,22,06
Fee paid for increase of Authorised capital	12 57 420	32,44
Interest disallowable U/S 43B	13,67,430	6,78,97
On account of Fixed Assets	9,71,514	1,32,168
	110,93,546	74,65,651
Deferred Tax Liability		~
Net Deferred Tax Asset	110,93,546	74,65,653
Movement in Deferred Tax Asset	36,27,894	26,44,458
0. RECEIVABLES UNDER FINANCING ACTIVITY		
Unsecured - Long term		
Micro Finance Loans:		
Long term maturities of Receivables under Financing Activity		
transferred from Receivables under Financing Activity	6770,24,241	4063,86,750
	6770,24,241	4063,86,750
11. LONG-TERM LOANS AND ADVANCES		
Unsecured, Considered good unless otherwise stated		
Other Loans and Advances	12,09,590	2,90,13
TDS Receivable and Advance Tax	491,05,375	162,11,319
	503,14,965	165,01,449
2. OTHER NON CURRENT ASSETS		
Ear-marked Bank Balances transferred from Current Assets	1323,75,000	1213,75,000
(Cash Collateral towards assignment of receivables)	1323,73,000	1215,75,000
	1323,75,000	1213,75,000
13. RECEIVABLES UNDER FINANCING ACTIVITY		
Unsecured - Short term		
Micro Finance Loans	26429,71,098	20383 52,123
Note:	20425/11/050	20505_52,12.
1. The above Micro Finance Loans have been granted under		
SHG/JLG Scheme to the women organised in SHG/JLG.		
2. Of the above:		
- Considered Good	26385,30,276	20375,67,393
- Non Performing Receivables under Financing activity as per	20303,50,270	20575,07,55
Company's Provisioning Norms	44,40,822	7,84,73
3. Loss assets - Receivables under Financing activity as per	44,40,022	7,04,75
Company's Provisioning Norms		
Less: Long term maturities of Receivables under Financing Activity		
transferred to Receivables under Financing Activity	6770,24,241	4063,86,750
Less: Loss assets - Receivables under Financing activity as above		
transferred to Provisions and Write offs	-	-

#### Notes Forming Part of the Financial Statements for the year ended March 31, 2016

	BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED
Notes Fo	rming Part of the Financial Statements for the year ended March 31, 2016

	As at	As at
	March 31,2016	March 31,2015
14. CASH AND BANK BALANCES		
Cash and Cash Equivalents		
Cash on Hand	3,54,713	36,44,80
Balances with Scheduled Banks:		
- In Current Accounts	1306,29,367	1303,84,49
- In Short-term Deposit Accounts	255,00,000	300,00,00
	1564,84,080	1640,29,29
Other Deposit Balances (Ear-marked)		
- In Deposit Accounts	3365,04,129	2073,75,00
Less:Transferred to other Non Current assets	1323,75,000	1213,75,00
	3606,13,209	2500,29,29
15. SHORT-TERM LOANS AND ADVANCES		
Unsecured, Considered good unless otherwise stated		
Other Loans and Advances		
Advance to Staff		40,28
Loan to Staff	40,06,885	25,61,88
Other Advances	154,78,412	26,88,92
Rent Deposits	22,64,500	29,92,92
Service Tax Recoverable	13,60,252	1,57,44
	231,10,049	84,41,46
16. OTHER CURRENT ASSETS		
Considered Good		
Interest accrued but not due		
- on Loans to Borrowers	156,93,547	137,64,24
- on Deposit	218,70,185	109,21,73
	375,63,732	246,85,98

BELSTAR INVE	STMENT AND FINANCE PRIVATE LIMITED
votes Forming Part of the F	inancial Statements for the year ended March 31, 2016

	Year ended	Year ended
	March 31, 2016	March 31, 2015
17. INCOME FROM OPERATIONS		
(a) Interest	5265,35,420	3288,30,275
(b) Other Financial Services		
- Processing fees	311,21,240	228,55,770
(c) Recovery of Bad debts	79,548	1,86,088
	5577,36,208	3518,72,133
18. OTHER INCOME		
(a) <u>Interest:</u>		
Interest on Deposits	224,24,897	121,75,306
Other Interests	5,28,739	7,31,556
(b) <u>Others:</u>		
Other non-operating income	229,53,638	2 129,06,864
	229,53,638	129,06,864
19. FINANCE COSTS		
Interest on Loans:	and a second second	and and and a second
- Term Loans-Banks	1421,75,472	931,39,828
- Cash Credit facility	43,44,248	67,18,373
- Term Loans-NBFC	1416,92,934	654,86,000
Interest on NCD	82,192	
Loan Processing Fees	192,79,756	153,13,220
Bank charges	6,44,473	3,61,642
Loan Documentation & Inspection charges	2,97,480	1,85,598
	3085,16,555	1812,04,661
20. EMPLOYEE COSTS		
Salaries, Wages and Bonus	1133,81,734	897,86,158
Contribution to Provident and Other Funds	60,49,795	66,04,33
Staff Welfare expenses	38,26,035	13,89,15
	1232,57,564	977,79,646
21. OTHER OPERATING EXPENSES		
Rent	62,91,667	52,78,790
Electricity charges	8,21,971	5,48,464
Rates and Taxes	1,98,766	9,84,128
Insurance	10,02,638	10,79,700
Repairs and Maintenance	43,50,532	21,37,829
Travelling & Conveyance*	66,91,287	47,53,41
Communication expenses	18,16,044	14,05,509
Printing & Stationery	53,43,605	34,31,512
Postage & Courier	3,95,403	3,21,873
Business Promotion expenses	36,12,759	26,38,460
Legal & Professional charges	125,72,135	34,62,63
Other expenses	18,59,222	16,28,784
Auditor's Remuneration**:		
- Statutory Audit	7,30,000	6,75,000
– Tax Audit	1,50,000	1,25,000
For Management Services		
- Certification fees	29,500	49,440
For reimbursement of expenses	×	
** excluding Service tax		
*Travelling expense includes foreign travel of Rs 2,18,781	458,65,529	285,20,535

# BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED

22. PROVISIONS AND WRITE-OFFS Provision for Standard Receivables under Financing Activity (Net)	60,46,190	80,47,365
Provision for Loan to staff	22,245	26,951
	60,68,435	80,74,316
23. EARNINGS (LOSS) PER SHARE		
Profit after tax	610,61,240	299,89,294
Weighted average number of equity shares	143,57,680	143,57,680
Earning per Share (Rs.)		
- Basic	4.25	2.09
- Diluted	4.25	2.09
- Face Value per share (Rs.)	10	10

#### Notes Forming Part of the Financial Statements for the year ended March 31, 2016

# **24. SIGNIFICANT ACCOUNTING POLICIES**

#### 1. Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with Revised Schedule VI to the Companies Act, 2013 applicable from 01st April 2014.

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 2013 ("the Act"). The financial statements have been prepared under the historical cost convention on an accrual basis except interest/discount on a loan which have been classified as Non-Performing Assets (NPA) and is accounted for on cash basis.

The Company follows the prudential norms for income recognition, asset classification and provisioning as prescribed by the Reserve Bank of India(RBI) for Non-Deposit taking Non-Banking Finance Companies (NBFC-ND) or more stringent norms as indicated by item no. 10 below.

#### 2. Use of Estimates

The preparation of financial statements requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) as of the date of the financial statements and the reported income and expenses during thereporting period like provision for employee benefits. Management believes that the estimates used in the preparation of financial statements are prudent and reasonable. Future results may vary from these estimates.

#### 3. Revenue Recognition

- i. Interest charges on loans given to borrowers are recognized on reducing balance method.
- ii. Loan Processing Fees charged to borrowers are recognized upfront in the year of receipt.
- iii. Interest income on deposits with banks is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iv. All other income is recognized on an accrual basis, when there is no uncertainty in the ultimate realization /collection.
- v. In respect of contracts in respect of loans that have become NPA, interest has been recognized only to the extent collected.

#### 4. Fixed Assets and Depreciation

- I. Fixed assets are stated at costs less accumulated depreciation. Cost includes taxes, duties, freight and incidental expenses related to the acquisition and installation of the asset
- ii. Depreciation on fixed assets is provided using theStraight Linemethod over the estimated useful life of each assets as determined by the management. The useful life estimates prescribed in part C of schedule II of the Companies Act, 2013 are generally adheared to except in respect of asset classes where, based on technical evaluation, a different estimate of useful life considered suitable. Pursuant to this policy the useful life of assets is estimated at:

Asset Categories	<b>Useful life</b>	<b>Residual Value</b>
Furniture and Fixtures	10 years	2%
Vehicles	10 years	2%
Office Equipment	5 years	2%
Computers	3 years	5%
Computer Software	3 years	5%

iii. Individual Fixed Assets costing Rs.5,000/- or less are fully depreciated in the year of purchase.

## 5. Receivables under Financing activity

All loan exposures to borrowers stated at the full agreement value after netting off installments appropriated up to the year-end.

The company has a system of getting confirmation of balances from its borrowers periodicallytwice in a year

## 6. Taxes on income

Income Tax is computed in accordance with Accounting Standard 22 (AS-22) 'Accounting for Taxes on Income'. Tax expenses are accrued in the same period as the revenue and expenses to which they relate.

Provision for current income tax is made on the tax liability payable on taxable income after considering tax allowances, deductions and exemptions determined in accordance with the prevailing tax laws. The differences between taxable income and the net profit/loss before tax for the year as per the financial statements are identified and the tax effect of the deferred tax asset or deferred tax liability is recorded for timing differences, i.e., differences that originate in one accounting period and reversed in another. The tax effect is calculated on accumulated timing differences at the end of the accounting year based on applicable tax rates. Deferred tax assets/liabilities are reviewed as at each Balance Sheet date.

Deferred taxassets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to realize such assets.

## 7. Retirement and other Employee Benefits

## i. Defined Contribution Plan:

Provident Fund: Contributions to the Employees Provident Fund Scheme maintained by the Central Government are accounted for on an accrual basis.

## ii. Defined Benefit Plan:

<u>Gratuity</u>: Gratuity is accounted for based on actuarial valuation, as at the Balance Sheet date, made through Life Insurance Corporation of India group gratuity fund.

## 8. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized only when the Company has present or legal or constructive obligations as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the transaction and a reliable estimate can be made for the amount of the obligation.

#### 9. Processing Fees – loans from banks

Processing Fees Paid on Loans borrowed from Banks and Financial Institutions are recognized as expense upfront at the time of payment.

#### 10. Classification & Provisioning of Loan Portfolio:

The Reserve Bank of India (RBI) in circular No.DNBS.CC.PD.No.250/03.10.01/2011-12 dated December 2 ,2011 and subsequent modification issued vide Master Circular DNBR(PD) CC.No.047/03.10.119/2015-16 dated July 1,2015 as may be amended by RBI from time to time, specifying norms for the classification and provisioning of assets. These norms are mandatory for all NBFC – MFIs effective April 01, 2012. The Company started following these classification and provisioning norms with effect from 1st April 2011 and is consistently following the same.

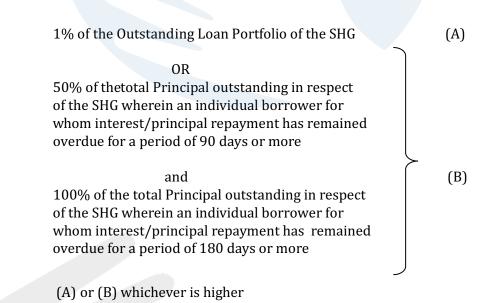
#### **Asset Classification Norms:**

i) Standard asset means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;

ii) Non-Performing asset (NPA) means an asset for which interest/principal payment has remained overdue for a period of 90 days or more and includes the total Principal outstanding in respect of individual borrowers for whom interest/principal repayment has remained overdue for a period of 90 days or more.

#### **Provisioning Norms:**

a) In respect of Micro-loans lent to members in Self Help Groups, though the repayment of principal and interest by members belonging to the SHG could be tracked individually, by and large, based on the Group cohesiveness and collective responsibility amongst the members interse, the provision for Non-Performing assets is made for the total Principal outstanding of the SHG as a whole as under:



(b) In respect of Micro-loans lent to members in Joint Liability Groups, the repayment of principal and interest by members belonging to the JLG are tracked individually, as the members are individually responsible for the repayment of the installments. Hence the provision for Non-Performing assets is made for the total Principal outstanding of the individual borrower as under:

1% of the Outstanding Loan Portfolio of the JLG

(A)

(B)

OR 50% of thetotal Principal outstanding in respect of an individual borrower for whom interest/ principal repayment has remained overdue for a period of 90 days or more

and 100% of the total Principal outstanding in respect of an individual borrower for whom interest/ principal repayment has remained overdue for a period of 180 days or more

(A) or (B) whichever is higher

#### **11. Service Tax Input Credit**

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

As per our report of even date attached

For and on behalf of the Board of Directors For N.SANKARAN & CO **Chartered Accountants** Firm Regn No 003590S Sd/-Sd/-Sd/-Dr. Kalpana Sankar (L.PATTABHIRAMAN FCA) P S Vijayalakshmi **Dr. N Jeyaseelan** Partner Managing Director Director **Chief Financial Officer** M.No.022023 Sd/-Sunil Kumar Sahu Place: Chennai **Company Secretary** Date : June 27, 2016

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# **25. OTHER NOTES TO ACCOUNTS**

#### 1. Managerial Remuneration

Amount in Rs.Amount in Rs.Total Remuneration / the Year endedMarch 31, 2016March 31, 2015Dr. Kalpana Sankar, Managing Director4,841,6003,931,500Mr. L. Muralidharan, Director1,314,600-TOTAL6,156,2003,931,500

#### Notes:

Actuarial valuation based contribution / provision with respect to gratuity and compensated absences have not been included as these are computed for the Company as the whole.

## 2. Micro Enterprises and Small Enterprises

Based on and to the extent on information received by the Company from the Suppliers during the year regarding their status under the Micro Small and Medium Enterprises Development Act,2006(MSMED Act) there are no amounts due to the suppliers registered under MSMED Act, 2006.

## **3.Expenditure in Foreign Currency**

The total foreign travel expenditure for the FY 2015-16 is Rs.218,781/- (PY.Rs.149,550)

#### 4. Computer Software

The Company is in the process of implementation of Microsoft Dynamics NAV 2013 software to support the operational and financial requirements for which capital advance of Rs.111.04 Lakhs (PY Rs.28.50 Lakhs) has been paid as on the date of the Balance sheet.

#### **5. Segment Information**

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

## 6. Gratuity

The Company estimates the liability of gratuity fund based on the actuarial valuation determined as at the period end.

Particulars	For the Year ended March 31, 2016	For the Year ended March 31, 2015	
Projected Benefit Obligation at the beginning of the Year / Period	5,028,068	2,334,984	
Service Cost	1,254,550	770,806	
Interest Cost	391,699	212,191	
Actuarial (Gains) /Losses	-	1,716,510	
Benefits Paid / Charges deducted	(12,577)	(6,423)	
Projected Benefit Obligation at the end of the Year / Period	6,224,490	5,028,068	

Particulars	For the Year ended March 31, 2016	For the Year ended March 31, 2015
Change in Plan Assets		
Fair value of plan assets as at the	2 459 164	2 152 771
beginning of the period	3,458,164	2,153,771
Expected Returns on Plan Assets		
at the Beginning of the Year /	411,975	234,728
Period		
Employer's Contribution	2,251,238	1,064,081
Benefits Paid / Charges deducted	(12,577)	(6,423)
Actuarial Gains /(Losses)	4,080	12,008
Fair Value on Plan Assets at the	6,112,880	3,458,164
end of the Year / Period		
Cost of the defined Benefit Plan		
for the Year / Period		
Current Service Cost	1,254,550	770,806
Interest on Obligation	391,699	212,191
Expected Return on Plan Assets	(411,975)	(234,728)
Net Actuarial (Gains) /Losses recognized in the Year End / Period	(441,330)	1,704,502
Net Cost Recognized in the Profit and Loss account	792,944	2,452,771
Assumptions		
Discount Rates	7.80%	7.80%
Future Salary Increase	6.00%	6.00%
Expected Rate Of Return on Plan Assets	9.00%	9.00%

## Note:

The estimate of future salary increase takes into account inflation, Seniority, Promotion and other relevant factors.

## 7. Related Party Disclosures (As per AS – 18)

Name of Related Parties and Nature of Relationship (with respect to parties with whom the company had transactions during the Year / Period.

	Name of the Party		
Nature of Relationship	For the Year ended	For the Year ended	
	March 31, 2016	March 31, 2015	
Key Management Personnel	Dr. Mrs. Kalpana Sankar	Dr. Mrs. Kalpana Sankar	
Relative of Key Management	Ms. D. Bindhu (sister of Dr. Mrs.	Ms. D. Bindhu (sister of Dr. Mrs.	
Personnel	Kalpana Sankar)	Kalpana Sankar)	
	Ms. Kamini Dhandapan( sister of	Ms. KaminiDhandapani (sister of	
	Dr. Mrs. Kalpana Sankar)	Dr. Mrs. Kalpana Sankar)	
Entities Holding Substantial	Sarvam Mutual Benefit Trust,	Sarvam Mutual Benefit Trust,	
Interest	Kancheepuram	Kancheepuram	
Entities where Company has	-	-	
Control			

	Name of	the Party	
Nature of Relationship	For the Year ended	For the Year ended	
	March 31, 2016	March 31, 2015	
Entities where Key	<u>Dr. Mrs. Kalpana Sankar</u>	Dr. Mrs. Kalpana Sankar	
Management Personnel are	1. Hand in Hand Consulting	1. Hand in Hand Consulting	
interested	Services P.Ltd - Director	Services P.Ltd - Director	
	2. Hand in Hand Inclusive	2. Hand in Hand Inclusive	
	Development & Services -	Development & Services	
	Chairperson	Chairperson	
	3. Hand in Hand Ind <del>ia</del> Chair	3. Hand in Hand India – Chair	
	Person & Managing Trustee	Person & Managing Trustee	
	4. Socio Economic and	4. Socio Economic and	
	Educational Development	Educational Development	
	Trust – Chairperson	Trust - Chairperson	
	5. Sarvam Mutual Benefit Trust,		
	Kancheepuram-Trustee		

Note: Related Party relationships are as Identified by the Management and relied upon by the Auditors.

## **Transactions with Related Parties**

Amount in Rs.

Transaction	Related Party	For the Year ended March 31, 2016	For the Year ended March 31, 2015
Reimbursement of Expenses	Hand in Hand India Total debits Total credits	536,939 5,000	436,463 5,000
Staff Training expenses	Hand in Hand Consulting Services Private Limited Total debits	2,000,000	NIL

# 8. Loan Portfolio and Provisions for standard and Non-performing Assets

	Amount in Rs.			
	Loans Outstanding	Provisions for	Loans Outstanding	
Asset Classification	as at March 31, 2016	Assets as at	as at March 31, 2016	
	(Gross)	March 31, 2016	(Net)	
Standard Assets	2,638,530,276	23,436,156	2,615,094,120	
Non Performing Assets	4,440,822	2,993,555	1,447,267	
Total	2,642,971,098	26,429,711	2,616,541,387	

## **Changes in Provisions**

Changes in Provisions				Amount in Rs.
Particulars	As at April 01, 2015	Additional Provision	Utilization / Reversal	As at March 31, 2016
Provision for Standard Assets Receivables under Financing Activity	19,612,789	3,823,367	-	23,436,156
Provision for Non-performing Receivables under Financing Activity	770,732	2,222,823	-	2,993,555
Total	20,383,521	6,046,190	-	26,429,711

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## 9. Disclosure of Capital adequacy and Liquidity

The Company is not a systemically Important Non-deposit taking NBFC (ND-NBFC) as at 31st March 2016. However, following the best practices in the industry information as per the RBI guidelines for the Systemically Important Non-Deposit taking Non-Banking Financing Companies (ND-NBFC) as regards Capital Adequacy, Liquidity and Disclosure Norms issued by the Reserve Bank of India on 1st August 2008 is disclosed.

# A. Disclosure Pursuant to Reserve Bank of India D NBS.193 DG (VL) – 2007 dated 22 February 2007:

S.	Particulars	As at March 31, 2016		
No		Amount Amount O		
		Outstanding	Due	
		in Rs.	in Rs.	
	Liabilities:			
(1)	Loans and advances availed by the NBFC inclusive of			
	interest accrued there on not paid:			
(a)	Debentures			
	-Secured	Nil	Nil	
	-Unsecured	100,000,000	Nil	
	(Other than failing within the meaning of Public deposits)			
(b)	Deferred Credits	Nil	Nil	
(c)	Term Loans	2,613,486,866	Nil	
(d)	Inter-Corporate Loans and Borrowings	Nil	Nil	
(e)	Commercial Paper	Nil	Nil	
(f)	Other Loans (Nature of other Loans, CC etc.)	68,659,833	Nil	
		2,782,146,699	Nil	

S. No	Particulars	Amount Outstanding as On March 31, 2016 (in Rs.)
	<u>Assets</u>	
(2)	Breakup of Loans and Advances including Bills Receivables	
	[Other than those included in (3) below]:	
(a)	Secured	Nil
(b)	Unsecured (including Interest accrued Rs. 156,93,547 and Other Loans Rs. 49,19,575)	2,663,584,220
(3)	Break up of Leased Assets and Stock on Hire and other Assets	
	counting towards AFC activities.	
(i)	Leased Assets including Leased Rentals Accrued and Due:	
	(a) Financial Lease	Nil
	(b) Operating Lease	Nil
(ii)	Stock on fire including Hire charges under Sundry Debtors:	
	(a) Assets on Hire	Nil
	(b) Repossessed Assets	Nil
(iii)	Other Loans counting towards AFC activities	
	(a) Loans where Assets have been Repossessed	Nil
	(b) Loans Other than (a) above	Nil

S. No	Particulars	Amount Outstanding as On March 31, 2016 (in Rs.)
(4)	Breakup of investments	
	Current Investments	
1	Quoted:	
(i)	Shares: (a) Equity	Nil
	(b) Preference	Nil
(ii)	Debentures and Bonds	Nil
(iii)	Units of Mutual Fund	Nil
(iv)	Government Securities	Nil
(v)	Others (Please Specify)	Nil
П	Unquoted:	
(i)	Shares : (a) Equity	Nil
(ii)	(b) Preference	Nil
(iii)	Debentures and Bonds	Nil
(iv)	Units of Mutual Fund	Nil
(v)	Government Securities	Nil
	Others (Please Specify)	Nil
	Long Term Investments	
I	Quoted:	
(i)	Shares: (a) Equity	Nil
	(b) Preference	Nil
(ii)	Debentures and Bonds	Nil
(iii)	Units of Mutual Fund	Nil
(iv)	Government Securities	Nil
(v)	Others (Please Specify)	Nil
П	Unquoted:	
(i)	Shares: (a) Equity	Nil
	(b) Preference	Nil
(ii)	Debentures and Bonds	Nil
(iii)	Units of Mutual Fund	Nil
(iv)	Government Securities	Nil
(v)	Others (Please Specify)	Nil

(5)	Borrower Group-Wise classification of Assets financed as in (2) and (3) above				
S. No	Category	Net of provisions as at March 31, 2016 (Amount in Rs.)			
		Secured Unsecured Total			
1	Related Parties	Nil	Nil	Nil	
	(a) Subsidiaries	Nil	Nil	Nil	
	(b) Companies in the Same	Nil	Nil	Nil	
	Group				
	(c) Other Related Parties	Nil	Nil	Nil	
2.	Other than Related Parties	Nil	2,642,971,098	2,642,971,098	
	Total		2,642,971,098	2,642,971,098	

(6)	Investor Group-Wise classification of all Investments (Current and Long-term) in Shares and Securities (both quoted and unquoted):					
	Category Market value / Breakup Value Book Value or Fair Value or Net Asset Value (Net of Provision					
1.	Related Parties	Nil	Nil			
(a)	Subsidiaries	Nil	Nil			
(b)	Companies in the Same Group	Nil	Nil			
(c)	Other Related Parties	Nil	Nil			
2.	Other than Related Parties	Nil	Nil			
	Total	Nil	Nil			

(7)	Other Inform	Amount outstanding as at March 31, 2016	
(i)	Gross Non-Performing Assets	Related Parties	Nil
		Other than Related Parties	4,440,822
(ii)	Net Non-Performing Assets	Related Parties	Nil
		Other than Related Parties	1,447,267
(iii)	Assets Acquired in Satisfaction Debt	Related Parties	Nil
		Other than Related Parties	

# B. Disclosure pursuant to RBI Notification DNBS.200/CGM(PK)-125/03.05.00/2008 dated August 01, 2008

## Capital Adequacy Ratio

		Amount in Rs.
Particulars	As at March 31, 2016	As at March 31, 2015
Tier I Capital	382,714,798	324,633,490
Tier II Capital	123,485,352	19,612,789
Total Capital	506,200,150	344,246,279
Total Risk Weighted Assets	3,037,994,635	2,284,158,312
Capital Ratios		
Tier I Capital as a Percentage of Total Risk weighted Assets (%)	12.60%	14.21%
Tier II Capital as a Percentage of Total Risk weighted Assets (%)	4.06%	0.86%
Total Capital (%)	16.66%	15.07%

The Company is a non-Systemically Important Non-Deposit taking NBFC as the asset base is below Rs. 500 crores vide RBI Circular DNBR (PD) CC no 002/3.10.001/2014-15 datedNovember10, 2014. The leverage ratio computed in accordance with the said Circular is 7.24 as on the date of the Balance Sheetwhich is marginally above the prescribed ratio of 7. However, the management is taking steps to reduce the same by way of infusion of equity capital as referred in Note 1 on Share Capital.

ii.	<b>Exposure to Real</b>	<b>Estate Sector both</b>	Direct and Indirect
-----	-------------------------	---------------------------	---------------------

	Cate	gory	As at March 31, 2016	As at March 31, 2015			
a)	Dire	ct Exposure					
	(i)	Residential Mortgages -					
		Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately)	Nil	Nil			
	(ii)	Commercial Real Estate -					
		Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose Commercial premises, multi family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non- fund based (NFB) limits;	Nil	Nil			
	(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -					
		a. Residential,	Nil	Nil			
		b. Commercial Real Estate	Nil	Nil			
b)	Indir	ect Exposure					
		l based and non-fund based exposures on National sing Bank (NHB) and Housing Finance Companies (HFCs).	Nil	Nil			

# iii. Asset Liability Management

# Maturity Pattern of Certain Items of Assets and Liabilities as at March 31,2016

Rs in Lakhs

	Up to 1 Month	Over 1 Month to 2 Months	Over2Monthsto3Months	Over 3 Months to 6 Months	Over 6 Month to 1 Year	Over 1 Year to 3 Years	Over 3 Years to 5Years	Over 5 Years	Total
Liabilities									
Borrowing from Banks	1122.87	227.89	897.99	2453.64	3583.02	6454.16	-	-	14739.57
Market Borrowings	683.73	1018.62	931.99	2879.55	3055.23	3512.77	1000.00	-	13081.42
Total	1806.60	1246.51	1829.98	5333.19	6638.25	9966.93	1000.00	-	27821.46
Assets									
Receivables under Financing activity	3030.81	2089.26	1909.91	5058.39	7571.10	6770.24	-	-	26429.71
Loan to staff	4.78	3.95	3.77	10.29	17.27	9.14	-	-	49.20
Investment	725.00	387.50		375.21	580.00	1297.33	-	-	3365.04
Total	3758.71	2479.56	1912.68	5440.56	8165.42	8099.06	-	-	29843.95

## 10. Disclosure of Frauds reported during the year vide DNBS.PD.CC.283/03.10.042/2012-13 dated July 02, 2012

There are no frauds during the financial year 2015-16.

## 11. Disclosure pursuant to RBI Notification DNBS (PD)CC.No.300/03.10.038/2012-13 dated August 03, 2012

	KEY RATIOS:	
Ι	Total Income from GLP (on Qualified Assets)	24.72
П	Effective Cost of Borrowing	15.43
	Margin	9.29

#### **12.** Capital Commitments

Estimated amount of contracts remaining to be executed on capital account in respect of Microsoft Dynamics NAV 2013 software and not provided for Rs. 18.59 lacs.

#### 13. Contingent Liabilities

There are no Contingent Liabilities and Contingent Assets as at 31st March 2016.

**14.** MFI 2 rating was obtained from CARE during March 2016 which is valid for one year.

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

For <b>N.SANKARAN &amp; CO</b> Chartered Accountants Firm Regn No 003590S	For and on l	behalf of the Board	of Directors
	Sd/-	Sd/-	Sd/-
(L.PATTABHIRAMAN FCA)	Dr. Kalpana Sankar	Dr. N Jeyaseelan	P S Vijayalakshmi
Partner	Managing Director	Director	Chief Financial Officer
M.No.022023		Sd/-	
		Sunil Kumar Sahu	
Place: Chennai		Company Secretary	
Date : June 27, 2016			



# **NOTICE TO THE SHAREHOLDERS**

NOTICE IS HEREBY GIVEN THAT THE TWENTY EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITEDWILL BE HELD ON TUESDAY, THE 27TH SEPEMBER 2016 AT 12.30 P.M. AT THE REGISTERED OFFICE OF THE COMPANY SITUATED AT OLD NO. 14, NEW NO. 33, 48TH STREET, 9TH AVENUE, ASHOK NAGAR, CHENNAI – 600 083, TO TRANSACT THE FOLLOWING BUSINESS:

#### **ORDINARY BUSINESS**

#### 1. Adoption of Financial Statements

To consider and adopt the Audited Financial Statements of the Company for the Financial Year ended March 31,2016 and the Report of the Board of Directors and Auditors Report thereon.

#### 2. Ratification of the appointment of Statutory Auditors

To ratify the appointment of M/s. N. Sankaran & Co., Chartered Accountants, Firm Regn. No. 003590S, Chennai approved at the Annual General Meeting held on 15th September 2014 for the purpose of conducting the audit of the Company for the financial year 2016-17and to authorize the Audit Committee and Board of Directors to fix their remuneration, and for this purpose, to pass the following resolution, as an Ordinary Resolution.

"RESOLVED THAT pursuant to the appointment of statutory auditors approved in the Annual General Meeting of the Company held on 15th September,2014 and in continuation thereof appointment of M/s. N. Sankaran & Co., Chartered Accountants, Chennai (Firm Regn. No. 003590S) be and is hereby ratified by the Shareholders for the purpose of conducting audit of the Company for the financial year 2016-17 on a remuneration as may be decided by the Board of Directors of the Company in consultation with them."

#### **SPECIAL BUSINESS:**

## 3. Appointment of Dr.N Jeyaseelan (Din:02281278) as a Director of the Company

To consider and if thought fit to pass with or without modification(s) the following Resolution as an Ordinary Resolution

"RESOLVED THAT pursuant to Sections 149, 152, 164 read with the rule of the Companies (Appointment and Qualifications of Directors) Rules 2014, and any other applicable provisions of the Companies Act, 2013, Dr. N Jeyaseelan(Din:02281278), who was appointed as Additional Director of the Company by the Board of Directors at its meeting held on 23rd September 2015, whose term of office expires at ensuing Annual General Meeting ('AGM') be and is, hereby, appointed as a Director of the Company in non-executive capacity."

## 4. Appointment of Mr. KR Bijimon (DIN:00023071) as a Director of the Company

To consider and if thought fit to pass with or without modification(s) the following Resolution as an Ordinary Resolution

**"RESOLVED THAT** pursuant to Sections 149, 152, 164 read with the rule of the Companies (Appointment and Qualifications of Directors) Rules 2014, and any other applicable provisions of the Companies Act, 2013, Mr. KR Bijimon (DIN:00023071), who was appointed as Additional Director of the Company by the Board of Directors at its meeting held on 27th June 2016, whose term of office expires at ensuing Annual General Meeting ('AGM') be and is, hereby, appointed as a Director of the Company in non-executive capacity."

## 5. Increase in Borrowing powers of the Company

To consider and if thought fit to pass with or without modification(s) the following Resolution as Special Resolution

**"RESOLVED THAT** pursuant to the provisions of section 180(1)(c) of the Companies Act 2013 and all other applicable provisions if any, or any other law for the time being in force (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force) and in terms of Articles of Association of the Company, the Company hereby accords its Consent to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) of the Company, for borrowing any sum or sums of money from time to time whether in Indian rupees or foreign currency (including external commercial borrowings in foreign denominated currencies from any foreign source / countries as prescribed by guidelines, if any in this respect) from any one or more Company's bankers and /or from any one or more persons, firms, bodies corporate, financial institutions, banks or other acceptable source whether by way of advances, deposits, loans, non-convertible debentures, bonds or otherwise and whether unsecured or secured notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's Bankers in the ordinary course of business) will or may exceed the aggregate paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount up to which the moneys may be borrowed by the Board of Directors and outstanding at any time shall not exceed **Rs. 1000 Crores** (Rupees One Thousand crores only)."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to do all such acts, deeds and things as it may in its absolute discretion deem fit, necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution."

## 6. Creation of charge, mortgage and hypothecation of properties of the Company

To consider and if thought fit to pass with or without modification(s) the following Resolution as Special Resolution

"RESOLVED that pursuant to Section 180 (1) (a) and other applicable provisions, if any, of the Companies Act, 2013 and all other applicable provisions if any, or any other law for the time being in force (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force) and the consent of the shareholders of the Company be and is hereby accorded to the Board of Directors(hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) of the Company to create such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecations created by the Company, on such movable and immovable properties, both present and future, and in such manner as the Board may deem fit, together with power to take over the substantial assets of the Company in certain events in favour of Banks/Financial institutions, other investing agencies and trustees for the holders of debentures/bonds/other instruments to secure Rupee/Foreign currency loans and/or the issue of debentures whether partly/fully convertible or non-convertible and/or securities linked to equity shares and/or rupee/ foreign currency convertible bonds (hereinafter collectively referred to as "Loans") provided that the total amount of Loans payable by the Company in respect of the said Loans, shall not, at any time exceed Rs. 1000 Crores (Rupees One Thousand crores only).

**"RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board or any Committee thereof be and is hereby authorized to finalize, settle and execute such documents /deeds / writings / papers / agreements as may be required and to do all such acts, deeds, matters and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to creating mortgage / charge as aforesaid."

Notes:

#### 1. ALL THE MEMBERS ENTITLED TO ATTEND AND VOTE AT THE MEETING MAY APPOINT ANOTHER MEMBER OR ANY OTHER PERSON, AS PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER. THE PROXIES TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.

2. In case of Corporate Shareholders proposing to participate at the meeting through their representative, necessary authorization under Section 113 of the Companies Act, 2013 for such representation may please be forwarded to the Company.

3. The Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, is given below and forms part of this notice.



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#### EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 ANNEXED TO THE NOTICE OF THE TWENTY EIGHTH ANNUAL GENERAL MEETING OF THE MEMBERS OF THE COMPANY

#### **IN RESPECT OF ITEM NO. 3**

Pursuant to Sections 161 of the Companies Act 2013, the Board of Directors of the Company appointed Dr. N Jeyaseelan as an Additional Director of the Company with effect from September 23, 2015 .In terms of Section 161 of the Companies Act, 2013, Dr. N Jeyaseelanholds office up to the date of ensuing AnnualGeneral Meeting.

Dr. N Jeyaseelan is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given his consent to act as a Director

A brief Profile of Dr. N Jeyaseelan is as below :

Dr. N Jeyaseelan having over two decades of experience in rural banking, and has piloted several microfinance initiatives in the banking sector, including the Indian Bank's Special Unit for Microfinance Project. A PhD in Microfinance, he has done several assignments in self-help groups, microfinance and micro insurance programmes across several countries. He has served as consultant to the UNDP, UNOPS, GIZ, IFAD, Agricultural Finance Corporation, Tamil Nadu Corporation for Development of Women Ltd, and Water Partner International (USA).

Accordingly, the Board, recommends the passing of the Ordinary Resolution as set out in the Item no. 3 of the Notice for appointment of Dr.N Jeyaseelan as a Director.

Except Dr. N Jeyaseelan, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution except and to the extent they are member of the Company.

#### **IN RESPECT OF ITEM NO.4**

Pursuant to Sections 161 of the Companies Act 2013, the Board of Directors of the Company appointed Mr. KR. Bijimon as an Additional Director of the Company with effect from 27th June 2016. In terms of Section 161 of the Companies Act, 2013, Mr.KR. Bijimon holds office up to the date of this Annual General Meeting but is eligible for the appointment as a Director

A brief Profile of Mr. KR. Bijimon is as below

Mr.KR. Bijimon is the Chief General Manager of Muthoot Group and oversees credit and operations of zonal offices, internal audit, marketing, IT and vigilance divisions of the Company. He is also the Chief Operating Officer for the global operations of Muthoot Group (USA, UK, UAE, Hong Kong, Singapore and Sri Lanka). A Fellow Member of the Institute of Chartered Accountants of India and a Fellow Member of Certified Management Accountants, Institute of Sri Lanka, Mr. KR Bijimon has over 18 years of experience in the field of financial services and is employed in the Muthoot Group since inception.

Accordingly, the Board, recommends the passing of the Ordinary Resolution as set out in the Item no. 4 of the Notice for appointment of Mr. KR Bijimon as a Director, liable to retire by rotation.

Except Mr. K. R. Bijimon, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financial or otherwise, in the resolution except and to the extent they are member of the Company.

## **IN RESPECT OF ITEM NO. 5&6**

At the Extra-Ordinary General Meeting of the Company held on April 29, 2015, the Members had, by way of Special Resolution, approved of borrowing monies on behalf of the Company (apart

from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid-up capital of the Company and its free reserves, subject to the total outstanding amount so borrowed not exceeding a sum of Rs. 500 crores at any point of time.

With the proposed Business plan of the Company to build up the Loan Portfolio beyond Rs. 600 Crores in FY 2016-17 and onwards, the earlier limit on the borrowings as above-said needs to be revisited. Hence it has been thought fit to increase the limit on borrowings to Rs.1000 crores. Hence in this connection, the approval of the Members for the said borrowings and creation of a mortgage or charge for the said borrowing is therefore now being sought, by way of a Special Resolutions, pursuant to Section 180(1)(c) and 180(1)(a) of the Companies Act, 2013 respectively.

The Directors commend the Resolutions at Item Nos. 5 and 6 of the accompanying Notice for the approval of the Members of the Company.

None of the Directors and Key Managerial Personnel of the Company or their respective relatives is concerned or interested in the passing of the Resolutions at Item Nos. 5 & 6.

By Order of the Board of Directors For Belstar Investment and Finance Private Limited

Sd/-

Place: Chennai Date:September 03, 2016 Sunil Kumar Sahu Company Secretary

#### ATTENDANCE SLIP BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED U06599TN1988PTC081652 No 22 49th Street 0th Avenue, Ashek Nagar Chennei Ind

Reg Office :No 33, 48th Street ,9th Avenue , Ashok Nagar, Chennai, India-600083 Phone No: +91-44-43414567/45544026 Email: bifpl@belstar.in Web site:www.belstar.in

Member(s) or his/her/their proxy(ies) are requested to present this form for admission, duly signed in accordance with his/her/theirspecimen signature(s) registered with the Company.

Name and address of the shareholder/Proxy:

Folio No:

No of shares held: \_\_\_\_\_

DP ID & Client ID\*:\_\_\_\_\_

I/ We certify that I/ we am /are registered shareholder/proxy for the registered Shareholder of the Company and hereby record my/our presence at the 28th Annual General Meeting of the Company on 27th September,2016 at 12.30 p.m at Old14, New No.33, 48th Street, 9th Avenue, Ashok Nagar, Chennai, Tamil Nadu – 600083

Member's/Proxy's name in Block Letters Member's/Proxy's Signature

\*Applicable for investors holding shares in electronic form.

#### **PROXY FORM**

#### Form No.MGT-11

## [Pursuant to section 105(6 )of the Companies Act, 2013 and rule 19(3) of theCompanies (Management and Administration) Rules, 2014 BELSTAR INVESTMENT AND FINANCE PRIVATE LIMITED

**Registered office:** 14, New No.33, 48th Street, 9th Avenue, Ashok Nagar, Chennai, Tamil Nadu, India – 600083, **Phane:** 101.44,42414567 (45544026

#### Phone: +91-44-43414567/45544026, Email:bifpl@belstar.in, Web site: www.belstar.in CIN: U06599TN1988PTC081652

Name of the Member(s)	:
Registered Address	
E-mail ID	:
FolioNo/ClientID	
DPID	
I/We, holding	being the member(s),shares of the above named company, hereby appoint
1. Name	:
Address	
E-mailId	:
2. Name	:
Address	:
E-mailId	:Signature:
3. Name	:
Address	
E-mailId	:Signature:

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company, to be held on September 27th, 2016, at 12.30 p.m at Old No 14, New No.33, 48th Street, 9th Avenue, Ashok Nagar Chennai-600083 and at any adjournment(s) thereof, in respect of the resolutions, as are indicated below:

I/We direct my/our Proxy to vote on the Resolutions in the manner as indicated below:

Sr.No	Resolution	For	Against	Abstain
Ordin	ary Business			
1	Adoption of Financial Statements			
2	Ratification of the appointment of Statutory Auditors			
Special	Business			
3	Appointment of Dr. N Jeyaseelan (Din:02281278) as a Director of the Company			
4	Appointment of Mr. KR Bijimon (Din:00023071) as a Director of the Company		`	
5	Increase in Borrowing powers of the Company			
6	Creation of charge, mortgage and hypothecation of properties of the Company			

Signed this \_\_\_\_\_ day of \_\_\_\_, 2016

Affix Re.1 Revenue Stamp

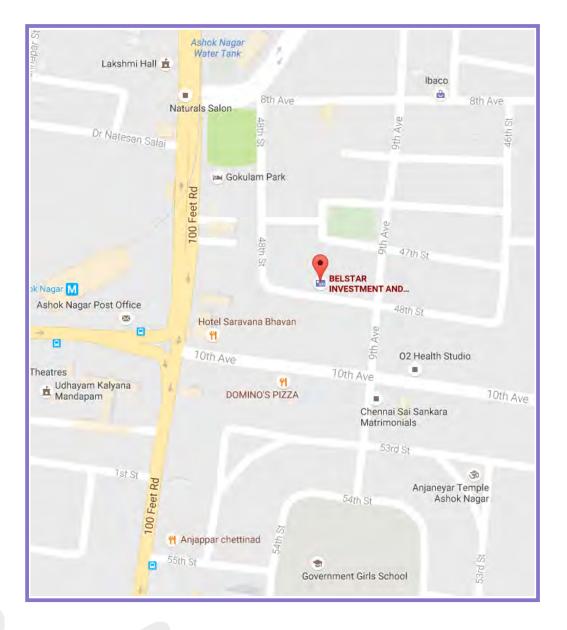
Signature of shareholder/ Authorised Person in case of corporate shareholder

Signature of Proxy holder

#### Notes:

- (1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- (2) A Proxy need not be a member of the Company.
- (3) A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than 10% of the total share capital of the Company carrying voting rights. A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.
- (4) In the case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.





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