

# **ANNUAL REPORT**

## **2018-19**



**ARTH FINANCE**

### **Arth Micro Finance Private Limited**

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A-64, Residential Colony, Sitapura Industrial Area

Tonk Road Jaipur 302022 (Rajasthan)

Phone 0141-2988234, 9414079501/5

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## **BOARD'S REPORT**

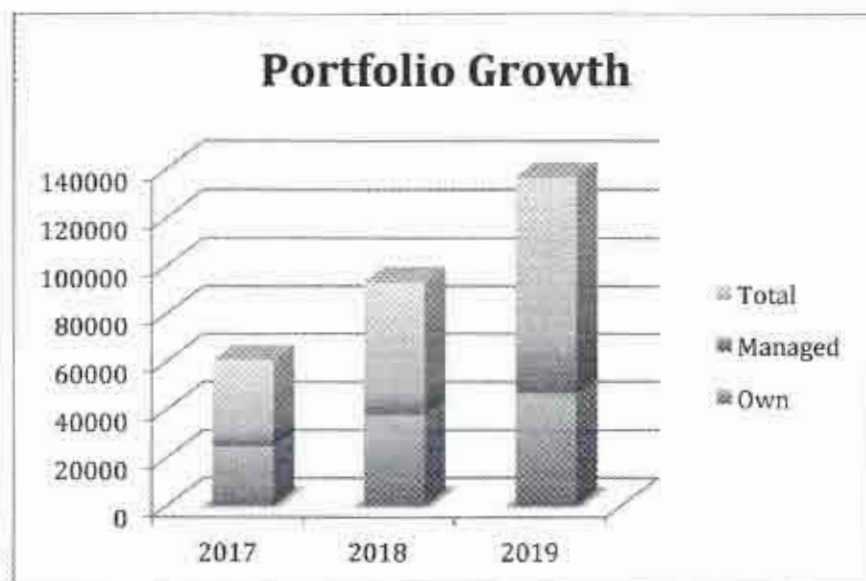
To,  
The Members,  
ARTH MICRO FINANCE PRIVATE LIMITED

Your Directors are pleased to present the Twenty Third (23<sup>rd</sup>) Board's Report on the performance of your Company for the Financial Year ended on 31<sup>st</sup> March, 2019 along with the Audited Financial Statements and the Auditor's report thereon.

### ***PERFORMANCE HIGHLIGHTS***

#### ***Industry Trends***

The Company has been solely carrying out micro financing operations for over more than a decade. During this period, lots of changes have been witnessed in the sector with ebb and flows like Andhra Crisis, Regulations of MFI activities, through Malegam Committee recommendations, Demonetization, Debt relief declarations, but still micro finance sector continues to earmark an Year on Year Growth of more than 30% annually, with an outstanding portfolio of INR 1,78,552 Crores including MFI's of all variants of which NBFC MFI's contribute to INR 68,207 Cr. Despite of severe crunches, liquidity issues, zero collaterals against loans, clients from masses instead of classes, the MFI's have continued to manage the portfolio quality with NPA's less than 1.5%



#### ***Company's Progress***

The operations of the Company have been spreaded across four states, with both own and managed portfolio, for YES Bank Limited, IDBI Bank and MAS Financial Services Limited aggregating to INR 244.22 Crores as on March 31<sup>st</sup>, 2019 indicating 50.62% growth in portfolio of the Company as on March 31<sup>st</sup>, 2018. The portfolio of the Company remains

healthy and hygienic because of its process and procedures, irrespective of the competition in the sector. During the last financial year, company has associated with new funding partners like YES Bank, Reliance Commercial Finance Limited and other NBFC, in addition to the existing Banks, PSU's and Private NBFC's.

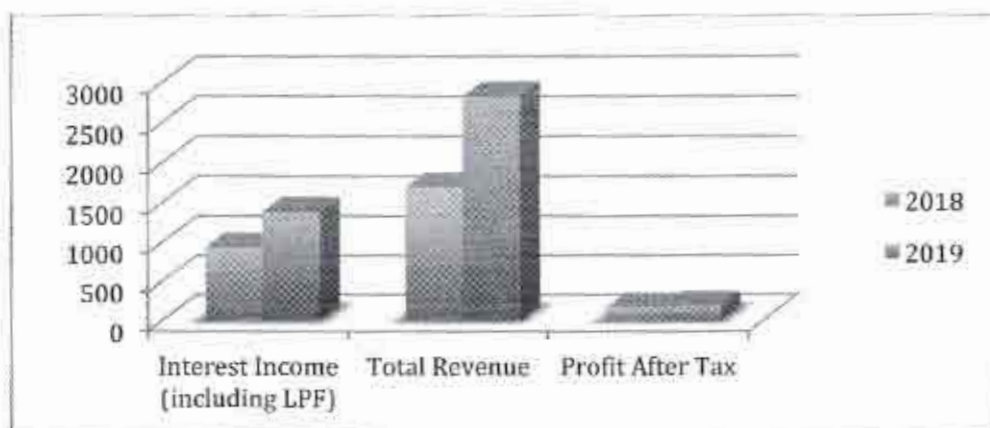
The snapshot of the operational and financial performance for the financial year 2018-2019 is as follows:

<b>Particulars</b>	<b>2018-2019</b>	<b>2017-2018</b>
Total Revenue	2822.92	1690.37
Finance Cost	1029.22	694.34
Profit before Depreciation and Tax	341.56	276.24
Depreciation	69.64	54.12
Net Profit before Exceptional Items & Tax	271.92	222.11
Tax Expenses	61.93	61.93
Net Profit after Tax	181.69	160.18
Transfer to Statutory Reserve	36.33	32.04
Surplus carried to Balance Sheet	238.52	130.05

(₹ in Lakhs)

During the last financial year 2018-2019, company has followed its trend of growth, and has witnessed increase in volume and value. During the last financial year,

- Interest Income (including processing charges) of the Company increased from INR 930.73 Lakhs to INR 1383.44 Lakhs (48.64% growth over previous year)
- Size of the Managed Portfolio of the Company increased from INR 11173.28 Lakhs to INR 18375.39 Lakhs (64.46% growth over previous year)
- Total revenue of the Company increased from INR 1690.37 Lakhs to INR 2822.92 Lakhs (67 % growth over previous year)
- Profit after taxes increased from INR 160.18 Lakhs to INR 181.69 Lakhs (13.43% growth over previous year)
- Earnings per share have increased from INR 1.48 to INR 1.86 (25.67% growth over previous year)



The increase in revenue, net profit and EPS as depicted above is the outcome of increase in turnover of the company during the year.

However, there has been a decline in trend of profit during Financial year 2018-2019 as compared to Financial Year 2017-2018, which majorly on account of increase in personnel and administrative costs.

### ***CHANGES IN THE NATURE OF BUSINESS***

During the financial year 2018-2019, there has been no change in the nature of business activities carried on by the company. However, some avenues are being explored to support livelihood & large ticket size loans by the company and may be initiated in support with either of the financial partners of the Company.

### ***DIVIDEND***

Your Directors are pleased to recommend a dividend of Rs 0.90 per share aggregating to Rs. 29.25 Lakhs for the Preference Shareholders for the Financial Year 18-19. The dividend if approved and declared in the forthcoming Annual General meeting, it would result a Dividend outflow of Rs 29.25 Lakhs and dividend Distribution Tax of Rs.6.01 Lakhs aggregating a total outflow of Rs. 35.26 Lakhs.

In addition to this, an Interim Dividend at the rate of 0.90 per share is proposed for the amount of shares redeemed in May 2019 aggregating to Rs 1.96 Lakhs, which will attract the liability of Dividend distribution tax of Rs 0.48 Lakhs in addition to the above mentioned amount.

During the Year the Company has paid dividend of Rs. 34.74 Lakhs for the Year 2017-2018 including interim dividend of Rs. 5.49 Lakhs for Financial year 2017-2018.

No dividend is proposed for Equity Shareholders after payment of dividend to Preference Shareholders, with an intent to reinvest the residue earnings in business.

### ***TRANSFER TO RESERVES UNDER SECTION 134 (3) (j) OF THE COMPANIES ACT, 2013***

For the financial year ended on March 31<sup>st</sup>, 2019, the company has transferred profits to reserves as detailed below:



S. NO.	Reserve Head	Amount (Rs. In Lakhs)			
		Opening Balance	Addition	Deduction	Closing Balance
1.	Reserves u/s 45-1C of Reserve Bank of India Act, 1934	104.33	36.33	0	140.68
2.	Capital Redemption Reserve	0.00	0.00	0	0.00
3.	General Reserve	0.00	0.00	0	0.00
4.	Securities Premium	60.30	29.97	0	90.27

#### **CHANGES IN SHARE CAPITAL OF THE COMPANY, IF ANY**

During the Financial Year 2018-2019, the Equity share capital of the Company has been increased from Rs.751.20 Lakhs to Rs. 806.20 Lakhs, pursuant to allotment of 5,50,000 Equity Shares of Rs.10 each at premium of Rs. 5.45 per share under Rights issue of the Company.

Apart from this, there has been no further addition or redemption of shares during the Financial Year 2018-2019, thereby, the paid up capital of the Company as on March 31<sup>st</sup>, 2019 aggregates to Rs. 1131.20 Lakhs.

#### **INFORMATION ABOUT SUBSIDIARY/ JOINT VENTURE/ ASSOCIATE COMPANY**

Company does not have any Subsidiary, Joint venture or Associate Company.

#### **TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION & PROTECTION FUND**

There was no unclaimed / unpaid dividend, application money, debenture interest and interest on deposits as well as the principal amount of debentures and deposits, remaining unclaimed / unpaid in relation to the Company hence the company is not required to transfer any amount to Investor Education and Protection Fund (IEPF).

Thus, the provisions of Section 125 of the Companies Act, 2013 do not apply to the company.

#### **MATERIAL CHANGES & COMMITMENTS**

During the year, company has been associated with Bank and NBFC 's and availed credit facilities with a view to ensure growth in the business portfolio of the Company. In addition to this existing funding partners who have strengthen their relationship with company and graduated to next level of credit dose. The details of the funding availed during the year are as follows

S. No.	Date of Agreement	Name of Financial institutions	Amount
1.	31.05.2018	MAS Financial Services Limited	5,00,00,000
2.	25.06.2018	Electronica Finance Limited	3,00,00,000
3.	31.07.2018	Reliance Commercial Finance Limited	4,00,00,000
4.	27.09.2018	NABARD Financial Services Limited	3,00,00,000

5.	29.11.2018	Profectus Capital Private Limited	1,00,00,000
6.	21.12.2018	Habitat Micro Build India Housing Finance Company Private Limited	3,00,00,000
7.	12.01.2019	EcLEAR Leasing and Finance Private Limited	3,00,00,000
8.	15.01.2019	Electronica Finance Limited	2,50,00,000
8.	31.01.2019	MAS Financial Services Limited	3,00,00,000
9.	05.02.2019	YES Bank Limited	5,00,00,000
10.	26.02.2019	MAS Financial Services Limited	3,00,00,000
11.	27.02.2019	MAS Financial Services Limited	3,00,00,000
12.	19.03.2019	Western Capital Advisors Private Limited	2,00,00,000
13.	19.03.2019	Ambit Finvest Private Limited	2,00,00,000

### **EXTRACT OF ANNUAL RETURN**

The Extract of Annual Return as required under section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014, in Form MGT-9 is annexed herewith for your kind perusal and information. **(Annexure: 1)**

### **MEETINGS OF THE BOARD OF DIRECTORS**

During the Financial Year 2018-2019, company convened Seven (7) Board Meetings of the Board of Directors during the year, as per Section 173 of the Companies Act, 2013, which is summarized below. The provisions of Companies Act, 2013 along with secretarial standards of the Company have been complied with, while considering the time gap between two meetings and convening the meetings.

S.NO	DATE OF MEETING	BOARD STRENGTH	NO. OF MEMBERS PRESENT
1.	28.04.2018	6	5
2.	23.08.2018	6	4
3.	08.09.2018	6	3
4.	04.10.2018	6	6
5.	29.11.2018	6	5
6.	25.02.2019	6	6
7.	26.03.2019	6	5

### **DIRECTOR'S RESPONSIBILITY STATEMENT**

Pursuant to Section 134(5) of the Companies Act, 2013 the Board of Directors of the Company confirms that-

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- 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 of the profit and loss of the company for that period;

- (c) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The directors had prepared the annual accounts on a going concern basis; and
- (e) Company being unlisted sub clause (e) of section 134(3) is not applicable.
- (f) 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.

#### **AUDITORS AND REPORT THEREON**

The Auditors, M/s Goyal Dinesh & Associates, Chartered Accountants, Jaipur resigned from the office on February 14<sup>th</sup>, 2019 and M/S Jain Dinesh and Associates, Chartered Accountants were appointed as Statutory Auditors on May 11<sup>th</sup>, 2019, to conduct Audit of the Books of the Company for the Financial Year 2018-2019 and hold office as statutory auditors till the ensuing Annual General Meeting. There are no qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation. The Notes on financial statements are self-explanatory, and needs no further explanation.

#### **Reporting Of Frauds By Auditors**

During the year under review, Statutory auditors has not reported any instance of fraud committed against the Company by its officers or employees, in their Report pursuant to the provisions of Section 143 (12) of the Companies Act, 2013.

#### **LOANS, GUARANTEES AND INVESTMENTS**

Being a Non-Banking Financial Company, Provision of Section 188 of Companies Act, 2013 are not applicable on your company. Further, details of loan and advance given by the company is mentioned under note no. 14 of Financial Statements.

#### **RELATED PARTY TRANSACTIONS**

All related party transactions that were entered into during the financial year were on an arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have a potential conflict with the interest of the Company at large

Further, the Related Party Transactions has been disclosed in Note No. 26 of Financial Statements of the Company and also detailed in Form AOC 2 annexed with this report.



## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:**

### **A. Conservation of Energy, Technology Absorption**

The particulars as required under the provisions of Section 134(3) (m) of the Companies Act, 2013 in respect of conservation of energy and technology absorption have been noted. In accordance with the same, Company has initiated with adequate interface for paperless technology to facilitate field operations. Further, the company has constantly been using LED Lights to conserve energy during the year under review.

In addition to the same, Company has installed solar panels in pursuit of utilizing natural and renewable sources of energy.

### **B. Foreign Exchange Earnings And Outgo**

Total Foreign Exchange Earning:	Nil
Total Foreign Exchange Outgo:	Nil

## **RISK MANAGEMENT**

Periodic assessments to identify the risk areas are carried out and management is briefed on the risks in advance to enable the company to control risk through a properly defined plan. Company is engaged in the business of Micro Finance and the loan default is the biggest risk associated with it. Ageing analysis, works out to be a great tool for risk control. Company has also devised a proper system of Internal Audit to review the operations process, to ensure that loan is not sanctioned to any defaulter, ghost borrower & is utilized in the purpose for which it is so availed. The Audit team further audits the cash flows and the fund management at the Branch Level. The Directors review the Internal Audit report regularly & reviews the loan portfolio and recoveries.

## **DIRECTORS & KMP**

During the year, following changes have occurred in the constitution of the Board of the Company:

NAME	Mr. C.V Arun Kumar	Mr. Shreekanta Das
DESIGNATION	Nominee Director	Nominee Director
DATE OF APPOINTMENT	18.08.2016	15.01.2019
DATE OF CESSATION	15.01.2019	N.A
MODE OF CESSATION	Nomination withdrawn by Appointing Authority	N.A

## **STATEMENT SHOWING DETAILS OF EMPLOYEES**

The provision of Section 197 of the Companies Act, 2013 read with Rule 5 of the The Companies (Appointment and Remuneration of Managerial Personnel) Rule, 2014 are not applicable to the Company.



## **DEPOSITS**

The company has not accepted any deposits during the year. Company also being registered as Non Deposit taking Non Banking Financial Company, has abided by the regulations of Reserve Bank of India Non Banking Financial Companies (Acceptance of Public Deposits) Directions, 1998.

## **STATEMENT REGARDING COMPLIANCES OF APPLICABLE SECRETARIAL STANDARDS**

The Directors have devised proper systems to ensure compliance with the provisions of all applicable Secretarial Standards and that such systems are adequate and operating effectively.

## **DETAILS OF ADEQUACY OF INTERNAL FINANCIAL CONTROLS**

The Companies Act, 2013 re-emphasizes the need for an effective Internal Financial Control system in the Company. The system should be designed and operated effectively. Rule 8(5)(viii) of Companies (Accounts) Rules, 2014 requires the information regarding adequacy of Internal Financial Controls with reference to the financial statements to be disclosed in the Board's report. To ensure effective Internal Financial Controls the Company has laid down the following measures:

- > All operations are executed through Standard Operating Procedures (SOPs) in all functional activities for which key manuals have been put in place. The manuals are updated and validated periodically.
- > All legal and statutory compliances are ensured on a monthly basis. Non-compliance, if any is seriously taken care of by the management and corrective actions are taken immediately. Any amendment is regularly updated by internal as well as external agencies in the system.
- > Approval of all transactions is ensured through a preapproved Delegation of Authority Schedule, which is reviewed periodically by the management.
- > The Company follows a robust internal audit process. Transaction audits are conducted regularly to ensure accuracy of financial reporting, safeguard and protection of all the assets. Fixed Asset verification of assets is done on an annual basis. The audit reports for the above audits are compiled and submitted to Managing Director and Board of Directors for review and necessary action.

## **ORDER OF COURT**

No order of court has been passed relating to the company during the year.

## **GENERAL**

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transactions on these items during the year under review was occurred and the further provisions of relevant Sections of the Act are not applicable on the Company.

1. Issue of equity shares with differential rights as to dividend, voting or otherwise.
2. Issue of shares (including sweat equity shares) to employees of the Company under any scheme.
3. The Company does not have subsidiary, therefore question of receiving any remuneration from its subsidiaries by any Whole-time Director of the Company does not arise.
4. Provisions of Corporate Governance are not applicable to the Company.
5. Provisions of Corporate Social Responsibility under Section 135 of the Act are not applicable.
6. Provisions of Vigil Mechanism under Section 177(9) and (10) of the Act are not applicable.
7. Provisions of Secretarial Audit Report under Section 204 of the Act are not applicable.
8. Provisions of Annual Performance Evaluation are not applicable.
9. Provisions of Audit Committee under Section 177 of the Act are not applicable.
10. Provisions of Nomination and Remuneration Committee under Section 178 of the Act are not applicable.

***DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013***

Company has in place Anti Sexual Harassment Policy in line with the requirements 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, irrespective of the nature of employment (permanent, contractual, temporary, trainees) are covered under this policy.

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

***ACKNOWLEDGEMENT***

Your Directors wish to express their grateful appreciation to the continued co-operation received from the Banks, Government Authorities, Customers, Vendors and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed service of the Executives, staff and Workers of the Company.

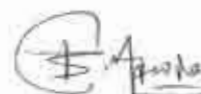
**Date: 21.09.2019**

**Place: Jaipur**

**For & on behalf of the Board of Directors of  
ARTH MICRO FINANCE PRIVATE LIMITED**



**Pramod Kumar Paliwal**  
**Managing Director**  
**DIN: 01402958**



**Kuldeep Kumar Arora**  
**Director**  
**DIN: 01402998**

**ANNEXURE 1**  
**Form No. MGT-9**  
**EXTRACT OF ANNUAL RETURN**  
**As on the financial year ended on 31.03.2019**  
**[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:**

- i. CIN:- U65910RJ1996PTC046219
- ii. Registration Date: 14<sup>th</sup> March, 1996
- iii. Name of the Company : Arth Micro Finance Private Limited
- iv. Category / Sub-Category of the Company: Private Limited Company
- v. Address of the Registered office: A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur
- vi. Telephone : 0141-2988234 Email : arth@arthfinance.com
- vii. Whether listed company: No
- viii. 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:

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Extending Micro Finance in rural, semi urban and urban areas	6492	100

**III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES**

SN	Name And Address Of The Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Not Applicable		Holding		
2	Not Applicable		Subsidiary		
3	Not Applicable		Associate		







a) Bodies Corp.	0	0	0	0	0	0	0	0	0
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	0	0	0	0	0	0	0	0
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh	0	10000	10000	0.13%	0	10000	10000	0.12%	-0.01%
ii) Individual shareholders holding nominal share capital in excess of Rs 1 lakh	0	345000	345000	4.59%	0	746200	746200	9.26%	116.29%
c) Others (HUF) Sudhir Kumar Paliwal	0	150000	150000	2.00%	0	150000	150000	1.86%	-0.14%
<b>Sub-total (B)(2):-</b>	0	505000	505000	6.72%	0	906200	906200	11.24%	4.52%
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	0	505000	505000	6.72%	0	906200	906200	11.24%	4.52%
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	0	0	0	0	0	0	0	0	0
<b>Grand Total (A+B+C)</b>	0	7512000	7512000	100%	0	8062000	8062000	100%	-

## ii. Shareholding of Promoters

Sl N o.	Shareholder's Name	Shareholding at the beginning of the year			Share holding at the end of the year			
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	Mr. Pramod Kumar Paliwal	2138870	28.47	-	2197120	27.253	-	2.72%
2.	Mr. Kuldeep Kumar Arora	1699560	22.62	-	1699560	21.081	-	0%
3.	Mrs. Aruna Paliwal	695625	9.26	-	695625	8.628	-	0%
4.	Pramod Kumar Paliwal HUF	326250	4.34	-	326250	4.047	-	0%
5.	Mrs. Sonia Arora	884310	11.77	-	884310	10.969	-	0%
6.	Mr. Nishikant Paliwal	509685	6.78	-	567935	7.045	-	11.43 %

7.	Mr. Jatin Paliwal	672700	8.96	-	705000	8.745	-	4.80%
8.	Mr. N.L. Arora	80000	1.06	-	80000	0.992		0%

**iii. Change in Promoters' Shareholding:**

SN	Name	Particulars	Shareholding at the beginning of 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
1	Mr. Pramod Kumar Paliwal	Equity Infusion	2138870	28.47	2197120	27.253
2	Mr. Nishikant Paliwal	Equity Infusion	509685	6.78	567935	7.04
3	Mr. Jatin Paliwal	Equity Infusion	672700	8.96	705000	8.745

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

SN	Name	Particulars	Shareholding at the beginning of 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
1.	Mrs. Yamini Paliwal	No Change	35,000	0.47	35,000	0.43
2	Mr. Mahesh Kumar Jakhota	No Change	40,000	0.53	40,000	0.50
3	Mr. Om Prakash Paliwal	No Change	10,000	0.13	10,000	0.12
4	Mr. Tarun Sharma	No Change	50,000	0.67	50,000	0.62
5	Mr. Tota Ram Yogi	No Change	60,000	0.80	60,000	0.74
6	Sudhir Kumar Paliwal HUF	No Change	1,50,000	2.00	1,50,000	1.86
7	Mrs. Neelu Bhatia	No Change	1,60,000	2.13	1,60,000	1.98
8	Mrs. Manju Bhargava	Equity Infusion	0	0	2,71,800	3.37
9	Mr. Ashutosh Paliwal	Equity Infusion	0	0	64,700	0.80
10	Mr. Sudhir Kumar Paliwal	Equity Infusion	0	0	64,700	0.80

**v. Shareholding of Directors and Key Managerial Personnel:**

SN	Name	Particulars	Shareholding at the beginning of 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
1	Mr. Pramod Kumar Paliwal	Equity Infusion	2138870	28.47%	2197120	27.253
2	Mr. Kuldeep Kumar Arora	Equity Infusion	1699560	22.62%	1699560	21.081
3	Mr. Nishikant Paliwal	Equity Infusion	509685	6.78%	567935	7.04

**ii) INDEBTEDNESS**

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

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	495352475	30000000	0	525352475
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	495352475	30000000	0	525352475
<b>Change in Indebtedness during the financial year</b>				
Addition	353617042	40000000	0	393617042
Reduction	298228264	0	0	298228264
Net Change	55388778	40000000	0	95388778
<b>Indebtedness at the end of the financial year</b>			0	
i) Principal Amount	550741253	70000000	0	620741253
ii) Interest due but not paid	0	0	0	0
iii) Interest accrued but not due	0	0	0	0
Total (i+ii+iii)	550741253	70000000	0	620741253

**iii) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

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

SN	Name of MD/WTD/Manager	Gross salary	Stock Option	Sweat Equity	Commission	Others (Rent)	Total	Ceiling as per the Act

		(a) Salary as per provisio ns containe d in section 17(1) of the Income- tax Act, 1961	(b) Value of perquis ites u/s 17(2) Income -tax Act, 1961	(c) Profit s in lieu of salary under sectio n 17(3) Inco me- tax Act, 1961			as % of prof it	othe rs			
1.	Mr. Pramod Kumar Paliwal, (Managing Director)	3030000	0	0	0	0	0	0	840000	3870000	Nil
2.	Mr. Kuldeep Kumar Arora, Whole-Time Director	2400000	0	0	0	0	0	0	0	2400000	Nil

**B. Remuneration to other directors:**

S L n	Particulars of Remuneration	Name of Directors	Total Amount
		<b>Mr. Nishikant Paliwal</b>	
	1. Other Executive Directors		
	• Fee for attending board committee meeting	0	0
	• Commission	0	0
	• Salary as per the provisions of Section 17(1) of the Income tax Act, 1961	1080000	1080000
	• Others	0	0
	Total (1)	1080000	1080000
		<b>Mr. Ashok Kumar Bhargava</b>	
	2. Independent Directors		
	• Fee for attending board committee meeting	40000	40000
	• Commission	0	0
	• Others, please specify	0	0
	Total (2)	40000	40000



3. Other Non-Executive Directors		
<ul style="list-style-type: none"> <li>• Fee for attending board committee meetings</li> <li>• Commission</li> <li>• Others, please specify</li> </ul>		
Total (3)		

Total (B)=(1+2+3)	1120000	
Total Managerial Remuneration	7390000	
Overall Ceiling as per the Act	NA	

**C. Remuneration to key managerial personnel other than MD/Manager/WTD :**

Sl. no	Particulars of Remuneration	Key Managerial Personnel			
		CEO	Director & Company Secretary	CFO	Total
			Ruchi Mitra		
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		1200000		1200000
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961				
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2.	Stock Option				
3.	Sweat Equity				
4.	Commission				
	<ul style="list-style-type: none"> <li>• as % of profit</li> <li>• Others, specify...</li> </ul>				
5.	Others, please specify				
	Total		1200000		1200000

iv) **PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: NIL**

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment /Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give details)
<b>A. COMPANY</b>					
Penalty	NA				
Punishment	NA				
Compounding	NA				
<b>B. DIRECTORS</b>					
Penalty	NA				
Punishment	NA				
Compounding	NA				
<b>C. OTHER OFFICERS IN DEFAULT</b>					
Penalty	NA				
Punishment	NA				
Compounding	NA				

Date: 21.09.2019  
Place: Jaipur

For & on behalf of the Board of Directors of  
ARTH MICRO FINANCE PRIVATE LIMITED

  
Pramod Kumar Paliwal  
Managing Director  
DIN: 01402958

  
Kuldeep Kumar Arora  
Director  
DIN: 01402998

**ANNEXURE**  
**FORM NO. AOC.2**

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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Not Applicable
B	Nature of contracts/arrangements/transactions	Not Applicable
C	Duration of the contracts/arrangements/transactions	Not Applicable
D	Salient terms of the contracts or arrangements or transactions including the value, if any	Not Applicable
E	Justification for entering into such contracts or arrangements or transactions	Not Applicable
F	Date of approval by the Board	Not Applicable
G	Amount paid as advances, if any	Not Applicable
H	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	Not Applicable

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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Mrs. Sonia Arora wife of Mr. Kuldeep Kumar Arora, Director of the Company
B	Nature of contracts/arrangements/transactions	Remuneration paid for rendering services in Audit Department of the Company.
C	Duration of the contracts/arrangements/transactions	2 Years
D	Salient terms of the contracts or arrangements or transactions including the value, if any:	INR 1,30,000 per month for 2 Years
E	Date(s) of approval by the Board, if any	28.04.2018
F	Amount paid as advances, if any:	NIL

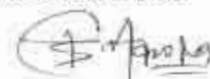
Date: 21.09.2019

Place: Jaipur

For & on behalf of the Board of Directors of  
ARTH MICRO FINANCE PRIVATE LIMITED



**Pramod Kumar Paliwal**  
Managing Director  
DIN: 01402958



**Kuldeep Kumar Arora**  
Director  
DIN: 01402998

**ANNEXURE**  
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**(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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Not Applicable
B	Nature of contracts/arrangements/transactions	Not Applicable
C	Duration of the contracts/arrangements/transactions	Not Applicable
D	Salient terms of the contracts or arrangements or transactions including the value, if any	Not Applicable
E	Justification for entering into such contracts or arrangements or transactions	Not Applicable
F	Date of approval by the Board	Not Applicable
G	Amount paid as advances, if any	Not Applicable
H	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	Not Applicable

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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Mrs. Charan Arora mother of Mr. Kuldeep Kumar Arora, Director of the Company
B	Nature of contracts/arrangements/transactions	Remuneration paid for rendering services in Staff Development activities of the Company
C	Duration of the contracts/arrangements/transactions	1 Year
D	Salient terms of the contracts or arrangements or transactions including the value, if any:	INR 40,000 per month for 1 Year
E	Date(s) of approval by the Board, if any	28.04.2018
F	Amount paid as advances, if any:	NIL

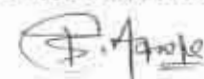
Date: 21.09.2019

Place: Jaipur

For & on behalf of the Board of Directors of  
ARTH MICRO FINANCE PRIVATE LIMITED



**Pramod Kumar Paliwal**  
Managing Director  
DIN: 01402958



**Kuldeep Kumar Arora**  
Director  
DIN: 01402998



**ANNEXURE**  
**FORM NO. AOC.2**

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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Not Applicable
B	Nature of contracts/arrangements/transactions	Not Applicable
C	Duration of the contracts/arrangements/transactions	Not Applicable
D	Salient terms of the contracts or arrangements or transactions including the value, if any	Not Applicable
E	Justification for entering into such contracts or arrangements or transactions	Not Applicable
F	Date of approval by the Board	Not Applicable
G	Amount paid as advances, if any	Not Applicable
H	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	Not Applicable

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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Mr. Jatin Paliwal son of Mr. Pramod Kumar Paliwal, Managing Director of the Company
B	Nature of contracts/arrangements/transactions	Remuneration paid for rendering services in Finance Department of the Company
C	Duration of the contracts/arrangements/transactions	2 Years
D	Salient terms of the contracts or arrangements or transactions including the value, if any:	INR 80,000 per month for 2 Years
E	Date(s) of approval by the Board, if any	28.04.2018
F	Amount paid as advances, if any:	NIL

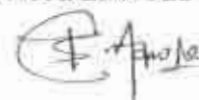
Date: 21.09.2019

Place: Jaipur

For & on behalf of the Board of Directors of  
ARTH MICRO FINANCE PRIVATE LIMITED



Pramod Kumar Paliwal  
Managing Director  
DIN: 01402958



Kuldeep Kumar Arora  
Director  
DIN: 01402998

**ANNEXURE**  
**FORM NO. AOC.2**

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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Not Applicable
B	Nature of contracts/arrangements/transactions	Not Applicable
C	Duration of the contracts/arrangements/transactions	Not Applicable
D	Salient terms of the contracts or arrangements or transactions including the value, if any	Not Applicable
E	Justification for entering into such contracts or arrangements or transactions	Not Applicable
F	Date of approval by the Board	Not Applicable
G	Amount paid as advances, if any	Not Applicable
H	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	Not Applicable

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

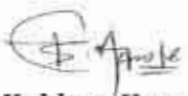
Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Mrs. Aruna Paliwal wife of Mr. Pramod Kumar Paliwal, Managing Director of the Company
B	Nature of contracts/arrangements/transactions	Remuneration paid for rendering services in Administration Division of the Company
C	Duration of the contracts/arrangements/transactions	1 Year
D	Salient terms of the contracts or arrangements or transactions including the value, if any:	INR 70,000 per month for 1 Year
E	Date(s) of approval by the Board, if any	28.04.2018
F	Amount paid as advances, if any:	NIL

**Date: 21.09.2019**

**Place: Jaipur**

**For & on behalf of the Board of Directors of  
ARTH MICRO FINANCE PRIVATE LIMITED**

  
**Pramod Kumar Paliwal**  
Managing Director  
DIN: 01402958

  
**Kuldeep Kumar Arora**  
Director  
DIN: 01402998

**ANNEXURE**  
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**(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

Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Not Applicable
B	Nature of contracts/arrangements/transactions	Not Applicable
C	Duration of the contracts/arrangements/transactions	Not Applicable
D	Salient terms of the contracts or arrangements or transactions including the value, if any	Not Applicable
E	Justification for entering into such contracts or arrangements or transactions	Not Applicable
F	Date of approval by the Board	Not Applicable
G	Amount paid as advances, if any	Not Applicable
H	Date on which the special resolution was passed in General meeting as required under first proviso to section 188	Not Applicable


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


Sl No.	Particulars	Details
A	Name(s) of the related party and nature of relationship	Mr. Pramod Kumar Paliwal, Managing Director of the Company
B	Nature of contracts/arrangements/transactions	Rent for property taken on lease for office purpose
C	Duration of the contracts/arrangements/transactions	2 Years
D	Salient terms of the contracts or arrangements or transactions including the value, if any:	INR 70,000 per month for 2 Years
E	Date(s) of approval by the Board, if any	28.04.2018
F	Amount paid as advances, if any:	NIL

**Date: 21.09.2019**

**Place: Jaipur**

**For & on behalf of the Board of Directors of  
ARTH MICRO FINANCE PRIVATE LIMITED**

  
**Pramod Kumar Paliwal**  
Managing Director  
DIN: 01402958

  
**Kuldeep Kumar Arora**  
Director  
DIN: 01402998



**ARTH MICRO FINANCE PRIVATE LIMITED**

A-64, RESIDENTIAL COLONY, SITAPURA INDUSTRIAL AREA,  
TONK ROAD, JAIPUR CIN:U65910RJ1996PTC046219

**AUDIT REPORT**  
FOR THE YEAR ENDED  
31<sup>ST</sup> MARCH 2019

**AUDITORS**  
JAIN DINESH & ASSOCIATES  
CHARTERED ACCOUNTANTS  
303, SHYAM ANUKAMPA, C-SCHEME, JAIPUR

# JAIN DINESH & ASSOCIATES

## Chartered Accountants

303, Shyam Anukampa, O-11, Ashok Marg, C-Scheme, Jaipur-302001

Tel.: Off.: 2364892, 4916933

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### INDEPENDENT AUDITORS' REPORT

To

The Members of **Arth Micro Finance Private Limited**

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of **M/s Arth Micro Finance Private Limited** which comprises the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, and profit and its cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules there under, and we have fulfilled our other ethical responsibilities in





accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Responsibility of Management for the Financial Statements**

The Company's Management & 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, of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. 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 implementation and maintenance of 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management & Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the company's financial reporting process.

### **Auditor's Responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for





one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.





## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, We give in the Annexure I, a statement on the matters specified in paragraph 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 purposes of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books
- (c) The Balance Sheet and the Statement of Profit and Loss, dealt with by this Report are in agreement with the books of account
- (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) On the basis of the written representations received from the directors as on 31st March, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- (f) With respect to the adequacy of the Internal Financial Controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in Annexure II. Our report expresses unmodified opinion on the adequacy and operative effectiveness of the Internal Financial Control over financial reporting of this company, for reason stated therein.
- (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:
  - i. The Company does not have any pending litigations which would impact its financial position.






- ii. The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
- iii. There are no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

**PLACE: - JAIPUR**  
**DATED: 31.08.2019**



**For Jain Dinesh & Associates**  
**Chartered Accountants**  
**FRN 003886C**

  
**(Dinesh Jain)**  
**Prop.**  
**MRN- 072869**



## Annexure To The Independent Auditors' Report

### **Annexure I referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" of our report of even date**

The annexure referred to in our report of even date to the Members of Arth Micro Finance Private Limited ("the Company") on the financial statements for the year ended on 31<sup>st</sup> March 2019, we report that:

1.
  - (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
  - (b) The company has a regular programme of physical verification of its Fixed Assets by which all the Fixed Assets are verified every year. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were 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, no material discrepancies were noticed on physical verification made by the management.
2. The company is a Non-Banking Finance Company, engaged in the business of providing micro credit. Accordingly, it does not hold any physical inventory. Hence, Clause 3(ii) of the Order is not applicable to the Company
3. According to the information and explanations given to us and on the basis of our examination of the records of the company, the company has not granted loans secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the clauses 3(iii) (a) to (c) of the order regarding terms and conditions of such loans and repayment of such loans etc. are not applicable to the company.
4. According to the information and explanations given to us and on the basis of our examination of the records of the company, the company has not granted any loan, provided guarantee or any security in respect of any loan to its directors or to any other person in whom the director is interested u/s 185 and no investment made by company as per section 186 of the Act. Therefore, clause 3(iv) of the order is not applicable to the company.





5. According to the information and explanations given to us, the company has not accepted any deposits from the public. Hence, the directives issued by the Reserve Bank of India and the provisions of Section 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
6. The company is not required to the maintain records pursuant to Companies (Cost Audit and Records) Rules, 2014 issued by the Central Government under section 148(1) of the Companies Act, 2013 for any of the services rendered by the company.
7. (a) According to the information and explanations given to us and on the basis of our examination of the records of the company, the company is regular in depositing undisputed statutory dues including provident fund, employees state insurance, income-tax, Goods and services tax, cess and any other statutory dues with the appropriate authorities. No undisputed amounts payable in respect of the above were in arrears as at March 31, 2019 for a period of more than six months from the date they were payable.  
(b) According to the information and explanations given to us, there are no dues of Income Tax, wealth tax, Goods and services tax, sales tax, custom duty, excise duty, Value Added Tax and Cess which have not been deposited on account of any dispute.
8. Based on our audit procedures and according to the information and explanation give to us, the company has not defaulted in repayment of dues to financial institutions or banks.
9. The Company has not raised any moneys by way of initial public offer or further public offer. Further with regard to term loans, according to the information and explanations given to us, the company has utilized the term loans during the year for the purposes for which they are obtained.
10. To the best of our knowledge and belief and according to the information and explanation given to us, no fraud by the company and no material fraud on the company was noticed or reported during the course of our audit,
11. The company is a private limited company, hence provisions of section 197 read with Schedule V of the Act is not applicable. Accordingly clause 3(xi) of the order regarding payment of managerial remuneration in compliance of this section is not applicable.



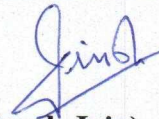


12. The company is not a nidhi company/ mutual benefit fund/ society. Accordingly, paragraph 3(xii) of the order is not applicable.
13. According to the information and explanations given to us and on the basis of our examination of the records of the company, all transactions with the related parties are in compliance with section 177 and 188 of the Act and the details have been disclosed in the financial statements as required by the applicable accounting standards.
14. The Company had not made Preferential allotment or private placement of shares during the year under review, and requirements of Section 42 of Companies Act, 2013 have not been applicable
15. According to the information and explanations given to us and on the basis of our examination of the records of the company, the company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
16. The company is required to be registered under section 45-IA of the Reserve Bank of India Act 1934 and such registration has been obtained by the Company.

**PLACE: - JAIPUR**  
**DATED: 31.08.2019**



**For Jain Dinesh & Associates**  
**Chartered Accountants**  
**FRN 003886C**

  
**(Dinesh Jain)**  
**Prop.**  
**MRN- 072869**



## **Annexure II of our report of even date**

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act") referred to in paragraph 2(f) of our report of even date.**

We have audited the internal financial controls over financial reporting of Arth Micro Finance Private Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

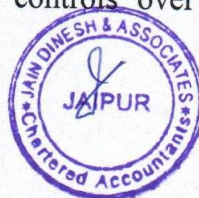
### **Management's Responsibility for Internal Financial Controls**

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

### **Auditors' Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting,





assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

### **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 operating effectively as at 31 March 2019, 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 ICAI.

**PLACE: - JAIPUR**  
**DATED: 31.08.2019**



**For Jain Dinesh & Associates**  
**Chartered Accountants**  
**FRN 003886C**

  
**(Dinesh Jain)**  
**Prop.**  
**MRN- 072869**



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U65910RJ1996PTC046219

## BALANCE SHEET AS AT 31st March, 2019

PARTICULARS	Note	As at 31/03/2019 Amount (Rs.)	As at 31/03/2018 Amount (Rs.)
<b>EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Fund</b>			
(a) Share Capital	2	113120000	107620000
(b) Reserves and Surplus	3	49498335	32019793
<b>(2) Non Current Liabilities</b>			
(a) Long Term Borrowings	4	248076504	229546949
(b) Long Term Provision	5	1035265	1178032
<b>(3) Current Liabilities</b>			
<b>(A) Financial Liabilities</b>	6		
(i) Short term Borrowings		0	0
(ii) Trade Payable		0	0
(a) Total outstanding dues of Micro, Small and Medium Enterprises (MSME)			
(b) Total outstanding dues of creditors other than Micro, Small and Medium Enterprises			
(iii) Other Financial Liabilities		418687332	344822535
<b>(b) Other Current Liabilities</b>	7		
(i) Other Current Liabilities		20004779	7676738
(ii) Short term Provisions		16021231	12276170
<b>TOTAL</b>		<b>866443447</b>	<b>735140217</b>
<b>ASSETS</b>			
<b>(1) Non Current Assets</b>			
(a) Property, Plant & Equipment			
(i) Tangible Assets	8	10784715	12322410
(ii) Intangible Assets		0	0
(b) Loan Portfolio	9	103526496	117803233
(c) Deferred Tax Assets(Net)	10	1879173	2478244
<b>(2) Current Assets</b>			
(a) Loan Portfolio	11	501200690	386662490
(b) Trade receivables	12	19942619	14562624
(c) Cash and cash equivalents	13	206299185	190855227
(d) Short term loans and advances	14	11142217	1766693
(e) Other current assets	15	11668352	8689296
<b>TOTAL</b>		<b>866443447</b>	<b>735140217</b>
Corporate Information & significant accounting policies	1		
Other Explanatory Information/Notes	22-34		

Notes to accounts are an integral part of financial statements

In the terms of our Audit Report of even date annexed

For Jain Dinesh & Associates

Chartered Accountants

Firm registration No. 003886C

*Jain*  
Dinesh Jain

Prasanna  
M.NO.- 072869  
Place: Jaipur

Date: 31 AUG 2019



For and on behalf of the Board of Directors

*Pramod K Paliwal*  
Pramod K Paliwal  
(Managing Director)  
DIN:-01402958

*Kuldeep K Arora*  
Kuldeep K Arora  
(Whole Time Director)  
DIN:-01402998

*Ruchi Mitra*  
Ruchi Mitra  
(Company Secretary)  
M.No:-FCS 8038

# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U65910RJ1996PTC046219  
Statement of Profit & Loss Account for the year ended 31st March 2019

PARTICULARS	Note	For the year ended 31/03/2019 Amount (INR)	For the year ended 31/03/2018 Amount (INR)
<b>Revenue:</b>			
Revenue From Operations	16	282292423	169036878
<b>Total Revenue(I)</b>		282292423	169036878
<b>Expenses:</b>			
Finance Cost	17	102922125	69433990
Personnel Cost	18	99811067	48954708
Administrative & Other Expenses	19	37695746	21263333
Business Development Expenses	20	7707049	1760760
Depreciation	7	6964290	5412488
<b>Total Expenses(II)</b>		255100277	146825279
<b>Profit Before Taxes(III)</b>		27192146	22211599
<b>Tax Expense</b>			
Current Tax		8267021	7148500
Deferred tax		599071	(955116)
Adjustment of tax relating to prior years		157295	0
<b>Total Tax Expenses(IV)</b>		9023387	6193384
<b>Profit After Tax (III-IV)</b>		18168758	16018215
<b>Earning Per Share</b>	21		
Basic		1.86	1.48
Diluted		1.64	0.86
Nominal Value of Share (Rs)		10.00	10.00
<b>Corporate Information &amp; significant accounting policies</b>	1		
<b>Other Explanatory Information/Notes</b>	22-32		

Notes to accounts are an integral part of financial statements

In the terms of our Audit Report of even date annexed  
For Jain Dinesh & Associates  
Chartered Accountants  
Firm Registration No. 003886C

*Jain*  
Dinesh Jain  
Prop

M.NO. 072869

Place: Jaipur

Date: 31 AUG 2019



*Pramod K Paliwal*  
Pramod K Paliwal  
(Managing Director)  
DIN:-01402958

For and on behalf of Board of Directors

*Kuldeep K Arora*  
Kuldeep K Arora  
(Whole Time Director)  
DIN:-01402998

*Ruchi Mitra*  
Ruchi Mitra  
(Company Secretary)  
M.No:-FCS 8038



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U65910RJ1996PTC046219

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2019

(Amount INR)

PARTICULARS	For the year ended 31/03/2019	For the year ended 31/03/2018
<b>A. Cash Flow From Operating Activities</b>		
Net (Loss)/Profit before tax	27192146	22211590
Adjustments For:		
Depreciation	6964290	5412488
(Profit)/Loss on sale of Fixed assets	(305031)	0
Finance Charges	102922125	0
Provisions	1002615	2167139
<b>Operating Profit Before Working Capital Changes</b>	<b>137778245</b>	<b>29791426</b>
Movements In Working Capital:		
(Increase)/Decrease in Other Current Assets	(2979056)	(4227369)
(Increase )/Decrease in Trade Receivables	(5370995)	(5138823)
(Increase )/Decrease in Fixed Deposits	(44890238)	(46050000)
(Increase)/Decrease in Loans & Advances	(125032245)	(120534799)
Increase/(Decrease) in Current Liabilities	88786824	182016020
<b>Cash generated from operations</b>	<b>48280545</b>	<b>35856465</b>
Income Tax Paid	7305795	5572400
<b>Net Cash Provided By/ (Used In) Operating Activities</b>	<b>40974750</b>	<b>30284065</b>
<b>B. Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	(5903254)	(11175292)
Proceed from Sale of Fixed Assets	782591	0
(Increase)/Decrease in Loan portfolio	14276737	(100861833)
<b>Net Cash Provided By/ (Used In) Investing Activities</b>	<b>9156074</b>	<b>(112037125)</b>
<b>C. Cash Flow From Financing Activities</b>		
Dividend on Preference shares paid	(3682024)	(4994021)
Finance charges paid	(102922125)	0
Redemption of Preference Share Capital	0	(75000000)
Proceeds from Issue of Equity Share Capital	8497500	30150000
Increase/(Decrease) in Secured Loans/Unsecured Loan	18529555	101838039
<b>Net Cash Provided By/ (Used In) Financing Activities</b>	<b>(79577094)</b>	<b>119494018</b>
<b>Net Increase/(Decrease) in Cash And Cash Equivalents</b>	<b>(29446270)</b>	<b>37749958</b>
Cash And Cash Equivalents At The Beginning of the Year	78415227	40674269
<b>Cash And Cash Equivalents At The End of the Year</b>	<b>48968957</b>	<b>78415227</b>
Note:	<b>As At 31st March 2019</b>	<b>As At 31st March 2018</b>
Cash and Cash Equivalents Comprise:		
Cash In Hand (As Certified By The Management)	2863654	141526
Balances With Bank		
In Current Accounts	21293452	52273703
In Deposit Accounts	24811850	76000000
	<b>48968957</b>	<b>78415227</b>

### Summary of significant accounting Policies

Notes on accounts are an Integral Part of Financial Statements  
In the terms of our Audit Report of even date annexed

For Jaun Dinesh & Associates  
Chartered Accountants  
Firm Registration No. 03886C

  
Jaun Dinesh  
P. TOP  
M.NO. 072869



For and on behalf of Board of Directors

    
Pramod K. Paliwal      Kuldeep K. Arora      Ruchi Mitra  
(Managing Director)      (Whole Time Director)      (Company Secretary)  
DIN:-01402958      DIN:-01402998      M.No:-FCS-8058

Place: Jaipur  
Date: 31 AUG 2019



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

## Note "1"

### Schedule of Significant Accounting Policies forming part of and annexed to Balance Sheet for the year ended 31<sup>st</sup> March, 2019

#### (A) Corporate Information

Arth Micro Finance Private Limited is incorporated under the provisions of Companies Act, 1956 with name Chandra Cresce Private Limited but w.e.f 06/01/2010 its name was converted to Arth Micro Finance Private Limited. The company was registered as a non-deposit accepting Non-Banking Financial Company ("NBFC-ND") with Reserve Bank of India ("RBI"). Now the company is classified as Non-Banking Financial Company - Micro Finance Institution (NBFC-MFI).

The company is primarily engaged in micro finance lending activities for providing financial services to poor persons in rural areas who are organized as Joint Liability Groups ("JLG"). The company has its operation spread across states.

#### (B) Summary of significant accounting policies

##### 1) Basis of preparation of Financial Statements

The financial statements of the company have been prepared and presented in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under section 133 of the Companies Act, 2013 ('the Act'), read with Rule 7 of the Companies (Accounts) Rules, 2014 and all the provisions of the RBI as applicable to a NBFC-MFI. The financial statements have been prepared on accrual basis and under the historical cost convention except interest on loans in those cases where it has been classified as non-performing assets, interest is accounted for on realization basis.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year.

##### 2) Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts or assets or liabilities in future periods.





## ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

### 3) Revenue Recognition:-

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured:-

- a) Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and rate applicable.
- b) All other income is recognized on an accrual basis.

### 4) Inventories :-

Since the company is a Non Banking Finance Company there is no inventory or stock in trade.

### 5) Property, Plant & Equipment, Depreciation:-

- a) All Fixed assets are stated at cost of acquisition and any attributable cost of bringing the assets to its working condition for its intended use and reduced by the accumulated depreciation.
  - b) Depreciation on fixed assets is provided on the basis of written down value method at the rates arrived at based on useful life of various assets as prescribed under Schedule II to the Companies Act, 2013.
  - c) All Fixed Assets whose useful life has expired at the start of the financial year the remaining written down value of such assets is scrap value of assets. Difference between written down value and scrap value is charged as depreciation and debited to profit & loss account.
  - d) Gain or loss arising from sale of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets disposed, and re recognized in the Statement of profit and loss in the period when the asset is sold.
  - e) Depreciation on assets acquired/ sold during the year is recognized on the pro-rata basis to the statement of profit and loss from/ upto the date of acquisition/ sale.
- ### 6) Intangible Assets:-
- a) Software cost related to computers are capitalized and amortized using the written down value method at the rate calculated on the basis of useful life of various assets as prescribed under Schedule II to the Companies Act, 2013. Any expenses on such software licenses for support and maintenance payable annually are charged to the statement of Profit and Loss.
  - b) Software's whose useful life has expired at the start of the financial year the remaining written down value of such assets is scrap value of assets. Difference between written down value and scrap value is charged as depreciation and debited to profit & loss account.





## ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

### 7) Impairment of assets:-

The carrying amount of assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's net selling price or its value in use. The reduction is treated as an impairment loss and is recognized in statement of profit & loss.

### 8) Investments: - There are no investments.

### 9) Income Tax:-

- a) Tax Expense comprises of current and deferred tax. Current taxes are measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.
- b) Deferred Income Taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier year. Deferred tax is measured using the tax rates and tax laws enacted and substantively enacted at the balance sheet date.
- c) Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.
- d) The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes down the carrying amount of the deferred tax assets to the extent that it is no longer reasonably certain or virtually certain as the case may be, that sufficient future taxable income will be available against which deferred tax will be realized.
- e) Minimum Alternate Tax (MAT) paid in a year is charged to the statement of Profit & Loss as current tax. The company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of MAT under Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit & loss and shown as "MAT Credit Entitlement". The company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the company does not have convincing evidence that it will pay normal tax during the specified period.





## ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

### 10) Earnings per Share:-

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average no. of equity shares outstanding during the year. Partly paid up equity shares are treated as fraction of an equity share to the extent they are entitled to participate in dividends related to fully paid equity shares.

As per the accounting standard, the events that result in a change in the number of ordinary equity shares outstanding during the period without a corresponding change in the resources of the entity like bonus issue, share split, consolidation or the bonus element in any other issue are identified by the company. For all such events, EPS is presented for:

- A) for current period, as well as
- B) For past period, subject to suitable adjustments as called for.

For the purpose of calculating diluted earnings per share the net profit or loss for the period attributable to equity share holders and the weighted average no. of shares outstanding during the period are adjusted for the effects of all diluted potential equity shares.

### 11) Provisions, Contingent Liabilities:-

- a) A provision is recognized when the company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non- occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

### 12. Cash and Cash Equivalents:-

Cash and cash equivalents for the purpose of cash flow statement comprise Cash In Hand and Cash At Bank, time deposits held with bank and Short Term Investments with an original maturity of three months or less.

### 13. Employee Benefits:-

- a) Retirement benefit in the form of provident fund is defined contribution are charged to profit & loss account for the year when the contribution to fund is due . There are no other obligation other than the contribution payable to the respective funds .
- b) Gratuity liabilities is provided on accrual basis by contribution to LIC through group Gratuity policy Scheme.
- c) Actuarial Gains/Losses are immediately taken to profit and loss account and are not deferred.





## ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

### 14. Classification of Loan Portfolio and Loan Loss Provision Policy:-

Loan portfolio is classified and provision is made in accordance with the Non Banking Financial Company- MFI Directions issued by Reserve Bank of India as mentioned below:

#### Asset Classification

##### *Standard Assets:*

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.

##### *Non-Performing Asset:*

Asset for which, interest/principal payment has remained overdue for a period of 90 days or more..

#### Provisioning Norms

Provisions are provided for Loan Loss as per the RBI Guideline which is higher of:-

- a) 1% of the outstanding loan portfolio or
- b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

### 15. Borrowing Cost:-

Borrowing cost includes interest and other cost including, amortization of ancillary borrowing cost.

Interest on borrowing is expensed in the period to which they relate. Ancillary cost incurred in connection with the terms of borrowing are amortized over the tenure of borrowing on straight line basis.

### 16. Cash flow statement:-

Cash flows are reported using the indirect method, whereby net profit / (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.



**ARTH MICRO FINANCE PRIVATE LIMITED**  
A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U65910RJ1996PTC046219  
**Notes on financial Statements For the year ended 31 st March 2019**

**Note 2: SHARE CAPITAL**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
<b>A) <u>Authorised</u></b>		
16000000 (PY 16000000) Equity Shares of Rs. 10/- each	160000000	160000000
4000000 (PY 4000000) Preference Shares of Rs. 10/- each Optionally Convertible Cumulative Preference Shares	40000000	40000000
	<b>200000000</b>	<b>200000000</b>
<b>B) <u>Issued, Subscribed &amp; Paid Up</u></b>		
7512000 (PY 7512000) Equity Shares of Rs. 10/- each	75120000	51000000
Add: Issued 550000 (PY 2412000) Equity Shares of Rs. 10/- each	5500000	24120000
<b>Total (A)</b>	<b>80620000</b>	<b>75120000</b>
3250000 9% Optionally Convertible Preference Share of Rs. 10/- Each	32500000	40000000
Less: Redemption of 9% Optionally Convertible Preference Share of Rs. 10/-	0	(7500000)
<b>Total (B)</b>	<b>32500000</b>	<b>32500000</b>
<b>TOTAL [A+B]</b>	<b>113120000</b>	<b>107620000</b>

**C) Reconciliation of the number of Shares outstanding**

Name of the Shareholder Class of Shares	As at March 31, 2019		As at March 31, 2018	
	Numbers	Amount (INR)	Numbers	Amount (INR)
<b>Equity Shares</b>				
Outstanding at the beginning of the year	7512000	75120000	5100000	51000000
Allotted during the year	550000	5500000	2412000	24120000
Outstanding at the end of the year	8062000	80620000	7512000	75120000
<b>Preference Shares</b>				
Outstanding at the beginning of the year	3250000	32500000	4000000	40000000
Redeemed during the year	0	0	750000	7500000
Outstanding at the end of the year	3250000	32500000	3250000	32500000

**D) Rights, Preference and restriction to the Equity Shares**

The company has single class equity shares having a par value of Rs. 10/- per Equity Shares. Accordingly all Equity Shares rank equally with regard to dividends and share in the company's residual asset. The equity Shares are entitled to receive the residual asset of the company in proportion to number of equity shares held.

**E) Shareholders holding more than 5% shares of the Company**

Name of the Shareholder Class of Shares	As at March 31, 2019		As at March 31, 2018	
	Numbers	% age	Numbers	% age
Pramod Kumar Paliwal Equity Shares	2197120	27.25%	2138870	28.47%
Kaldeep Kumar Arora Equity Share	1699560	21.08%	1699560	22.62%
Aruna Paliwal Equity Shares	695625	8.63%	695625	9.26%
Pramod Kumar Paliwal HUF Equity Shares	326250	4.05%	326250	4.34%
Sonia Arora Equity Shares	884310	10.97%	884310	11.77%
Nishkant Paliwal Equity Shares	567935	7.05%	509685	6.78%
Jaun Paliwal Equity Shares	705000	8.75%	672700	8.96%
SIDBI Preference Shares	3250000	100.00%	3250000	100.00%

**F) Rights, Preference and restriction to the Preference Shares**

- In case SIDBI decides to convert outstanding OCPS into equity shares, either full or in parts, OCPS would be converted into equity shares at par.
- In respect of Dividend, preferential right and dividend to be paid @9% Cumulative.
- Conversion option may be exercised by SIDBI more than once and at any time till OCPS are fully redeemed.

For and on behalf of Board of Directors



*Pramod K Paliwal*  
Pramod K Paliwal  
(Managing Director)  
DIN: 01402958

*Kaldeep K Arora*  
Kaldeep K Arora  
(Whole Time Director)  
DIN: 01402998

*Ruchi Mitta*  
Ruchi Mitta  
(Company Secretary)  
M.No-FCS 8038



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tank Road Jaipur, CIN: U65910RJ1996PTC046219

Notes on financial Statements For the year ended 31 st March 2019

## Note 3: RESERVES & SURPLUS

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
<b>3.1 Capital Redemption Reserve</b>		
As per last Balance Sheet	2550000	0
Add: Made During the Year	0	2550000
Closing Balance	2550000	2550000
<b>3.2 Securities Premium</b>		
As per last Balance Sheet	6030000	0
Add: Addition During the Year	2997500	6030000
Closing Balance	9027500	6030000
<b>3.3 General Reserve</b>		
As per last Balance Sheet	344	344
Add: Made During the Year	0	0
Closing Balance	344	344
<b>3.4 Statutory Reserve u/s 45-IC of Reserve Bank of India Act, 1934</b>		
As per last Balance Sheet	10433917	7230274
Add: Transferred from surplus in the statement of Profit and Loss*	3633752	3203643
Closing Balance	14067669	10433917
<b>3.5 Surplus in the statement of Profit &amp; Loss</b>		
As per last Balance Sheet	13005532	6922562
Add: Profit for the year	18168758	16018215
Less: Appropriations	31174290	22940777
*Transferred to reserve u/s 45-IC of Reserve Bank of India Act, 1934		
Transferred to Capital Redemption Reserve	3633752	3203643
Provision for dividend on Preference Shares	0	2550000
Provision for Dividend Distribution Tax on dividend on Preference Shares	2925000	3474246
Dividend distribution tax paid earlier years	601234	707356
	161482	0
Closing Balance	23852823	13005532
<b>Total</b>	<b>49498335</b>	<b>32019793</b>

\* 20% of the profit after tax in accordance with the provision of section 45 IC of the Reserve Bank of India Act, 1934

For and on behalf of Board of Directors



*Pranod K. Palwal*

Pranod K. Palwal  
(Managing Director)  
DIN: 01402958

*Kuldeep K. Arora*  
Kuldeep K. Arora  
(Whole Time Director)  
DIN: 01402998

*Ruchi*

Ruchi Mitra  
(Company Secretary)  
M.No: FCS 8038

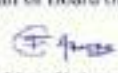
**ARTH MICROFINANCE PRIVATE LIMITED**

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: 165916RJ1996PTC046219

**Notes on Financial Statements for the year ended 31st March 2019****Note 4: Long Term Borrowings**

<b>PARTICULARS</b>	<b>As At 31st March, 2019 (INR)</b>	<b>As At 31st March, 2018 (INR)</b>
Term Loans (Refer to the Note No. 4.1)		
Secured		
From Banks	15277918	43363750
From Financial Institution	161056096	154673796
Sub ordinate Debts (Refer to Note 4.1)		
Unsecured		
From Financial Institutions (Remaining Maturity: 6 Years)	70000000	30000000
Vehicle Loan (Refer to Note NO. 4.1)		
Secured		
From Financial Institution	1742490	1509403
	<b>248076504</b>	<b>229546949</b>
<u><b>Note 5: Long Term Provisions</b></u>		
<b>PARTICULARS</b>	<b>As At 31st March, 2019 (INR)</b>	<b>As At 31st March, 2018 (INR)</b>
Provision against Standard Assets (Refer to Note No. 22)	1035265	1178032
	<b>1035264.96</b>	<b>1178032</b>

For and on behalf of Board of Directors


Pramod K. Paliwal  
(Managing Director)  
DIN:-01402958

Kuldeep K. Arora  
(Whole Time Director)  
DIN:-01402998

Ruchi Mitra  
(Company Secretary)  
M.No:-FCS 8038



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U 65019RJ1996PTC 046219

Notes on Financial Statements for the year ended 31st March 2019

Note 4.1: Repayment Terms of Borrowings

Amount (INR)										
Particulars	Type of facility	Availment Date	Amount Outstanding 2018-19		Amount Outstanding 2017-18		Repayment Terms			Security
			Short Term Maturity	Long Term Maturity	Short Term Maturity	Long Term Maturity	Interest Rate	Repayment Terms	No. of Instalment Outstanding as on 31/03/2019	
From Banks:										
State Bank of India	Term loan	31.03.2016	-	-	74,29,560.00	-	13.00%	Monthly	0	Primarily Secured against hypothecation of Loan Portfolio and collateral by way of House Property of Pramod Kumar Palwal.
Bank of Maharashtra	Term loan	12.01.2015	-	-	36,12,341.00	-	11.95%	Monthly	0	Primarily Secured against hypothecation of Loan Portfolio and 8.5%-10% Cash Collateral
SBI	Term loan	22.01.2016	-	-	48,75,000.00	-	13.50%	Monthly	0	Portfolio secured against hypothecation of Book Debts/ receivables and 10% Collateral equivalent to 2.5% loan amount and personal guarantee of Pramod Kumar Palwal and Kuldeep Kumar Arora.
SBI (Earlier SBBJ)	Term loan	12.02.2016	89,96,400.00	-	133,32,000.00	100,30,400.00	12.45%	Monthly	9	Portfolio secured against hypothecation of Specific Book Debts arising out of loan and Collateral 10% of the Proposed loan i.e. Rs. 0.5 Cr.ore.
ICCI Bank	Term loan	15.01.2018	166,66,656.00	152,77,918.00	166,66,656.00	333,33,344.00	11.60%	Monthly	24	Primarily Secured against Hypothecation of Receivables & Cash Collateral in form of Term Deposits
Total(a)			246,63,116.00	152,77,918.00	459,15,457.00	433,63,740.00				







**ARTH MICRO FINANCE PRIVATE LIMITED**

A-6d Residential Colony Sitapura Industrial Area, Tank Road Jaipur, C.I.N: U65910RJ1996PTC-046219

Notes on Financial Statements for the year ended 31st March 2019

Electronica Finance Ltd.	Term Loan	28.02.2017	-	-	121,25,536.00	-	15.10%	Monthly	0	Primarily Secured against hypothecation of Loan Portfolio and 8.5%-10% Cash Collateral
Electronica Finance Ltd. II	Term Loan	30.11.2017	45,85,885.00	-	135,38,671.00	45,85,885.00	14.75%	Monthly	4	Personal Guarantee of Pramod K. Paliwal & Kuldeep K. Arora, Hypothecation of Receivables, Cash Collateral of 8%
Electronica Finance Ltd. III	Term Loan	02.07.2018	155,10,055.00	42,39,580.00	-	-	14.50%	Monthly	15	Primarily Secured against hypothecation of Loan Portfolio and 8.5%-10% Cash Collateral
Electronica Finance Ltd. IV	Term Loan	22.01.2019	126,37,220.00	113,93,588.00	-	-	15.25%	Monthly	22	Primarily Secured against hypothecation of Loan Portfolio and 8.5%-10% Cash Collateral
EcLEAR Leasing & Finance Pvt. Ltd.	Term Loan	07.01.2019	94,83,663.00	90,69,946.00	-	-	15.15%	Monthly	22	5% of the loan amount as security deposits
EcLEAR Leasing & Finance Pvt. Ltd. 2nd Tranche	Term Loan	14.03.2019	46,24,330.00	53,75,670.00	-	-	15.15%	Monthly	24	5% of the loan amount as security deposits
Essel Finance Business Loans Ltd	Term Loan	11.05.2017	-	-	71,02,715.00	-	15.75%	Monthly	0	Exclusively Secured against Hypothecation of Book Debts.
Essel Finance Business Loans Ltd	Term Loan	17.04.2018	106,31,280.00	9,62,061.00	-	-	15.50%	Monthly	13	Exclusively Secured against Hypothecation of Book Debts.
Habitat Micro Build India Housing Finance Company Pvt. Ltd.	Term Loan	20.12.2018	85,05,279.00	214,94,721.00	-	-	15.50%	Monthly	36	Exclusive Hypothecation charge on Book Debts equivalent to 100% of loan amount (Primarily)
Jain Sons Finance Ltd	Term Loan	12.12.2017	27,28,977.00	-	99,85,453.00	27,28,977.00	15.00%	Monthly	3	Exclusive Hypothecation of Book Debts & 5% Cash Collateral
Jain Sons Finance Ltd -II	Term Loan	23.03.2018	52,90,112.00	-	97,09,888.00	52,90,112.00	15.00%	Monthly	6	Exclusive Hypothecation of Book Debts & 5% Cash Collateral
SahSamruddhi Finance Ltd	Term Loan	16.11.2017	166,70,000.00	124,80,000.00	166,80,000.00	291,50,000.00	13.50%	Quarterly	7	Exclusive Hypothecation of loan receivables & Personal Guarantee of Mr. Pramod K. Paliwal & Kuldeep K. Arora, Cash Collateral 10%



**ARTH MICRO FINANCE PRIVATE LIMITED**

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, C.T.N.: 1 (6910RJ1996) TIC 046219

Notes on Financial Statements for the year ended 31st March 2019

Manavveya Development & Finance Pvt Ltd	Term Loan	12.03.2018	166,56,000.00	166,56,000.00	166,56,000.00	333,44,000.00	14.75%	Monthly	24	Exclusive Hypothecation of Standard Assets & Personal Guarantee of Mr Pramod K Pallwal & Kuldeep K Arora
Manavveya Financial Services Ltd	Term Loan	26.09.2017	80,16,374.00	-	123,10,724.00	80,16,374.00	15.50%	Monthly	7	Exclusive Hypothecation of loan receivables & Personal Guarantee of Mr Pramod K Pallwal & Kuldeep K Arora. Cash Collateral of 10%
Mahindra & Mahindra Fin.	Term Loan	17.10.2017	12,28,170.27	-	136,42,701.60	12,28,170.27	14.50%	Monthly	1	Exclusive Hypothecation charge on Book Debts along with personal guarantee of Mr Pramod K Pallwal. Cash collateral 10% by way of FD with Mahindra Finance
NABARD Financial Services Ltd.	Term Loan	29.09.2018	144,00,000.00	96,00,000.00	-	-	14.60%	Monthly	20	Primarily secured by Hypothecation of Book Debts, 5% cash collateral as Fixed Deposits and personal guarantee of Mr. Pramod Pallwal and Mr. Kuldeep Arora.
Protectus Capital Pvt. Ltd.	Term Loan	30.11.2018	76,32,320.60	-	-	-	14.75%	Monthly	9	5% cash collateral in form of Fixed Deposits and Security PDC's and hypothecation of book debts
Viva Leasing & Finance	Term Loan	01.03.2018	71,63,519.00	-	128,32,590.00	71,63,519.00	14.75%	Monthly	6	Exclusive Hypothecation of loan receivables & Personal Guarantee of Mr Pramod K Pallwal & Kuldeep K Arora. Cash Collateral of 5% by way of Fixed Deposits
Viva Leasing & Finance 2nd	Term Loan	01.05.2018	94,36,035.00	-	-	-	15.25%	Monthly	8	Exclusive Hypothecation of loan receivables & Personal Guarantee of Mr Pramod K Pallwal & Kuldeep K Arora. Cash Collateral of 5% by way of Fixed Deposits
Capital First Limited	Term Loan	30.03.2017	24,458,315.20	24,45,83,443.00	24,45,83,443.00	24,45,83,443.00	15.00%	Monthly	12	Primarily Secured against Hypothecation of Loan.





# ARTHE MICRO FINANCE PRIVATE LIMITED

A-64 Reesidential Colony Sitapura Industrial Area, Tonk Road Jaipur, C.IN: 1 65010R11996PTC046219

Notes on Financial Statements for the year ended 31st March 2019

Western Capital Advisors Pvt. Ltd.	Term Loan	27.03.2019	110,00,000.00	90,00,000.00	-	-	15.75%	Monthly	20	Hypothecation by way of First Exclusive Charge (floating) over loan receivables and bank debts.
Mudra	Term Loan	31.03.2017	-	-	33,25,000.00	-	10.00%	Monthly	0	Primarily Secured against hypothecation of Loan Portfolio and 5% Cash Collected by way of FD.
Reliance Commercial Finance Ltd.	Term Loan	07.08.2018	254,80,152.15	-	-	-	14.75%	Monthly	11	Hypothecation of Book Debts and cash collateral in form of Fixed Deposits upto 10% of loan amount
Total(b)			3448,83,023.62	16,10,50,096.00	2,48,285,649.60	1546,73,790.27				
Kotak Mahindra Car loan	Vehicle Loan	30.03.2016	-	-	3,69,760.00	-	10.00%	Monthly	0	Secured against Honda City Car.
Yes Bank Car Loan	Vehicle Loan	28.08.2017	3,62,335.00	63,686.00	3,30,585.00	4,26,021.00	9.10%	Monthly	14	Secured against Brezza Car.
Yes Bank Car Loan II	Vehicle Loan	21.04.2017	9,56,177.00	87,205.00	9,09,034.00	10,83,382.00	9.10%	Monthly	13	Secured against Fortuner Car.
Yes Bank Car Loan III	Vehicle Loan	02.05.2018	4,17,477.00	5,74,780.00	-	-	8.70%	Monthly	27	Secured against Polo Car.
ATA Capital Financial Services Limited	Vehicle Loan	03.08.2018	3,42,619.58	10,16,819.09	-	-		Monthly	41	Secured against Innova Crysta Car.
Capital First Limited	Sub-Ordinate Debts	30.03.2017	-	300,00,000.00	-	300,00,000.00	17.00%	End of 84 months from date of disbursement i.e. 30.03.2017	Principal shall be paid after 60 installments	1 secured
MAS Financial 2655753	Sub-Ordinate Debts	03.08.2018	-	400,00,000.00	-	-	17.35%	End of 78 months from date of disbursement i.e. 03.08.2018	Principal shall be paid after 70 installments	1 secured
Total (c)			21,18,608.58	7,17,42,490.09	16,09,379.00	315,09,403.00				

Total (a+b+c)

3726,64,748.20 2,48,76,564.09 2958,15,525.60 2295,46,949.27



For and on behalf of Board of Directors

*Manish*  
Manish K. Paliwal  
(Managing Director)  
DIN: 01402958

*Kuldeep K. Arora*  
Kuldeep K. Arora  
(Whole Time Director)  
DIN: 01402958

*Ruchi Mitta*  
Ruchi Mitta  
(Company Secretary)  
M.Nu: 115 8038

**ARTH MICRO FINANCE PRIVATE LIMITED**  
A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U65910RJ1996PTC046219  
**Notes on financial Statements For the year ended 31 st March 2019**

**Note 6: Other Financial Liabilities**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
Current Maturities of Long Term Debt	372664748	295805526
Interest Accrued on Borrowings	3963540	4948121
Liabilities under Business Correspondence Recoveries of MF lending as BC (Refer Note 32)	42059044	44068888
	<b>418687332</b>	<b>344822535</b>

**Note 7: Other Current Liabilities**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
<b>Other Payables:</b>		
Staff Welfare Fund	436898	100179
Insurance Payable	0	1136862
Credit Card Liabilities	108494	99419
Staff Salary and Others	16687146	4129083
<b>Statutory Dues</b>		
Tax Deduction at Source - Income Tax	1714800	658124
GST Payable	461777	1177427
PF Payable	308560	201713
ESIC Payable	287105	173931
	<b>20004779</b>	<b>7676738</b>
<b>Short Term Provisions</b>		
For Expenses	532548	1265053
Provision against Standard Assets (Refer to Note No. 22 & 5)	5012007	3866624
For Bonus	507000	298690
For Salary	6443442	3325261
Provision for Dividend Tax	601234	595542
Provision for dividend on Preference Shares for FY 2018-19	2925000	2925000
	<b>16021231</b>	<b>12276170</b>

For and on behalf of Board of Directors



*Pranod K. Faliwal*

Pranod K Faliwal  
(Managing Director)  
DIN-01402958

Kuldeep K. Arora  
(Whole Time Director)  
DIN-01402998

*Ruchi Mitra*

Ruchi Mitra  
(Company Secretary)  
MNo-FCS 8038



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tonk Road, Jaipur, (CIN: U65910RJ1996PTC046219)

Notes on financial Statements For the year ended 31st March 2019

## 8. TANGIBLE PROPERTY, PLANT & EQUIPMENT

Particulars	Useful Life	Gross Block At Cost				Depreciation			Amount (INR)		
		As at 01/04/2018	Addition	Deletion	Total as at 31/03/2019	Upto Last year	*For the Year	Deduction	Total as at 31/03/2019	As at 31/03/2019	As at 31/03/2018
Computer	3	8088528	720136	0	8808664	5534389	1991472	0	7525861	1282803	2554139
Furniture & Fixtures	10	3768530	306159	0	4074689	1058276	788833	0	1847109	2227580	2710254
Office Equipment	5	5545283	991336	0	6536619	3052790	1595168	0	4647958	1888661	2492493
DG Set	15	0	451208	0	451208	0	44983	0	44983	406225	0
Vehicle	2 wheeler-10 y 4- wheeler-8 y	9802190	1434415	2037880	11198725	5236666	2343834	1561220	6219280	4979445	4565524
Total		27704531	5903254	2037880	31069905	14882121	6964290	1561220	20285191	10784715	12322410
Previous Year		16029239	11175292	0	27204531	9469633	5412488	0	14882121	12322410	6559606

Depreciation is provided on straight basis.

\* Depreciation is provided on pro-rata basis

For and on behalf of Board of Directors

*Manish* Pramod K. Pathwal (Managing Director) DIN:-01402958

*Rishi Mitta* Rishi Mitta (Company Secretary) M.No:-FCS 8038



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U65910RJ1996PTC046219

## Notes on financial Statements For the year ended 31st March 2019

### Note 9: Non-Current Portfolio

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
Micro finance lending (Unsecured as Certified by Management) - Considered Good	103526496	117803233
	103526496	117803233

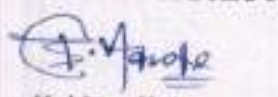
### Note 10: Deferred Tax Asset / Liabilities

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
<b>Deferred Tax Asset on Account of</b>		
1.) Difference between WDV as per Income Tax Act, 1961 and Companies Act, 2013	1877431	1088974
2.) Difference due to 43B Expenses - Bonus	131820	77659
<b>Deferred Tax Liability on Account of</b>		
3.) Provision against Standard Assets	130078	1311611
Balance Transfer to Balance Sheet A/c	1879173	2478244

For and on behalf of Board of Directors



  
Pramod K Paliwal  
(Managing Director)  
DIN:-01402958

  
Kuldeep K Arora  
(Whole Time Director)  
DIN: 01402998

  
Ruchi Mitra  
(Company Secretary)  
M.No:-FCS 8038



**ARTH MICRO FINANCE PRIVATE LIMITED**  
A-64 Residential Colony Sitapura Industrial Area, Tank Road Jaipur, CIN: 165910BJ1986PTC046219  
**Notes on financial Statements For the year ended 31 st March 2019**

**Note 11: Loan Portfolio**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
Micro Finance Lending		
Gross Loan portfolio (MFI)	2439644316	1621793954
Less: Portfolio of Yes Bank, IDBI and MAS (Business Correspondence/Service Provider) (Refer Note 32)	1834917130	1117328231
<b>Total (A)</b>	<b>604727186</b>	<b>504465723</b>
of the above Loan Portfolio:		
Non Current Portion of Loan Portfolio	103526496	117805233
<b>Current Portion of Loan Portfolio</b>	<b>501200690</b>	<b>386662490</b>

**Note 12: Trade Receivables**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
a) <u>Outstanding for a period less than 6 months</u> Other Receivables:	19777683	13896030
b) <u>Outstanding for a period more than 6 months</u> Other Receivables	164930	666594
	<b>19942619</b>	<b>14562624</b>

**Note 13: Cash and cash equivalents**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
Cash in hand (As certified by the management)	2863654	141526
Balance with bank		
-In current Account	21293452	52273701
-In Deposit account with less than 3 months of Maturity	24811850	26000000
<b>Total</b>	<b>48968957</b>	<b>78415227</b>
Other Bank Balance		
-In Deposit Accounts with maturity more than 3 Months but less than 12 Months	83877222	28500000
-In Deposit Accounts with maturity more than 12 Months	73453006	83940000
<b>Total</b>	<b>206299185</b>	<b>190855217</b>
<b>Note:</b>		
Of above Balances meeting definition of Cash & cash Equivalents as per AS 3: Cash Flow Statement	48968957	78415227
<b>Deposits Under Lien</b>		
-Fixed Deposit with Bank Mark Lien for Term Loan	61543761	55550000
-Fixed Deposit with Bank Mark Lien for BC Arrangement	120492109	81840000

**Note 14: Short term loans and advances**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
Balance with Revenue Authorities:		
Advance Tax, TDS & TCS	9085499	6764263
Less: Provision for Income Tax	8267021	7148500
GST Input	818478	(384237)
Advance to Staff	104341	53696
Advance EMI to MAS	8969397	2097234
	1250000	0
	<b>11142217</b>	<b>1766693</b>

**Note 15: Other Current Assets**

PARTICULARS	As at 31/03/2019 Amount (INR)	As at 31/03/2018 Amount (INR)
Accrued Interest on FDR	10838313	7879257
Security Deposit	830039	810039
	<b>11668352</b>	<b>8689296</b>



For and on behalf of Board of Directors

*Pratibha K. Patil*  
Pratibha K Patilwal  
(Managing Director)  
DIN:-01402958

*Kuldeep K. Arora*  
Kuldeep K Arora  
(Whole Time Director)  
DIN:-01402998

*Ruchi Mitra*  
Ruchi Mitra  
(Company Secretary)  
M.No.-FCS 8038

# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tank Road Jaipur, CIN: U65910RJ1996PTC046219

## Notes on financial Statements For the year ended 31st March 2019

### Note 16: Revenue from operations

PARTICULARS	For the year ended		For the year ended
	31/03/2019	Amount	31/03/2018
		(INR)	Amount (INR)
<b>Interest Income</b>			
Interest on Loan Portfolio		123330567	88221055
Loan Processing Fee		15013370	4851694
<b>Other Operating Revenue</b>			
Interest on FDR		10813245	7559362
Income from Mutual Funds		1934494	1161909
Revenue Sharing - Mas Finance		12772642	8583122
Revenue Sharing - Yes Bank		111557256	49716666
Revenue Sharing - IDBI Bank		6564918	8943070
Profit on sale of Fixed assets		305931	0
		<b>282292423</b>	<b>169036878</b>

### Note 17: Finance Cost

PARTICULARS	For the year ended		For the year ended
	31/03/2019	Amount	31/03/2018
		(INR)	Amount (INR)
<b>Interest on borrowings</b>			
Bank borrowings		8114072	10022021
Other Financial Institutions		76812965	44602051
<b>Expenses For Funding</b>			
Bank Charges		1465419	716513
Rating Expenses		220000	656725
Processing Fees Documentation and Legal charges		7467669	7308180
Financial Consultancy		8842000	6128500
		<b>102922125</b>	<b>69433990</b>

For and on behalf of Board of Directors



*Pramod K Paliwal*  
Pramod K Paliwal  
(Managing Director)  
DIN:-01402958

*Kuldeep K Arora*  
Kuldeep K Arora  
(Whole Time Director)  
DIN:-01402998

*Ruchi*  
Ruchi Mitra  
(Company Secretary)  
M.No:-FCS 8038



# ARTII MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tonk Road Jaipur, CIN: U65910RJ1996PTC046219

## Notes on Financial Statements For the year ended 31st March 2019

### Note 18: Personnel Cost

PARTICULARS	For the year ended 31/03/2019		For the year ended 31/03/2018	
	Amount (INR)		Amount (INR)	
Director Remuneration	15098072		5640000	
Operational Staff Salary Incentive & Exgratia	81115433		40937450	
P.F.Contribution	1378110		922595	
E.S.I.Contribution	1773753		1078352	
Director Sitting Fees	40000		27000	
Contribution to Gratuity fund LIC	405699		349311	
	<b>99811067</b>		<b>48954708</b>	

### Note 19: Administrative & Other Expenses

Particulars	For the year ended 31/03/2019		For the year ended 31/03/2018	
	Amount (INR)		Amount (INR)	
Legal & Professional	250000		175000	
Office Maintenance	6816232		5722636	
Printing & Stationary	1568982		1028149	
Office Rent	4404722		3748140	
Repairs & Maintenance	903296		1083276	
Service Tax SBC	0		8159	
Telephone Expenses	1998986		996587	
Provision for Outstanding Loan Portfolio (Refer Note No.22)	1002615		2167339	
Recoveries for Lost MF Portfolio of Yes Bank	1361512		0	
Travelling & Conveyance	14773672		6334047	
GST Expenses ( Ineligible Input )	4615730		0	
	<b>37695746</b>		<b>21263333</b>	



For and on behalf of Board of Directors

*Pramod K Paliwal*

Pramod K Paliwal  
(Managing Director)  
DIN:-01402958

*Kuldeep K Arora*

Kuldeep K Arora  
(Whole Time Director)  
DIN:-01402998

*Ruchi*

Ruchi Mitra  
(Company Secretary)  
MLNo:-FCS 8038

# ARTH MICRO FINANCE PRIVATE LIMITED

A-64 Residential Colony Sitapura Industrial Area, Tank Road Jaipur, CIN: U65910RJ1996PTC046219  
Notes on financial Statements For the year ended 31st March 2019

## **Note 20: Business Development Expenses**

Particulars	For the year ended 31/03/2019		For the year ended 31/03/2018	
	Amount (INR)		Amount (INR)	
Business Development & Promotion Expenses	483136		238520	
Consultancy	845872		1077408	
Insurance Exp.	1800475		105408	
Area Survey Exp.	1851061		0	
Meeting Training & Orientation Exp.	1394165		254200	
Software Maintenance Exp.	53440		85224	
Membership Fees	493900		0	
Social Activity Expenses	785000		0	
<b>Total</b>	<b>7707049</b>		<b>1760760</b>	

## **Note 21: Earning Per Share**

Particulars	For the year ended 31/03/2019		For the year ended 31/03/2018	
	Amount (INR)		Amount (INR)	
<b>Basic</b>				
Net Profit Attributable to Equity Shareholders*	14481042		9286613	
Weighted Average No. of Shares used in computing basic EPS	7800767		6263836	
<b>Basic EPS</b>	<b>1.86</b>		<b>1.48</b>	
<b>Diluted</b>				
Net Profit attributable to Equity Shareholders	14481042		9286613	
Add: Convertible Preferred Dividends	2925000		3474246	
Add: Dividend Tax on Convertible Preferred Dividends	762716		707356	
<b>Profits for the purpose of Dilutive EPS (I)</b>	<b>18168758</b>		<b>13468215</b>	
Weighted Average No. of Outstanding Shares	7800767		6263836	
Dilutive potential Common Stock	3250000		9352740	
<b>Outstanding Shares for the purpose of Dilutive EPS</b>	<b>11050767</b>		<b>15616576</b>	
<b>Dilutive EPS</b>	<b>1.64</b>		<b>0.86</b>	

\* Net Profit has been shown after excluding dividend & dividend distribution tax of current year & earlier year



For and on behalf of Board of Directors

*Pranav*

Pranav K. Paliwal  
(Managing Director)  
DIN:-01402958

*Kuldeep K. Arora*

Kuldeep K. Arora  
(Whole Time Director)  
DIN:-01402998

*Ruchi*

Ruchi Mitra  
(Company Secretary)  
M.No:-FCS 8038



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

## Notes 22 : Provision for Outstanding Loan Portfolio:-

The provision for outstanding loan portfolio as at 31 March 2019 has been calculated higher of 1) @ 1% on the total loan portfolio outstanding as at the balance sheet date or 2) 50% of aggregate loan installments which are overdue for more than 90 days but less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

Particulars	As at 31 March, 2019	As at 31 March, 2018
Standard Portfolio (A)	60,47,27,186	50,44,65,723
Non Performing assets	-	-
Loan portfolio which are overdue for more than 90 days and less than 180 days	-	-
Loan portfolio which are overdue for 180 days or	-	-
Total (B)	-	-
Total Loan Portfolio (A)+(B)	60,47,27,186	50,44,65,723
1% on total loan portfolio (C)	60,47,272	50,44,657
Aggregate of the following		
a) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days	-	-
b) 100% of the aggregate loan installments which are overdue for 180 days or more.	-	-
Total (D)	-	-
Higher of (C) or (D)	60,47,272	50,44,657
Opening Provision	50,44,657	28,77,318
Additional/reversal, net	10,02,615	21,67,339
Closing Provision	60,47,272	50,44,657

## Note 23 :Classification of Advances

All Advances as at 31<sup>st</sup> March 2019 have been classified under four categories:

	Assets	Provisions
(a) Standard Assets	Rs. 60,47,27,186/-	Rs. 60,47,272/-
(b) Sub-standard Assets (Provision for bad and Doubtful debts at 10% of outstanding)	Nil	Nil
(c) Doubtful Assets (Provision for bad and	Nil	Nil



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Doubtful debts at 100%  
Of outstanding (Unsecured)  
30% to 50% of the outstanding  
(Secured))

(d) Loss Assets

Nil

Nil

## Note 24 : Segment Reporting

The Company operates in a single reportable segment i.e non banking finance activity, which has similar risks and returns for the purpose of AS 17 on "Segment Reporting" specified under section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. The Company operates in a single geographical segment i.e. domestic.

## Note 25 : Contingent liabilities

1. There is No Claim against the Company not acknowledged as debt.
2. The FDR of Rs 12,04,92,109/- are lien marked in favour of following Institutions for whom Company is working as Business Correspondence. First Loss Default Guarantee has been given for outstanding loan portfolio generated through Business Correspondence arrangement. There is Contingent Liability to this extent.

Name of BC Institution	Amount
Yes Bank	7,88,40,000
IDBI	60,62,145
MAS Financial Institution	3,55,89,964
<b>Total</b>	<b>12,04,92,109</b>

3. Corporate guarantee given to MAS Financial Services for a sanction amount of Rs. 60,25,00,000/- out of which outstanding balance against this Corporate Guarantee is Rs. 31,21,07,188/-.

## Note 26: Related Party Disclosure

Related party disclosure as required under the Accounting Standard (AS-18): "Related Party Disclosures";

1. List of Related Parties:

### **a) Key Management Personnel (KMP)**

Mr. Pramod Kumar Paliwal - Managing Director  
Mr. Kuldeep Kumar Arora - Whole Time Director





# ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

Mr. Ashok Kumar Bhargava	-	Independent Director
Mr. C.V Arunkumar	-	Nominee Director on behalf of SIDBI
Miss Ruchi Mitra	-	Director & Company Secretary
Mr. Nishikant Paliwal	-	Director

## b) Relatives of Key Managerial Personnel (KMP)

Mrs. Sonia Arora	-	Wife of Whole Time Director
Mrs. Aruna Paliwal	-	Wife of Managing Director
Mr. Jatin Paliwal	-	Son of Managing Director
Mrs. Charan Devi	-	Mother of Whole Time Director

## c) Enterprises on which key management persons having control

Name of the Party	Nature of Relationship
Society of Indian Institute for Rural Development	Director Mr. Pramod Kumar Paliwal is chairman & Director Mr Kuldeep Kumar Arora is secretary in the society
Kuldhara Foundation	Director Mr. Pramod Kumar Paliwal and Mr. Kuldeep Kumar Arora is Director
Kuldhara Investments Private Limited	Director Mr. Pramod Kumar Paliwal & Mr Nishikant Paliwal are director
Kuldhara Education Pvt Ltd	Director Mr. Pramod Paliwal & Mr Nishikant Paliwal are Director

## d) Particulars of related parties transactions:

Nature of Transaction	Referred in 26.1 (a) above		Referred in 26.1 (b) above		Referred in 26.1 (c) above	
	F.Y. 18-19	F.Y. 17-18	F.Y. 18-19	F.Y. 17-18	F.Y. 18-19	F.Y. 17-18
<b>A. Transaction during the year</b>						
Remuneration	78,00,000	56,40,000	0	0	0	0
Performance Linked Incentive	72,98,072	0	0	0	0	0
Rent	8,40,000	8,40,000	0	0	0	0
Salary	0	0	40,10,000	0	0	0
Shares Allotment	11,65,000	1,34,80,000	3,23,000	82,40,000	0	0
Social Activity Expenses	0	0	0	0	7,85,000	0
<b>B. Balance</b>						
Outstanding/Payable	80,15,871	8,47,437	2,07,980	67,353	0	0



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## Notes:

1. Related party relationship is identified by the company and relied upon by the Auditor.
2. No Amount in respect of related parties have been W/of during the year. Also, no accounts have been provided for as doubtful debts.

## Note 27 : Legal and Professional fee in Note 19 Includes Auditors Remuneration as follows:

S.No.	Particulars	Amount For The Year Ended	
		2018-19	2017-18
1	Audit Fee	200000	145000
2	Taxation Matters	50000	30000
	Total	250000	175000

## Note 28: Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 pertaining to Micro or Small Enterprises for the year ended 31<sup>st</sup> March 2019, As per Information and Explanation given by the Management and as per Examination of our records, there is No Supplier registered as Micro and Small Enterprises with appropriate authorities under MSME Development Act, 2006.

## Note 29:As required in terms of paragraph 10 of Non-Banking Financial (Non deposit accepting or holding) Companies prudential Norms (Reserve Bank) Direction 2007

### (i) Capital Adequacy Ratio (Amount in Rs.)

Particulars	As at 31 March, 2019	As at 31 March, 2018
Tier I Capital (net worth)	128239163	104238675
Tier II Capital	102666853	67544656
Total Capital	230906016	171783331
Total Risk Weighted Assets	656092269	623977287
CRAR as a Percentage of Total Risk Weighted Assets (%)	35.19%	27.53%

### (ii) Exposure to real estate sector, both direct and indirect

The Company does not have any direct or indirect exposure to the real estate sector as at 31<sup>st</sup> March, 2019 (Previous Year: Nil)

## Note 30:Margin





## ARTH MICRO FINANCE PRIVATE LIMITED

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In pricing of credit (the loan portfolio), the interest rates charged by the Company is lower of the cost of fund plus margin cap of 12% or the average base rate of five largest commercial banks (Average of four quarterly applicable average base rate notified by RBI for FY 2018-19) multiplied by 2.75, as per RBI Master Circular-Introduction of New Category of NBFCs- 'Non Banking Financial Company- Microfinance Institution (NBFC-MFIS)' - Directions RBI/2013-14/482 DNBS.(PD) CC. No 369/03.10.38/2013-14 dated 7<sup>th</sup> February, 2014

(a) Cost of funds (as of 31<sup>st</sup> March, 2019):

Particulars	%
Average effective cost of borrowing	15.10
Margin	9.56
Lending Rate	24.66

(b) Average base rate of the five largest commercial banks ( by taking average of four quarterly applicable average base rate notified by RBI for FY 2018-19) multiplied by 2.75 =  $9.02 \times 2.75 = 24.805\%$  (As of 31 March, 2019)

### Note 31: Qualifying Assets

The Company has maintained the qualifying asset percentage as at 31 March 2019, as specified in the RBI Master Circular-Introduction of New Category of NBFCs - 'Non Banking Financial Company- Microfinance Institution (NBFC-MFIS)' - Directions RBI/2013-14/49 DNBS.(PD) CC. No 347/03.10.38/2013-14 dated 1<sup>st</sup> July 2013.

### Note 32: Business Correspondence / Service Provider

Company is Business Correspondent of YES Bank, IDBI Bank, and Service Provider of MAS Financial Services. Total Micro Finance Lending as on 31<sup>st</sup> March, 2019 as BC / Service Provider of these Bank /Institution is given in column 2 hereunder.

Company is having amount lying with company out of recoveries made from SHG/JLG to whom earlier amount was lent and which was not remitted to these Bank /Institution upto 31<sup>st</sup> March, 2019. These figures are given in column 3 which are subject to confirmation and as certified by Management.

Name of Bank /Institution	MF Lending as on 31/3/2019 as BC	Recoveries lying with company out of MF Lending on 31/3/2019
(1)	(2)	(3)
YES Bank	1,42,29,58,471	(67,60,766)
IDBI	9,98,51,471	18,29,856



# ARTH MICRO FINANCE PRIVATE LIMITED

A-64, Residential Colony, Sitapura Industrial Area, Tonk Road, Jaipur, CIN:U65910RJ1996PTC046219

MAS financial services	31,21,07,188	4,69,89,954
<b>Total</b>	<b>1,83,49,17,130</b>	<b>4,20,59,044</b>

The company has given performance security towards loans referred by the company total performance security given to Yes Bank amounting to Rs.7,88,40,000/- and to IDBI Bank amounting Rs.60,62,145/- and to MAS Financial Services Ltd. Rs. 3,55,89,964/- towards the loan given based on the company's reference

Yes bank has made recovery of Rs. 13 Lacs against Lost accounts of M.F. Portfolio which has been shown as Recovery for lost MF portfolio of YES Bank under the Administrative & Other expenses head ( Note 19).

## Note 33: Previous Year Figures

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

## Note 34:

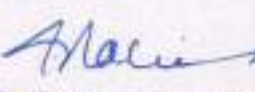
Balances of Book Debts, Micro finance lending, Loans & Advances and Creditors are subject to confirmation and as certified by the management. The Current assets are stated at an amount, which is, in the opinion of the management, not in excess of their recoverable value.

As per our report of even date annexed herewith,

For Jain Dinesh & Associates  
Chartered Accountants  
Firm Registration No. 003886C

  
Dinesh Jain  
Prop.  
M.No. 072869



  
(Pramod K. Paliwal)  
Managing Director  
DIN: - 01402958

For & on behalf of Board of Directors

  
(Kuldeep K Arora)  
Whole Time Director  
DIN:- 01402998

  
(Ruchi Mitra)  
Company Secretary  
M No:- FCS 8038

Place : Jaipur

Dated: 31 AUG 2019