

Serial No. \_\_\_\_\_  
Addressed to: \_\_\_\_\_

**INFORMATION MEMORANDUM**  
**SPANDANA SPHOORTY FINANCIAL LIMITED**  
CIN: U65929TG2003PLC040648

A public company incorporated under the Companies Act, 1956

Date of Incorporation: March 10, 2003

Registered Office: Plot No.31 & 32, Ramky Selenium Towers,  
Ground Floor, Nanakramguda, Gachibowli, Hyderabad - 500032

Tel: 040 - 48126666 / 44386648

Website: [www.spandanaindia.com](http://www.spandanaindia.com)

**Information Memorandum for issue of Debentures on a Private Placement Basis**  
**October 25, 2017**

**Issue of 18,00,00,000 (Eighteen Crore) Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures of face value of Re. 1/- (Rupee One only) aggregating up to Rs. 18,00,00,000/- (Rupees Eighteen Crores Only) on a private placement basis (the "Issue").**

**Background**

This Information Memorandum is being issued in respect of the Debentures to be issued by Spandana Sphoorty Financial Limited (the "**Issuer**" or "**Company**") on a private placement basis and contains relevant information and disclosures required for the purpose of issuing and allotting of the Debentures. The issue of the Debentures comprised in the Issue and described under this Information Memorandum has been authorised by the Issuer through resolutions passed by the shareholders of the Issuer on August 04, 2017 and the Resolution passed by the Board of Directors resolution dated 17<sup>th</sup> October, 2017 read with the resolution passed by the Management Committee of the Board dated 18<sup>th</sup> October, 2017 and the Memorandum of Association and Articles of Association of the Company. Pursuant to the resolution passed by the Company's shareholders dated August 04, 2017 in accordance with provisions of the Companies Act, 2013 and the Memorandum of Association and Articles of Association of the Company, the Company has been authorised to borrow by way of issuance of non-convertible debentures and upon such terms and conditions as the Board may think fit, for amounts up to INR 1000,00,00,000/- (Rupees One Thousand Crores Only) for a period of one year from the date of the resolution. The present issue of NCDs in terms of this Information Memorandum is within the overall powers of the Board as per the above shareholder resolution(s).

**Credit Rating**

The Debentures proposed to be issued by the Issuer have been rated by ICRA ("**Rating Agency**"). The Rating Agency has vide its letter dated July 28, 2017 assigned a rating of "**ICRABBB-**" (pronounced as ICRABBB minus) in respect of the Debentures. The above rating is not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal at any time by the rating agency and should be evaluated independently of any other ratings. Please refer to Annexure II of this Information Memorandum for the Rating Agency assigning the credit rating abovementioned and disclosing the rating rationale adopted for the aforesaid rating.

**Issue Schedule**

Heads	
Issue Opens on	October 25, 2017
Issue Closes on	October 26, 2017
Deemed Date of Allotment	October 26, 2017



The Issuer reserves the right to change the Issue Schedule including the Deemed Date of Allotment at its sole discretion, without giving any reasons or prior notice. The Issue shall be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

**This Information Memorandum for private placement of the Debentures is neither a prospectus nor a statement in lieu of prospectus and does not constitute an offer to the public generally to subscribe for or otherwise acquire the debt securities to be issued by the Company. This is only an information brochure intended for private use.**

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**Sole Arrangers**

**IFMR Capital Finance Pvt. Ltd.**  
10th Floor-Phase I, IIT-Madras  
Research Park, Kanagam Village,  
Tharamani, Chennai- 600 113  
Contact Person: Ms. Bama  
Balakrishnan  
Tel: +91-44-6668 7000  
Fax: +91-44-6668 7010  
Email: [contact.capital@ifmr.co.in](mailto:contact.capital@ifmr.co.in)  
Website: <http://capital.ifmr.co.in>

**Registrar & Transfer Agent**

**Karvy Computershare Pvt Ltd,**  
Address: Karvy Selenium Tower B,  
Plot 31-32, Gachibowli,  
Financial District, Nanakramguda,  
Hyderabad – 500 032  
Phone No. 040-67161700

**Debenture Trustee**

**Catalyst Trusteeship Limited**  
GDA House, Plot No. 85, Bhusari  
Colony (Right), Paud Road, Pune - 411  
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## SECTION 1: DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms shall have the meanings given below in this Information Memorandum. Any capitalized terms used but not defined herein shall have the meanings given to them in the DTD.

Act	Means the Companies Act, 2013 (" <b>2013 Act</b> "), and for any matters or affairs prior to the notification of the relevant provisions of the Companies Act, 2013, the Companies Act, 1956 (" <b>1956 Act</b> "), and shall include any re-enactment, amendment or modification of the Companies Act, 2013, as in effect from time to time.
Allot/Allotment/Allotted	Unless the context otherwise requires or implies, the allotment of the Debentures, pursuant to the Issue.
Application Form	The form used by the recipient of the Disclosure Documents, to apply for subscription to the Debentures which is in the form annexed to this Information Memorandum and marked as Annexure IV.
Application Money	Means the subscription monies paid by the Debenture Holders at the time of submitting the Application Form.
Applicant	Means a person who has submitted a completed Application Form to the Company.
Applicable Law	Includes all applicable statutes, enactments or acts of any legislative body in India, laws, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any Governmental Authority and any modifications or re-enactments thereof.
Assets	Means, for any date of determination, the assets of the Company on such date as the same would be determined in accordance with Indian GAAP.
Beneficial Owner(s)	Means the holder(s) of the Debentures in dematerialized form whose name is recorded as such with the Depository in the Register of Beneficial Owners.
Board/Board of Directors	The Board of Directors of the Issuer
BSE	Means BSE Limited
Business Day	Means a day (other than a public holiday or a Sunday) on which banks are normally open for business in Mumbai, India.
Capital Adequacy Ratio	Means the capital adequacy ratio as defined under the NBFC Directions.
Charged Receivables	Has the meaning given to it in Section 5.22
Crore	Ten Million
CDSL	Central Depository Services (India) Limited
CITES	Means the Convention on International Trade in Endangered Species or Wild Fauna and Flora, including the protected flora and faunae as demonstrated on the website: <a href="http://www.cites.org">www.cites.org</a> .
Client Loan	Means each loan made by the Company as a lender including managed portfolio.
Constitutional Documents	Means the certificate of incorporation of the Company, memorandum of association of the Company, articles of association of the Company and the certificate of registration issued by the RBI to the Company.
CERSAI	means Central Registry of Securitisation Asset Reconstruction and Security Interest of India.
Conditions Precedent	Means the conditions set out in Section 5.22.
Conditions Subsequent	Means the conditions set out in Section 5.22.
Debentures / NCDs	180,000,000 (Eighteen Crore) Rated, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures of face value of Re. 1/- (Rupees One only) each aggregating up to Rs. 18,00,00,000/- (Rupees Eighteen Crores Only)



Debenture Holders / Investors	The holders of the Debentures issued by the Issuer and shall include the registered transferees of the Debentures from time to time and the Beneficial Owners..
Deemed Date of Allotment	October 26, 2017
Debenture Trust cum mortgage Deed or DTD	means the respective debenture trust cum mortgage deed executed or to be executed by and between the Issuer and the Debenture Trustee which sets out the terms upon which the Debentures are being issued and includes the representations, warranties and covenants being provided by the Issuer.
Debenture Trustee	Catalyst Trusteeship Limited
Debenture Trustee Agreement	means the respective Agreement executed or to be executed by and between the Debenture Trustee and the Company for the purposes of appointment of the Debenture Trustee to act as debenture trustee in connection with the issuance of the Debentures.
Demat	Refers to dematerialized securities which are securities that are in electronic form, and not in physical form, with the entries noted by the Depository.
Depositories Act	The Depositories Act, 1996, as amended from time to time
Depository	Means the depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time, with whom the Company has made arrangements for dematerialising the Debentures, being CDSL and NSDL.
Depository Participant / DP	A depository participant as defined under the Depositories Act.
Director(s)	Director(s) of the Issuer.
Disclosure Documents	Mean collectively, the Information Memorandum and the Private Placement Offer Letter
Information Memorandum	This document which sets out the information regarding the Debentures being issued on a private placement basis.
DP ID	Depository Participant Identification Number.
Due Date	Means the date on which any interest or liquidated damages, any Redemption Payment or premature redemption amount and/or any other monies payable, are due and payable
Eligible Investors	Shall have the meaning specified in Section 8.14 below
Equity	Means the total equity of the Company, including shareholder's equity, reserves, retained earnings or losses and current year accumulated Net Income or loss but excluding Subordinated Debt.
Event of Default	Means the events set out in Section 6.4.
Exclusion List	Means any activity including (a) production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES, (b) production or trade in weapons and munitions, (c) production or trade in alcoholic beverages (excluding beer and wine), (d) production or trade in tobacco, (e) gambling, casinos and equivalent enterprises, (f) production or trade in radioactive materials (this does not apply to the purchase of medical equipment, quality control (measurement) equipment), (g) production or trade in unbonded asbestos fibers (this does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%), (h) drift net fishing in the marine environment using nets in excess of 2.5 km. in length, (i) production or activities involving harmful or exploitative forms of forced labor, or harmful child labor, (j) production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals (hazardous chemicals include gasoline, kerosene, and other petroleum products), (k) production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous



	peoples, without full documented consent of such peoples, (I) which may result in funding or supporting any individual or organisation designated as: (i) terrorists or terrorist organizations by the United Nations, the European Union and any other applicable country; (ii) persons, groups or entities which are subject to United Nations, European Union and the US Office of Foreign Asset Control (OFAC) sanctions.
EFT	Electronic Fund Transfer
Financial Year/FY	Each 12 (twelve) month period commencing from April 1 of a particular calendar year and ending on March 31 of the subsequent calendar year.
Final Settlement Date	Means the date on which all obligations of the have been irrevocably and unconditionally paid and discharged in full to the satisfaction of the Debenture Holders.
Governmental Authority	Shall mean any government (central, state or otherwise) or any governmental agency, semi-governmental or judicial or quasi-judicial or administrative entity, department or authority, agency or authority including any stock exchange or any self-regulatory organization, established under any Applicable Law.
Gross Loan Portfolio	Means and includes the outstanding principal amount of all Client Loans originated by the Company on its own books and the Off Balance Sheet Portfolio.
Indebtedness	Means any obligation of the Company (whether incurred as principal, independent guarantor or as a surety) for the payment or repayment of borrowed money, whether present or future, actual or contingent.
Indian GAAP	Shall mean the generally accepted accounting principles as prescribed by the Institute of Chartered Accountants of India from time to time and consistently applied by the Company.
Interest Rate	Means 12.30% (Twelve Decimal Point Three Zero Percent) per annum.
INR	Indian Rupees
Interest Payment Date	Means the payment dates as specified in Annexure VI, unless such day is not a Business Day, in which case the payment date will be the next Business Day.
Issue	Private Placement of the Debentures.
Issue Closing Date	October 26, 2017
Issue Opening Date	October 25, 2017
Issuer/ Company	Spandana Sphoorty Financial Limited
Information Memorandum	Means this information memorandum.
Liability	Means, for any date of determination, the liabilities of the Company on such date as the same would be determined in accordance with the Indian GAAP at such date.
LODR Regulations	Means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
Listing Related Covenants	Has the meaning given to it in Section 5.22.
Loan	Means an assistance by way of a rupee loan, lent and advanced by the Company to an Obligor pursuant to a Loan Agreement and "Loans" shall mean the aggregate of all such loans lent and advanced by the Company to the Obligors.
Loan Agreement	Means an agreement entered into between the Company and an Obligor (as amended, modified and altered from time to time) setting out the terms and conditions on which the Company has agreed to lend and advance a Loan to the Obligor, and "Loan Agreements" shall mean all such agreements collectively
Majority Debenture Holders	Means such number of Debenture Holders collectively holding more than 50% (Fifty percent) of the value of the Outstanding



	Principal Amounts of the Debentures.
Majority Resolution	Means a resolution approved by such number of Debenture Holders that represent more than 50% (Fifty percent) of the value of the Outstanding Principal Amounts of the Debentures held by the Debenture Holders who are present and voting or if a poll is demanded, by such number of Debenture Holders that represent more than 50% (Fifty percent) of the value of the Outstanding Principal Amounts of the Debentures held by the Debenture Holders who are present and voting in such poll.
Material Adverse Effect	Shall mean the effect or consequence of an event, circumstance, occurrence or condition which has caused, as of any date of determination, a material and adverse effect: (a) on the rights or remedies of the Debenture Trustee acting for the benefit of the Debenture Holders hereunder or under any other Transaction Document; or (b) on the ability of the Company to perform its obligations under the Transaction Documents; or (c) on the validity or enforceability of any of the Transaction Documents (including the ability of any party to enforce any of its remedies thereunder);
Maturity Date	Means the date occurring on the expiry of a period of 36 (Seventy Four) months from the Deemed Date of Allotment being the date October 26, 2020;
N.A	Not Applicable
NBFC	Non-banking financial company
NBFC Directions	Means the Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016 and/or the Non-Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016 (each as amended, modified or restated from time to time) as may be applicable, read together with the Master Circular on "Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) – Direction" issued by the RBI (as amended, modified or restated from time to time).
Net Worth	has the meaning ascribed to it in the 2013 Act
NSDL	National Securities Depository Limited
Obligations	Means all present and future obligations (whether actual or contingent and whether owed jointly or severally or in any capacity whatsoever) obligations of the Company to the Debenture Holders or the Debenture Trustee under the Transaction Documents, including without limitation, all costs, charges, expenses and other monies payable by the Company in respect of the Debentures.
Obligor	Means a Person who has availed of a Loan from the Company under the terms and conditions set out in the respective Loan Agreement entered into between such Person and the Company, and who is liable to pay the amounts due to the Company, and "Obligors" shall mean all such Persons collectively.
Off Balance Sheet Portfolio	Means the outstanding principal balance of all Client Loans securitized, assigned, originated on behalf of other institutions otherwise sold off in respect of which the Company has provided credit enhancements in any form or manner whatsoever including



	Client Loans originated on behalf of other entities by entering into partnership agreements but not included on the Company's own book, excluding interest receivables and accrued interest.
Outstanding Principal Amount	Means, at any date, the principal amounts outstanding under the Debentures.
Outstanding Amounts	Means, at any date, the Outstanding Principal Amounts together with any accrued interest, additional interests, costs, fees, charges, and other amounts payable by the Company in respect of the Debentures.
Portfolio At Risk Over 90 Days	Shall mean the outstanding principal amounts of all Client Loans that have one or more instalments of principal, interest payments overdue for 90 days or more and includes restructured loans but excludes loans that have been written off by the Company
PAR Ratio Over 90 Days	shall mean, the result obtained by dividing Portfolio at Risk Over 90 Days by Gross Loan Portfolio
Payment Default	Shall mean any event, act or condition which, with notice or lapse of time, or both, would constitute an Event of Default under Section 6.4(i).
PAN	Permanent Account Number.
Person	Shall mean any individual, partnership, joint venture, firm, corporation, association, limited liability company, trust or other enterprise or any government or political subdivision or any agency, department or instrumentality thereof
Private Placement Offer Letter	Shall mean the offer letter prepared in compliance with Section 42 of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014.
Promoters	Mean Ms G. Padmaja Reddy.
Purpose	Has the meaning given to it in Section 5.22.
Principal Payment Dates	Means each of the Due Dates on which the Redemption Payments have to be made including the Maturity Date, unless such day is not a Business Day, in which case the payment date will be the preceding Business Day.
Quarterly Date	Means each of March 31, June 30, September 30 and December 31 and "Quarterly Dates" shall be construed accordingly
RBI	Reserve Bank of India.
Rating Agency	ICRA Limited, a company incorporated under the provisions of the Companies Act, 1956 and having its registered office at 1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi - 110 001
Redemption Payment	Means the payment of the Outstanding Principal Amounts of the Debentures on each of the Principal Payment Dates or on any other date due to premature redemption in accordance with the Debenture Trust cum Mortgage Deed.
Register of Beneficial Owners	Means the register of beneficial owners of the Debentures maintained in the records of the NSDL or CDSL, as the case may be.
Register of Debenture Holders	Means the register maintained by the Company in accordance with Section 88 of the Act.
Registrar	Shall mean the registrar and transfer agent appointed for the issue of Debentures, being Karvy Computershare Private Limited.
Record Date	The date which will be used for determining the Debenture Holders who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 3(Three) Business Days prior to any Due Date.
R&T Agent	Registrar and Transfer Agent to the Issue, in this case being Karvy Computershare Private Limited.





ROC	Registrar of Companies.
Rs. / INR	Indian National Rupee.
RTGS	Real Time Gross Settlement.
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992 (as amended from time to time).
SEBI Debt Listing Regulations	The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulation, 2008 issued by SEBI, as amended from time to time.
Special Majority Debenture Holders	Means such number of Debenture Holders collectively holding more than 75% (seventy five percent) of the value of the Outstanding Principal Amounts of the Debentures.
Special Resolution	Means a resolution approved by such number of Debenture Holders that represent more than 75% (seventy five percent) of the value of the Outstanding Principal Amounts of the Debentures held by the Debenture Holders who are present and voting or if a poll is demanded, by such number of Debenture Holders that represent more than 75% (seventy five percent) of the value of the Outstanding Principal Amounts of the Debentures held by the Debenture Holders who are present and voting in such poll.
Subordinated Debt	Means all funds received by the Company on un-secured basis that rank lower in repayment to other debts, but is senior to equity and that may be accounted for as "Tier II Capital".
Tax	Means any present or future tax, levy, duty, charge, fees, deductions, withholdings, surcharges, cess, turnover tax, transaction tax, stamp tax or other charge of a similar nature (including any penalty or interest payable on account of any failure to pay or delay in paying the same), now or hereafter imposed by Law by any Governmental Authority and as maybe applicable in relation to the payment obligations of the Company under the Debenture Trust cum Mortgage Deed.
Tax Deduction	means a deduction or withholding for or on account of Tax from a payment under a Transaction Document pursuant to Applicable Law.
Tier II Capital	has the meaning ascribed to it in the NBFC Directions.
Total Assets	means, for any date of determination, the total Assets of the Company on such date.
Total Liabilities	means, for any date of determination, the total Liabilities of the Company on such date.
TDS	Tax Deducted at Source.
Total Assets	Means, for any date of determination, the total Assets of the Company on such date
Terms & Conditions	Shall mean the terms and conditions pertaining to the Issue as outlined in the Transaction Documents
Transaction Documents	has the meaning ascribed to the term in Section 6.I below
WDM	Wholesale Debt Market.
Wilful Defaulter	Shall mean an Issuer who is categorized as a wilful defaulter by any Bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the Reserve Bank of India and includes an issuer whose director or promoter is categorized as such in accordance with Regulation 2(n) of SEBI (Issue and Listing of Debt Securities) Regulations, 2008.



## SECTION 2: NOTICE TO INVESTORS AND DISCLAIMERS

### 2.1 ISSUER'S DISCLAIMER

This Information Memorandum is neither a prospectus nor a statement in lieu of a prospectus and should not be construed to be a prospectus or a statement in lieu of a prospectus under the Companies Act. The issue of the Debentures is being made strictly on a private placement basis. Multiple copies hereof given to the same entity shall be deemed to be given to the same person and shall be treated as such. This Information Memorandum does not constitute and shall not be deemed to constitute an offer or invitation to subscribe to the Debentures to the public in general.

As per the applicable provisions, it is not necessary for a copy of this Information Memorandum to be filed or submitted to the ROC or SEBI for its review and/or approval. However pursuant to the provisions of Section 42 of the Act read with the Companies (Prospectus and Allotment of Securities) Rules, 2014, the copy of the Private Placement Offer Letter shall be filed with the ROC and SEBI (if required) within the stipulated timelines under the Act.

This Information Memorandum has been prepared solely to provide general information about the Issuer to the Eligible Investors (as defined below) to whom it is addressed and who are willing and eligible to subscribe to the Debentures. This Information Memorandum does not purport to contain all the information that any Eligible Investor may require. Further, this Information Memorandum has been prepared for informational purposes relating to this transaction only and upon the express understanding that it will be used only for the purposes set forth herein.

Neither this Information Memorandum nor any other information supplied in connection with the Debentures is intended to provide the basis of any credit or other evaluation and any recipient of this Information Memorandum should not consider such receipt as a recommendation to subscribe to any Debentures. Each potential Investor contemplating subscription to any Debentures should make its own independent investigation of the financial condition and affairs of the Issuer, and its own appraisal of the creditworthiness of the Issuer. Potential investors should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations arising from an investment in the Debentures and should possess the appropriate resources to analyze such investment and the suitability of such investment to such Investor's particular circumstances.

The Issuer confirms that, as of the date hereof, this Information Memorandum (including the documents incorporated by reference herein, if any) contains all the information that is material in the context of the Issue and regulatory requirements in relation to the Issue and is accurate in all such material respects. No person has been authorized to give any information or to make any representation not contained or incorporated by reference in this Information Memorandum or in any material made available by the Issuer to any potential Investor pursuant hereto and, if given or made, such information or representation must not be relied upon as having being authorized by the Issuer. The Issuer certifies that the disclosures made in this Disclosure Documents are in accordance with Applicable Law. Further, the Issuer accepts no responsibility for statements made otherwise than in the Disclosure Documents or any other material issued by or at the instance of the Issuer and anyone placing reliance on any source of information other than Disclosure Documents would be doing so at its own risk.

**This Information Memorandum, the Private Placement Offer Letter and the contents hereof are restricted only for the intended recipient(s) who have been addressed directly and specifically through a communication by the Issuer and only such recipients are eligible to apply for the Debentures. All Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this Issue. The contents of this Information Memorandum and/or the Private Placement Offer Letter are intended to be used only by those Investors to whom it is distributed. It is not intended for distribution to any other person and should not be reproduced by the recipient.**

No invitation is being made to any persons other than those to whom Application Forms along with this Information Memorandum and the Private Placement Offer Letter being issued have been sent. Any application by a person to whom the Information Memorandum and/or the Private Placement Offer Letter has not been sent by the Issuer shall be rejected without assigning any reason.



The person who is in receipt of this Information Memorandum and/or the Private Placement Offer Letter shall not reproduce or distribute in whole or part or make any announcement in public or to a third party regarding the contents hereof without the consent of the Issuer. The recipient agrees to keep confidential all information provided (or made available hereafter), including, without limitation, the existence and terms of the Issue, any specific pricing information related to the Issue or the amount or terms of any fees payable to us or other parties in connection with the Issue. This Information Memorandum and/or the Private Placement Offer Letter may not be photocopied, reproduced, or distributed to others at any time without the prior written consent of the Issuer. Upon request, the recipients will promptly return all material received from the Issuer (including this Information Memorandum) without retaining any copies hereof. If any recipient of this Information Memorandum and/or the Private Placement Offer Letter decides not to participate in the Issue, that recipient must promptly return this Information Memorandum and/or the Private Placement Offer Letter and all reproductions whether in whole or in part and any other information, statement, notice, opinion, memorandum, expression or forecast made or supplied at any time in relation thereto or received in connection with the Issue to the Issuer.

The Issuer does not undertake to update the Information Memorandum and/or the Private Placement Offer Letter to reflect subsequent events after the date of Information Memorandum and/or the Private Placement Offer Letter and thus it should not be relied upon with respect to such subsequent events without first confirming its accuracy with the Issuer.

Neither the delivery of this Information Memorandum, and/or the Private Placement Offer Letter nor any sale of Debentures made hereafter shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer since the date hereof.

This Information Memorandum and/or the Private Placement Offer Letter does not constitute, nor may it be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation. No action is being taken to permit an offering of the Debentures or the distribution of this Information Memorandum and/or the Private Placement Offer Letter in any jurisdiction where such action is required. Persons into whose possession this Information Memorandum comes are required to inform themselves about and to observe any such restrictions. The Information Memorandum is made available to potential Investors in the Issue on the strict understanding that it is confidential.

## **2.2 DISCLAIMER CLAUSE OF STOCK EXCHANGES**

This Information Memorandum has not been reviewed, cleared, or approved by any stock exchange nor does the stock exchange in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Information Memorandum, nor does the stock exchange warrant that the Issuer's Debentures will be listed or will continue to be listed on the stock exchange; nor does the stock exchange take any responsibility for the soundness of the financial and other conditions of the Issuer, its promoters, its management or any scheme or project of the Issuer.

## **2.3 DISCLAIMER CLAUSE OF SEBI**

It is to be distinctly understood that this Information Memorandum should not in any way be deemed or construed to have been approved or vetted by SEBI and that this Issue is not recommended or approved by SEBI. SEBI does not take any responsibility either for the financial soundness of any proposal for which the Debentures issued thereof is proposed to be made or for the correctness of the statements made or opinions expressed in this Information Memorandum.

## **2.4 DISCLAIMER CLAUSE OF RBI**

The Issuer is having a valid certificate of registration dated November 6, 2013 issued by the Reserve Bank of India under Section 45-IA of the Reserve Bank of India Act, 1934. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Issuer or the correctness of any of the statements or representations made or opinion expressed by the Issuer and for repayment of deposits/discharge of liabilities by the Issuer.



## 2.5 DISCLAIMER IN RESPECT OF JURISDICTION

This Issue is made in India to Investors as specified under the clause titled "Eligible Investors" of this Information Memorandum, who shall be/have been identified upfront by the Issuer. This Information Memorandum and the Private Placement Offer Letter does not constitute an offer to sell or an invitation to subscribe to Debentures offered hereby to any person to whom it is not specifically addressed. Any disputes arising out of this Issue will be subject to the non-exclusive jurisdiction of the courts and tribunals at Chennai, India. This Information Memorandum and the Private Placement Offer Letter does not constitute an offer to sell or an invitation to subscribe to the Debentures herein, in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction.

## 2.6 DISCLAIMER IN RESPECT OF RATING AGENCIES

Ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. The Rating Agency has based its ratings on information obtained from sources believed by it to be accurate and reliable. The Rating Agency does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by the Rating Agency have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

## 2.7 ISSUE OF DEBENTURES IN DEMATERIALISED FORM

The Debentures will be issued in dematerialised form. The Issuer has made arrangements with the Depositories for the issue of the Debentures in dematerialised form. Investors will have to hold the Debentures in dematerialised form as per the provisions of Depositories Act. The Issuer shall take necessary steps to credit the Debentures allotted to the beneficiary account maintained by the Investor with its depository participant. The Issuer will make the Allotment to Investors on the Deemed Date of Allotment after verification of the Application Form, the accompanying documents and on realisation of the application money.



### **SECTION 3: RISK FACTORS**

The following are the risks relating to the Company, the Debentures and the market in general envisaged by the management of the Company. Potential Investors should carefully consider all the risk factors stated in this Information Memorandum and/or the Private Placement Offer Letter for evaluating the Company and its business and the Debentures before making any investment decision relating to the Debentures. The Company believes that the risk factors described below represent the principal risks inherent in investing in the Debentures, but does not represent that the statements below regarding risks of holding the Debentures are exhaustive. The ordering of the risk factors is intended to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another. Potential Investors should also read the detailed information set out elsewhere in this Information Memorandum and/or the Private Placement Offer Letter and reach their own views prior to making any investment decision.

#### **3.1 REPAYMENT IS SUBJECT TO THE CREDIT RISK OF THE ISSUER.**

Potential Investors should be aware that receipt of the principal amount (i.e. the redemption amount) and any other amounts that may be due in respect of the Debentures is subject to the credit risk of the Issuer. Potential Investors assume the risk that the Issuer will not be able to satisfy their obligations under the Debentures. In the event that bankruptcy proceedings or composition, scheme of arrangement or similar proceedings to avert bankruptcy are instituted by or against the Issuer, the payment of sums due on the Debentures may not be made or may be substantially reduced or delayed.

#### **3.2 THE SECONDARY MARKET FOR DEBENTURES MAY BE ILLIQUID.**

The Debentures may be very illiquid and no secondary market may develop in respect thereof. Even if there is a secondary market for the Debentures, it is not likely to provide significant liquidity. Potential Investors may have to hold the Debentures until redemption to realize any value.

#### **3.3 CREDIT RISK & RATING DOWNGRADE RISK**

The Rating Agency has assigned the credit ratings to the Debentures. In the event of deterioration in the financial health of the Issuer, there is a possibility that the Rating Agency may downgrade the rating of the Debentures. In such cases, potential Investors may incur losses on revaluation of their investment or make provisions towards sub-standard/ non-performing investment as per their usual norms.

#### **3.4 CHANGES IN INTEREST RATES MAY AFFECT THE PRICE OF DEBENTURES.**

All securities where a fixed rate of interest is offered, such as this Issue, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, i.e. when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the pricing of the Debentures.

#### **3.5 TAX CONSIDERATIONS AND LEGAL CONSIDERATIONS**

Special tax considerations and legal considerations may apply to certain types of investors. Potential Investors are urged to consult with their own financial, legal, tax and other advisors to determine any financial, legal, tax and other implications of this investment.

#### **3.6 ACCOUNTING CONSIDERATIONS**

Special accounting considerations may apply to certain types of taxpayers. Potential investors are urged to consult with their own accounting advisors to determine implications of this investment.

#### **3.7 SECURITY MAYBE INSUFFICIENT TO REDEEM THE DEBENTURES**

In the event that the Company is unable to meet its payment and other obligations towards Investors under the terms of the Debentures, the Debenture Trustee may enforce the Security as per the terms of security documents, and other related documents. The Debenture Holder(s)' recovery in relation to the Debentures will



be subject to (i) the market value of such secured property, (ii) finding willing buyers for the Security at a price sufficient to repay the Debenture Holder(s)' amounts outstanding under the Debentures. The value realised from the enforcement of the Security may be insufficient to redeem the Debentures.

### **3.8 MATERIAL CHANGES IN REGULATIONS TO WHICH THE ISSUER IS SUBJECT COULD IMPAIR THE ISSUER'S ABILITY TO MEET PAYMENT OR OTHER OBLIGATIONS.**

The Issuer is subject generally to changes in Indian law, as well as to changes in government regulations and policies and accounting principles. Any changes in the regulatory framework could adversely affect the profitability of the Issuer or its future financial performance, by requiring a restructuring of its activities, increasing costs or otherwise.

### **3.9 LEGALITY OF PURCHASE**

Potential Investors of the Debentures will be responsible for the lawfulness of the acquisition of the Debentures, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates or for compliance by that potential Investor with any law, regulation or regulatory policy applicable to it.

### **3.10 POLITICAL AND ECONOMIC RISK IN INDIA**

The Issuer operates only within India and, accordingly, all of its revenues are derived from the domestic market. As a result, it is highly dependent on prevailing economic conditions in India and its results of operations are significantly affected by factors influencing the Indian economy. An uncertain economic situation, in India and globally, could result in a further slowdown in economic growth, investment and consumption. A slowdown in the rate of growth in the Indian economy could result in lower demand for credit and other financial products and services and higher defaults. Any slowdown in the growth or negative growth of sectors where the Issuer has a relatively higher exposure could adversely impact its performance. Any such slowdown could adversely affect its business, prospects, results of operations and financial condition.

### **3.11 RISKS RELATED TO THE BUSINESS OF THE ISSUER**

- (a) *Majority of the Issuer's loans are unsecured and the clients of these unsecured loans are of the high risk category and if the Issuer is unable to control the level of non-performing loans ("NPAs") in the future, or if the Issuer's loan loss reserves are insufficient to cover future loan losses, the financial condition and results of operations may be materially and adversely affected.*

A majority of the Issuer's loans are unsecured and the clients of these unsecured loans are of the high risk category. There is uncertainty on the client's ability to fulfil its loan obligations as MFI clients typically do not have bank accounts or proper income proof verification so it can be difficult to verify all client details and assess the risk. Such non-performing or low credit quality loans can negatively impact our results of operations.

The Issuer has various procedures and process controls in place to mitigate the risk. All group lending loans are provided under the Grameen Model and based on the joint liability of the group.

**As at September 30, 2017, the gross NPA was 870.83 crores on a gross portfolio of Rs. 2973.88 crores.**

The Issuer cannot assure that it will be able to effectively control and reduce the level of the NPAs of its Client Loans. The amount of its reported NPAs may increase in the future as a result of growth of Client Loans, and also due to factors beyond its control, such as over-extended member credit that it is unaware of. If the Issuer is unable to manage our NPAs or adequately recover its loans, the results of its operations will be adversely affected.

The current loan loss reserves of the Issuer may not be adequate to cover an increase in the amount of NPAs or any future deterioration in the overall credit quality of Client Loans. As a result, if the quality of its total loan portfolio deteriorates the Issuer may be required to increase its loan loss reserves, which will adversely affect its financial condition and results of operations.



The members are poor and, as a result, might be vulnerable if economic conditions worsen or growth rates decelerate in India, or if there are natural disasters such as floods and droughts in areas where the Issuer's members live. Moreover, there is no precise method for predicting loan and credit losses, and the Issuer cannot assure that its monitoring and risk management procedures will effectively predict such losses or that loan loss reserves will be sufficient to cover actual losses. If the Issuer is unable to control or reduce the level of its NPAs or poor credit quality loans, its financial condition and results of its operations could be materially and adversely affected.

(b) ***The Issuer's business operates through a large number of rural and semi urban branches and is exposed to operational risks including fraud***

The Issuer is exposed to operational risks, including fraud, petty theft and embezzlement, as it handles a large amount of cash due to high volume of small transactions. This could harm its operations and its financial position.

As the Issuer handles a large amount of cash through a high volume of small transactions taking place in its network, the Issuer is exposed to the risk of fraud or other misconduct by its employees or outsiders. These risks are further compounded due to the high level of delegation of power and responsibilities that the Issuer's business model requires. Given the high volume of transactions processed by the Issuer, certain instances of fraud and misconduct may go unnoticed before they are discovered and successfully rectified. Even when the Issuer discovers such instances of fraud or theft and pursue them to the full extent of the law or with its insurance carriers, there can be no assurance that the Issuer will recover any such amounts. In addition, the Issuer's dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

The Issuer maintains an internal audit process to ensure the operations team follows the defined procedures and reports any deviations to the operations staff and management team. The Issuer also has a strong MIS system that has a wide range of data that can be used to monitor financial and operational performance.

To mitigate the above risk, the Issuer maintains an internal audit process to ensure the operations team follows the defined procedures and reports any deviations to the operations staff and management team. The Issuer also has a MIS system able to generate data analysis that can be used to monitor financial and operational performance.

(c) ***Loans due within two years account for almost all of the Issuer's interest income, and a significant reduction in short term loans may result in a corresponding decrease in its interest income***

All of the loans the Issuer issues are due within approximately two years of disbursement. The relatively short-term nature of the Issuer's loans means that the Issuer's long-term interest income stream is less certain than if a portion of its loans were for a longer term. In addition, the Issuer's customers may not obtain new loans from the Issuer upon maturity of their existing loans, particularly if competition increases. The potential instability of the Issuer's interest income could materially and adversely affect the Issuer's results of operations and financial position.

The loans given by the Issuer are at fixed interest rate, and the tenor of the underlying asset has increased from one year to two year which has provided stability to the portfolio and interest income and has also smoothened the operating expense.

(d) ***The Issuer is exposed to certain political, regulatory and concentration of risks***

Due to the nature of its operations, the Issuer is exposed to political, regulatory and concentration risks. The Issuer believes a mitigant to this is to expand its geographical reach and may consequently expand its operations to other states. If it is not effectively able to manage such operations and expansion, it may lose money invested in such expansion, which could adversely affect its business and results of operations.

Large scale attrition, especially at the senior management level, can make it difficult for the Issuer to manage its business.

If the Issuer is not able to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain the Issuer's quality and reputation, it will be difficult for the Issuer to manage its business and growth. The Issuer depends on the services of its executive officers and key employees for its continued operations and growth. In particular, the Issuer's senior



management has significant experience in the microfinance, banking and financial services industries. The loss of any of the Issuer's executive officers, key employees or senior managers could negatively affect its ability to execute its business strategy, including its ability to manage its rapid growth. The Issuer's business is also dependent on its team of personnel who directly manage its relationships with its members. The Issuer's business and profits would suffer adversely if a substantial number of such personnel left the Issuer or became ineffective in servicing its members over a period of time. The Issuer's future success will depend in large part on its ability to identify, attract and retain highly skilled managerial and other personnel. Competition for individuals with such specialized knowledge and experience is intense in this industry, and the Issuer may be unable to attract, motivate, integrate or retain qualified personnel at levels of experience that are necessary to maintain its quality and reputation or to sustain or expand its operations. The loss of the services of such personnel or the inability to identify, attract and retain qualified personnel in the future would make it difficult for the Issuer to manage its business and growth and to meet key objectives.

- (e) *The Issuer's business and results of operations would be adversely affected by strikes, work stoppages or increased wage demands by employees*

The employees are not currently unionized. However, there can be no assurance that they will not unionize in the future. If the employees unionize, it may become difficult to maintain flexible labour policies, and could result in high labour costs, which would adversely affect the Issuer's business and results of operations.

- (f) *The Issuer's insurance coverage may not adequately protect it against losses. Successful claims that exceed its insurance coverage could harm the Issuer's results of operations and diminish its financial position*

The Issuer maintains insurance coverage of the type and in the amounts that it believes are commensurate with its operations and other general liability insurances. The Issuer's insurance policies, however, may not provide adequate coverage in certain circumstances and may be subject to certain deductibles, exclusions and limits on coverage.

In addition, there are various types of risks and losses for which the Issuer does not maintain insurance, such as losses due to business interruption and natural disasters, because they are either uninsurable or because insurance is not available to the Issuer on acceptable terms. A successful assertion of one or more large claims against the Issuer that exceeds its available insurance coverage or results in changes in its insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect the Issuer's business, financial condition and results of operations.

- (g) *The Issuer requires certain statutory and regulatory approvals for conducting its business and the failure to obtain or retain them in a timely manner, or at all, may adversely affect operations*

NBFCs in India are subject to strict regulation and supervision by the RBI. Pursuant to guidelines issued by the RBI (circular dated August 3, 2012 and NBFC-MFI Directions) the Issuer is required to maintain its status as a NBFC-MFI in order to be eligible for categorization as priority sector advance for bank loans. The Issuer requires certain approvals, licenses, registrations and permissions for operating its business, including registration with the RBI as a NBFC-MFI. Further, such approvals, licenses, registrations and permissions must be maintained/renewed over time, applicable requirements may change and the Issuer may not be aware of or comply with all requirements all of the time. Additionally, the Issuer may need additional approvals from regulators to introduce new insurance and other fee based products to its members. In particular, the Issuer is required to obtain a certificate of registration for carrying on business as a NBFC-MFI that is subject to numerous conditions. In addition, its branches are required to be registered under the relevant shops and establishments laws of the states in which they are located. The shops and establishments laws regulate various employment conditions, including working hours, holidays and leave and overtime compensation. If the Issuer fails to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, its business may be adversely affected. If the Issuer fails to comply, or a regulator claims that it has not complied, with any of these conditions, the Issuer's certificate of registration may be suspended or cancelled and it shall not be able to carry on such activities. If the Issuer fails to comply with the NBFC-MFI Directions and fails to maintain the status of NBFC-MFI, it will not be eligible for priority sector loans from the Indian banking sector and may also attract penal provisions under the RBI Act, 1934 for non-compliance.





- (h) *Issuer may be required to increase capital ratio or amount of loan loss reserves, which may result in changes to business and accounting practices that would harm business and results of operations.*

The Issuer is subject to the RBI minimum capital to risk weighted assets ratio regulations. Pursuant to Section 45 –IC of the RBI Act, every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20.0% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. The Issuer is also required to maintain a minimum capital adequacy ratio of 15.0% in relation to aggregate risk-weighted assets and risk adjusted assigned loans.

The RBI may also in the future require compliance with other financial ratios and standards. Compliance with such regulatory requirements in the future may require alteration of its business and accounting practices or take other actions that could materially harm its business and operating results.



#### SECTION 4: FINANCIAL STATEMENTS

The audited financial statements of the Issuer for the year ended 31.03.2017 are set out in **Annexure V** hereto.



## SECTION 5: REGULATORY DISCLOSURES

The Information Memorandum is prepared in accordance with the provisions of SEBI Debt Listing Regulations and in this section, the Issuer has set out the details required as per Schedule I of the SEBI Debt Listing Regulations.

### 5.1 [Intentionally left blank]

### 5.2 Documents Submitted to Debenture Trustee

The following documents have been / shall be submitted to the Debenture Trustee in electronic form (soft copy) on or before the allotment of the Debentures:

- (a) Memorandum and Articles of Association of the Issuer and necessary resolution(s) for the allotment of the Debentures;
- (b) Copy of last 3 (Three) years audited Annual Reports;
- (c) Statement containing particulars of, dates of, and parties to all material contracts and agreements;
- (d) Latest audited / limited review half yearly consolidated (wherever available) and standalone financial information (profit & loss statement, balance sheet and cash flow statement) and auditor qualifications, if any.
- (e) An undertaking to the effect that if the Debentures are listed in accordance with the Debenture Trust cum Mortgage Deed, the Issuer would, until the redemption of the debt securities, submit the details mentioned in point (d) above to the Debenture Trustee within the timelines as mentioned in the circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009/Uniform Listing Agreement issued by SEBI vide circular No.CIR/CFD/CMD/6/2015 dated October 13, 2015as amended from time to time, for furnishing / publishing its half yearly/ annual result. Further, the Issuer shall within 180 (One Hundred and Eighty) calendar days from the end of the financial year, submit a copy of the latest annual report to the Debenture Trustee and the Debenture Trustee shall be obliged to share the details submitted under this clause with all 'Qualified Institutional Buyers' and other existing debenture-holders within 2 (two)Business Days of their specific request.

### 5.3 Name and Address of Registered Office of the Issuer

Name:	Spandana Sphoorty Financial Limited
Registered Office of Issuer:	Plot No.31 & 32, Ramky Selenium Towers, Ground Floor, Nanakramguda, Gachibowli, Hyderabad - 500032
Corporate Office:	Plot No.31 & 32, Ramky Selenium Towers, Ground Floor & Second Floor, Nanakramguda, Gachibowli, Hyderabad - 500032
Compliance Officer of Issuer:	Mr. Rakesh Jhinjhar
CFO of Issuer:	-
Registration Number:	040648
Corporate Identification Number:	U65929TG2003PLC040648
Phone No.:	040 - 48126666 / 44386648
Fax No :	040 -44386640
Contact Person:	Mr Abdul Feroz Khan
Email:	feroz@spandanaindia.com
Website of Issuer:	www.spandanaindia.com



Auditors of the Issuer:

M/s. S. R. Baltiboi & Co. LLP (E&Y)

Trustee to the Issue:

Catalyst Trusteeship Limited

GDA House, Plot No. 85,

Bhusari Colony (Right), Paud Road, Pune - 411 038

Registrar to the Issue:

**Karvy Computershare Private Limited,**

Karvy Selenium Tower B,  
Plot 31-32, Gachibowli,  
Financial District, Nanakramguda,

Hyderabad – 500 032

Credit Rating Agency of the Issue:

ICRA Limited,  
1105, Kailash Building, 11th Floor,  
26, Kasturba Gandhi Marg, New Delhi - 110 001

Arranger to the Issue:

IFMR Capital Finance Pvt. Ltd.  
10th Floor-Phase I, IIT-Madras Research Park, Kanagam Village,  
Taramani, Chennai- 600 113

#### 5.4 A brief summary of business / activities of the Issuer and its line of business

##### (a) Overview

Spandana Sphoorty Financials Limited is an NBFC-MFI founded in 1998; the entity got classified as NBFC-MFI effective from 13 April, 2015. The Company is engaged in the business of micro finance; providing small ticket unsecured loans to women of low-income households in predominantly rural areas. The tenure of these loans is one to two years. The Company pro-vide business loans, income generation loans and loans against gold jewellery (Gold loans accounts for marginal share of less than 1% of overall book). The company is based out of Hyderabad. It is one of the early MFIs in the country and was second largest MFI in terms of asset size before the Andhra Pradesh (AP) crisis. However, the entity got adversely impacted owing to AP ordinance and then subsequently went into CDR. Spandana has successfully exited CDR during FY 17. Spandana is promoted by Ms. Padmaja Reddy who is an industry veteran and was involved in social service prior to starting Spandana.

##### 1. Business Strategy

The entity has its operations spread across fourteen states with Madhya Pradesh accounting for highest concentration at 22%, Karnataka for 21.5%, Odisha for 20%, , Maharashtra for 14%, Chhattisgarh for another 8% and Kerala, AP, Gujarat, Jharkhand, Goa, UP, West Bengal.

##### Products

Products	Loan Amount	Annual Interest rate	Interest type	Upfront Processing fees	Tenure (months)	Repayment
<b>JLG Loans</b>						
Income generation Loan – Abhilasha (1 <sup>st</sup> cycle)	Up to 15,000 earlier now revised to 30,000.	24.915%	Declining basis	1% + G.S.T.	52 fortnightly	Bi- weekly
Income generation Loan – Abhilasha (second cycle)	Up to 36,000	24.915%	Declining basis	1% + G.S.T.	52 fortnight	Bi- weekly
Income generation	Up to 40,000	24.915%	Declining	1% + G.S.T.	52	Bi- weekly



Loan – Abhilasha (third cycle)	and higher for higher cycle loans		basis		fortnight	
<b>Interim loans</b>						
Existing JLG customers	4,000 to 12,000	24.915%	Declining basis	1% + G.S.T.	52 fortnight	Bi- weekly
<b>Gold Loans</b>						
Gold loan	10,000 to 10,00,000	16-21% on the basis of LTV and loan tenor			1-12 months	Monthly

### Industry Overview

Indian microfinance now has 70 million borrower accounts, by-far the largest in any country across the world. Over the last year Indian microfinance institutions that are organised as NBFC-MFIs and operating in remote rural areas of India have emerged as effective financial intermediaries offering an alternative to the inaccessible formal financial institutions. Most of them who received funding and growth capital from banks, have demonstrated commendable scale, sustainability and impact.

Many NBFC-MFIs have received a good quantum of capital in FY 2014 in the form of both debt and equity. Almost all NBFC-MFIs (less than INR 1000 crores of assets under management) have been consistent in their growth, maintaining excellent portfolio quality in FY 2015.

As a result of a crisis in the MFI industry on October 2010 in the southern state of Andhra Pradesh, the RBI set up a committee to study issues and concerns in the MFI sector, which provided the Malegam Committee Report. The Malegam Committee Report has made various operational and financial recommendations on the microfinance sector that may have negative implications on the operating and financial performance of MFIs including the Issuer. Some of the recommendations made include:

- Increase in regulatory restrictions on a NBFC-MFI (minimum net worth, establishing client protection codes, increase in information technology systems and corporate governance, maintenance of solvency and penalty on MFI for non-compliance);
- State level legislations to be enacted for regulation of MFIs; Maximum indebtedness of an individual borrower;
- Maximum annual income of a household qualifying for a loan from an NBFC-MFI;
- Maximum number of loans to an individual borrower;
- Restrictions on the end usage of the loan for income generating purposes; and
- Maximum interest rate and maximum margin over cost of funds, maximum processing fees.

Most of the recommendations made under the Malegam Committee Report in January 2011 have been accepted by RBI and the RBI has issued circular dated July 20, 2012 to banks stating that bank loans to micro finance sector will be eligible for categorization as priority sector advance if they meet the eligibility criteria's set out in the said circular and has created a new category of NBFCs called the Non-Banking Financial Company-Micro Finance Institution (the NBFC-MFIs). The directions issued by the RBI on August 3, 2012 have been incorporated and now form part of the NBFC-MFI Directions. The NBFC-MFI Directions have been further modified on April 08, 2015

All non-deposit taking NBFCs (other than a company licensed under Section 25 of the Indian Company Act, 1956) that has not less than 85% of its net assets in the nature of —qualifying assets and has a minimum net owned funds of Rs. 5 Crores other than the ones registered in north eastern region of the country for which net owned fund requirement stands at Rs. 2 Crores. The existing NBFCs to be classified as NBFC-MFIs will be required to comply with the NBFC-MFI Directions w.e.f. April 01, 2012. Existing NBFCs with asset size of more than Rs. 100 Crores are required to maintain a minimum CRAR of 15% from Dec 2, 2011 onwards. Some of the key requirements of the NBFC-MFI Directions and subsequent modifications which the Issuer is required to comply with which will affect the business operations of the Issuer, which are:



- i. All registered NBFCs intending to convert to NBFC-MFI must seek registration with immediate effect and in any case not later than October 31, 2012, subject to the condition that they shall maintain Net Owned Funds (NOF) at Rs.3 Crores by March 31, 2013 and at Rs.5 Crores by March 31, 2014, failing which they must ensure that lending to the Microfinance sector i.e. individuals, SHGs or JLGs which qualify for loans from MFIs, will be restricted to 10 per cent of the total assets.
- ii. NBFC-MFIs are required to maintain not less than 85 per cent of their net assets as Qualifying Assets. In view of the problems being faced by NBFCs in complying with these criteria on account of their existing portfolio, it has been decided that only the assets originated on or after January 1, 2012 will have to comply with the Qualifying Assets criteria. As a special dispensation, the existing assets as on January 1, 2012 will be reckoned towards meeting both the Qualifying Assets criteria as well as the Total Net Assets criteria.
- iii. Rate of interest on individual loans may exceed 26%, the maximum variance permitted for individual loans between the minimum and maximum interest rate cannot exceed 4 per cent.
- iv. Maintain margin cap of 10% for NBFC- MFIs with assets more than INR 100 Crores and 12% for NBFC-MFIs with assets less than INR 100 Crores
- v. NBFC-MFIs are also required to ensure that the aggregate amount of loans given for income generation is not less than 50 per cent of the total loans extended.
- vi. NBFI MFIs will have to ensure compliance with, among others, conditions relating to annual household income levels Rs. 100,000/- for rural and Rs. 160,000/- for urban and semi urban households, total indebtedness not to exceed Rs. 100,000/- membership of SHG/JLG, borrowing sources as well as percentage of qualifying assets and percentage of income generating assets
- vii. Maintain fair practices in lending as stated in the NBFC-MFI Directions;
- viii. Ensure that it has a code of conduct and systems are in place for supervision of field staff such that non- coercive methods for recovery are used;
- ix. Ensure corporate governance norms are adopted and there is improvement in efficiency, information technologies etc.; and submit statutory auditors certificate with reference to the position of the company as at end of the financial year ended March 31, every year which should also indicate that the company fulfils all conditions stipulated to be classified as an NBFC-MFI.

(b) **Corporate Structure**

i. **Vision and Mission:**

The Issuer's mission is: "To be one of the most significant microfinance service provider by offering a range of financial and non-financial products and services to low income households and individuals to improve the quality of life".

ii. **Current Corporate Status:**

The Issuer was incorporated as a public limited company and is currently registered as a NBFC-MFI with the RBI. The Issuer derives the following benefits of being registered as an NBFC-MFI:

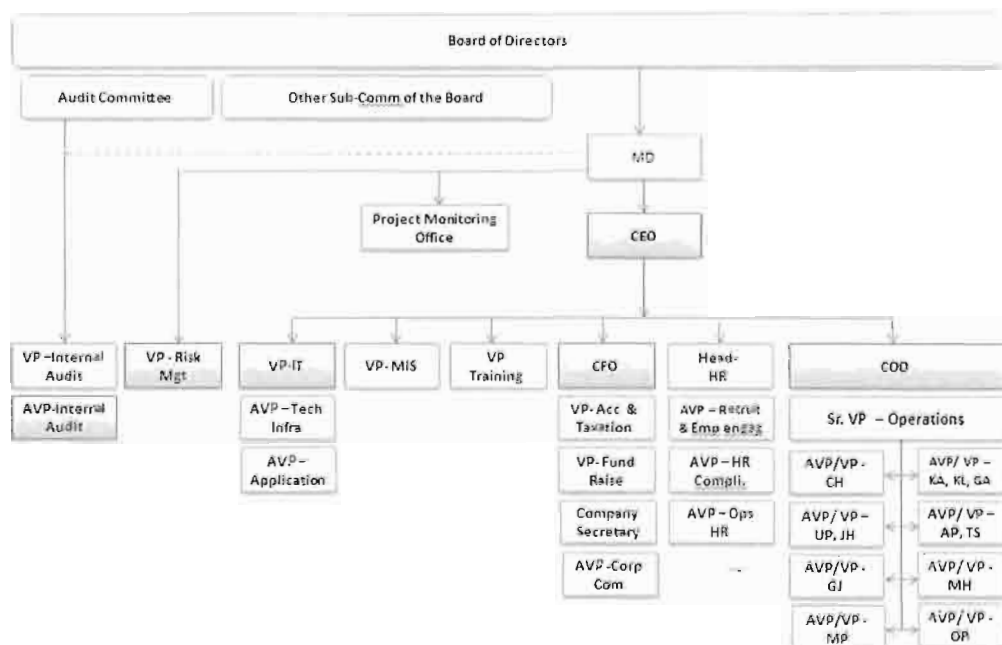
- **Access to Funds:** Commercial lenders have greater comfort lending to a regulated NBFC-MFI with transparent ownership. As an Issuer, Spandana can raise equity and offer commercial returns.
- **Diverse Funding Sources:** An NBFC-MFI can access commercial investors and international capital markets, diversifying away from donors or members as equity funders.
- **Commercialisation:** Classifying Spandana as an NBFC - MFI increases its commercial credibility and integrates it and its clients into the formal financial sector which ultimately increases its outreach potential.
- **Mainstream Resources:** As a for-profit commercial NBFC- MFI, Spandana will be more likely to attract mainstream capital resources which Societies or Trusts would find difficult to attract.



Date: October 25, 2017

(This Information Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

- **Regulatory Coverage:** As Spandana grows in size, operating as an NBFC within the regulatory framework mitigates risks from political and regulatory intervention.
- **Stakeholder Involvement:** As an NBFC-MFI, Spandana can bring a variety of stakeholders to the table, including clients, management, employees and investors.



#### Brief Profile of the Board of Directors

Board Of Directors		
Name	Designation	Experience
Ms. Padmaja Gangireddy	Managing Director	<ul style="list-style-type: none"> <li>Started her career with an NGO and has over 18 years of experience in the Microfinance industry</li> <li>Winner of the "Outstanding Woman Leadership Award" for the year 2016, by Golden Globe Tigers Summit, Malaysia</li> <li>Has a graduate degree in Communication &amp; Journalism along with MBA from Nagarjuna University and a degree in Microfinance from Harvard Business School</li> </ul>
Mr. Sunish Sharma	Nominee Director	<p>Prior to joining Spandana, Sunish co-founded Kedaara Capital Advisors team. In the year 2004, he worked as a Managing Director for General Atlantic, a global private equity firm. He was a senior member of the India Investment team and invested in technology, financial services, consumer and pharmaceutical businesses. In the year 2011, when he was a part of McKinsey and Company, he was listed in the "25 hottest young executives below 40 in India" by Business Today. Sunish graduated with honors from Delhi University and holds an MBA from the Indian Institute of Management, Calcutta where he was a gold medalist.</p>
Mr. Ramachandra Kasargod Kamath	Independent Director	<p>Mr. Kamath is the former Chairman &amp; Managing Director of Punjab National Bank (2009-14), where he was the youngest CMD of a nationalized bank in India. He also served as Chairman of PNB Housing Finance at that time, and oversaw the transformation and rapid growth of that business prior to his assignment at PNB. Mr. Kamath spent almost 30 years in Corporation Bank, before moving on to Bank of India as Executive Director and then to Allahabad Bank as Chairman &amp; Managing Director. He has also been the Chairman of the Indian Banks Association for two years and consistently figuring in the Top 100 India Inc. Most Powerful CEOs</p>



Board Of Directors		
Name	Designation	Experience
Mr. MadhavaPotturi,	Director	surveyed by Economic Times during 2010-2014. Mr. P. Madhava Rao has more than 35 years of experience with ING VYSYA BANK LTD where he handled various branches – Metro, Urban, Semi urban and rural branches as Regional Manager and Vice President. He brings in depth knowledge of credit risk, agri & social banking, project finance etc. He was also trainer in his banking career. He is one of the partners of M/s NMR ASSOCIATES dealing with project finance and consultancy services. He gained experience in HOUSING FINANCE as Senior Vice President of ING VYSYA BANK HOUSING FINANCE LTD. Achieved targets continuously both in Deposits and Advances. Took initiative in developing new products and established tie-ups with various corporate and leading Institutions and brought new connections to the bank including exposure to leading MFIs.
Mr Abanti Mitra	Independent Director	Ms. Abanti Mitra comes with over a decade of rich experience in mass market, microfinance, credit ratings and consulting. She is a director in Positron Services, a boutique consulting firm assisting clients in maximizing performance. She also holds a directorship position in Development Equities Private Limited. She is engaged in consulting assignments with institutions focused on Bottom of Pyramid clients; Marketing Research and Advisory research for wholesale insurance companies; Microfinance Institutions (MFIs) – including incubation, strategic planning, product design, head – hunting and financial advisory (debt & equity); Capacity building needs assessment on behalf of donor agencies and funding institutions. And helps the CSR wings of various corporate and makes an impact. She holds a Masters Degree in Rural Management assessments.
Mr. Kartikeya Dhruv Kaji	Nominee Director	Mr. Kartik, a MBA graduate from The Wharton School of the University of Pennsylvania worked as an Investment Advisor for Kedaara Capital before joining Spandana. He also worked as an Associate Director in the Mumbai office of the worldwide investment firm Temasek Holdings, where he targeted on open and private market interests in the monetary administrations, telecom, and innovation divisions. Already, he functioned as an Investment Banker in New York, at Merrill Lynch and Perella Weinberg Partners, and furthermore as a Summer Associate at Warburg Pincus.
Mr. Darius DinshawPandole	Nominee Director	Darius Pandole is the Managing Director & CEO of JM Financial Investment Managers Limited which represents the Private Equity Fund Management business of the Group. Darius brings with him around 25 years of private equity investing experience in India. He previously worked with New Silk Route Advisors Private Limited where he worked as Partner from January 2007. His prior stints have been with IDFC AMC, IndAsia Fund Advisors, Indocean Venture Advisors, Duke's Ltd., etc.His qualifications include a Masters in Business Administration (MBA) from the Graduate School of Business at the University of Chicago, and a Bachelors of Arts (BA - Economics) from Harvard University.
Amit Sobti	Nominee Director	Amit Sobti is a Senior Principal in the Private Capital division of Ontario Teachers' Pension Plan and is part of the senior team responsible for direct and co-investing activities across the Asia-Pacific region. He has 17 years of experience in private equity and investment banking. Before joining Ontario Teachers', Amit was a Principal at Unitas Capital, a mid-market private equity firm based in Hong Kong, prior to which he was a Principal in the healthcare group at Warburg Pincus, one of the largest global private equity firms. He previously worked at Rhone Capital and in the M&A group within





Board Of Directors		
Name	Designation	Experience
		investment banking at Merrill Lynch. Amit holds a dual A.B., magna cum laude, in Business Economics and Computer Science from Brown University

### iii. Brief Profile of the Senior Management

Name	Designation	Experience
Ms. Padmaja Reddy	Founder & Managing Director	<ul style="list-style-type: none"> <li>Started her career with an NGO and has over 18 years of experience in the Microfinance industry</li> <li>Winner of the "Outstanding Woman Leadership Award" for the year 2016, by Golden Globe Tigers Summit, Malaysia</li> <li>Has a graduate degree in Communication &amp; Journalism along with MBA from Nagarjuna University and a degree in Microfinance from Harvard Business School</li> </ul>
Mr. Abdul Feroz Khan	VP- Technology and MIS	Post Graduate in Business Administration from ICFAI Has been with Spandana since 2008 in various roles such as Payroll and Backend Operations; played critical role in migrating huge data over 60 lakh loans accounts from a window based software to a web based software.
Mr. Raghu Vinay	Senior VP- Risk management & audit	<ul style="list-style-type: none"> <li>Graduate in Computer Applications with over 13 years of experience in microfinance.</li> <li>He worked at the grass root level as Credit Assistant and Branch Manager.</li> </ul> He was exposed to different department and he is a all rounder .

### i. Business Segments-

#### PRODUCT DETAILS:

Products	Loan Amount	Annual Interest rate	Interest type	Upfront Processing fees	Tenure (months)	Repayment
<b>JLG Loans</b>						
Income generation Loan – Abhilasha (1 <sup>st</sup> cycle)	Up to 15,000 earlier now revised to 30,000.	24.915%	Declining basis	1% + G.S.T.	52 fortnightly	Bi- weekly
Income generation Loan – Abhilasha (second cycle)	Up to 36,000	24.915%	Declining basis	1% + G.S.T.	52 fortnight	Bi- weekly
Income generation Loan – Abhilasha (third cycle) loans	Up to 40,000 and higher for higher cycle loans	24.915%	Declining basis	1% + G.S.T.	52 fortnight	Bi- weekly
<b>Interim loans</b>						
Existing JLG customers	4,000 to 12,000	24.915%	Declining basis	1% + G.S.T.	52 fortnight	Bi- weekly



Gold Loans						
Gold loan	10,000 to 10,00,000	16-21% on the basis of LTV and loan tenor			1-12 months	Monthly

## ii. Company Credit Rating

BBB-by ICRA. The rating is based on the experience of the promoter and management team, diversified resource base, improvement in income and profitability and good asset quality.

## (c) Gross Debt: Equity Ratio of the Company

Before the issue of debt securities	2.69
After the issue of debt securities	2.72

## Calculations

As on September 30, 2017 debt-to-equity ratio is calculated as follows:-

Debt	15,84,88,60,151
Equity	5,81,72,34,772
Debt/Equity	2.69

Subsequent to the issue, debt-to-equity ratio shall be calculated as follows:-

Debt	15,84,88,60,151
Equity	5,81,72,34,772
Debt/Equity	2.72

## (d) Project cost and means of financing, in case of funding new projects:

Not applicable

## 5.5 Brief history of Issuer since its incorporation giving details of its following activities:

### (a) Details of Share Capital as on latest quarter end i.e. September 30, 2017:

Share Capital	Rs.
Authorised	20,00,00,00,000
<b>TOTAL</b>	<b>20,00,00,00,000</b>
Issued, Subscribed and Fully Paid- up	28,44,93,930
Preference Shares	9,01,01,68,097
<b>TOTAL</b>	<b>9,29,46,62,027</b>

### (b) Changes in its capital structure as on last quarter end i.e. September 30, 2017, for the last five years:

Date of Change (AGM/EGM)	Authorised Capital in Rs.	Particulars
-	-	-



(c) **Equity Share Capital History of the Company as on the last quarter end i.e. September 30, 2017, for the last five years:**

Date of allotment	Name of Shareholder	No. of equity shares issued	Face value	Cumulative number of equity shares	Cumulative paid up share capital (in Cr)	Cumulative share premium (In rs. Cr)
16.05.2014	JM Financial Trustee Company Pvt Ltd	5,44,000	10	65,82,276	6.58	38.88
	Valiant Mauritius Partners FDI Ltd	3,30,000	10	39,81,780	3.98	110.04
	Helion Venture Partners II LLC	90,000	10	7,85,135	0.78	0.39
	Helion Venture Partners LLC	36,000	10	7,31,136	0.73	0.18
31.03.2017	Kangchenjunga Limited	78,96,937	10	78,96,937	7.89	178.06
	Kedaara Capital alternative Investment Fund -	1,71,689	10	1,71,689	0.17	3.87

(d) **Fully convertible Warrants pending for conversion as on September 30 , 2017:** NIL(e) **Details of any Acquisition or Amalgamation in the last 1 (one) year:**

There has been no acquisition or amalgamation in the last 1 (one) year.

(f) **Details of any Reorganization or Reconstruction in the last 1 (one) year:**

There has been no reorganization or reconstruction in the last 1 (one) year.

**5.6 Details of the shareholding of the Company as on the latest quarter end, i.e. September 30, 2017:****Shareholding Pattern of the Company as on last quarter end, i.e. September 30, 2017**

Sr. No.	Name of the Shareholder / Particulars	Class	Total Number of equity shares	Total percentage (%) of Shareholding	Number of shares held in Demat Form
1	Padmaja Gangireddy	Equity	58,04,412	20.40	58,03,657
2	Vijaya Siva Rami Reddy Vendidandi	Equity	14,91,483	5.24	14,79,983
3	Lok Advisory Services Pvt Ltd	Equity	3,19,065	1.12	3,19,065
4	Spandana Employee Welfare Trust	Equity	2,35,631	0.83	2,35,631
5	SIDBI	Equity	50,000	0.18	-
6	Kedaara Capital - AIF I	Equity	231,110	0.81	231,110
7	JM Financial Trustee Co. Pvt. Ltd.	Equity	1,744,303	6.13	1,744,303
8	JM Financial Products Limited	Equity	2,435,286	8.56	2,435,286
9	Valiant Mauritius Partners FDI Limited	Equity	39,81,780	14.00	-
10	Helion Venture Partners I.LC	Equity	7,31,136	2.57	1,54,045
11	Helion Venture Partners II LLC	Equity	7,85,135	2.76	1,81,888



12	Kangchenjunga Limited	Equity	10,630,052	37.36	10,630,052
13	Bala DeepthiGangireddy	Equity	10,000	0.04	-
	<b>Total Equity Shares</b>		<b>2,84,49,393</b>	<b>100.00</b>	<b>2,32,15,020</b>

Notes: Details of Shares pledged or encumbered by the promoters (if any): None

- (a) List of top 10 holders of equity shares of the Company as on the latest quarter end, i.e. September 30, 2017:

Sr. No.	Name of the Shareholder / Particulars	Class	Total Number of equity shares	Total percentage (%) of Shareholding	Number of shares held in Demat Form
1	Kangchenjunga Limited	Equity	10,630,052	37.36	10,630,052
2	Padmaja Gangireddy	Equity	58,04,412	20.40	58,03,657
3	Valiant Mauritius Partners FDI Limited	Equity	39,81,780	14.00	-
4	JM Financial Products Limited	Equity	2,435,286	8.56	2,435,286
5	JM Financial Trustee Co. Pvt. Ltd	Equity	1,744,303	6.13	1,744,303
6	Vijaya Siva Rami Reddy Vendidandi	Equity	14,91,483	5.24	14,79,983
7	Helion Venture Partners II LLC	Equity	7,85,135	2.76	1,81,888
8	Helion Venture Partners LLC	Equity	7,31,136	2.57	1,54,045
9	Lok Advisory Services Pvt Ltd	Equity	3,19,065	1.12	3,19,065
10	Spandana Employee Welfare Trust	Equity	2,35,631	0.83	2,35,631
			<b>2,81,58,283</b>	<b>98.98%</b>	<b>2,29,83,910</b>

#### 5.7 Following details regarding the directors of the Company:

- (a) Details of current directors of the Company:

This table sets out the details regarding the Company's Board of Directors as on date of the Information Memorandum:

S. No.	Name of the Directors	Designation	Date of Birth	Address	DIN	PAN	Director of the company since	Director in other company
1	Padmaja Gangireddy	Managing Director	14-01-1967	A-208, "A" block, Jayabheri Orange County Nanakramguda, Financial District, Gachibowli Hyderabad 500032	00004842	AEZPG1437L	19/04/2003	1. PVK Motors Private Limited 2. Spandana Sphoorty Chit Funds Private Limited



2	Sunish Sharma	Nominee Director	25-10-1974	Flat no. 1902, 19th Floor, The Imperial, South Tower, BB Nakashe Marg, Mumbai 400034	00274432	AETPS 8733M	31/03/2017	1. Mahindra Logistic Limited 2. Manjushree Technopack Limited 3. Vedant Fashions Private Limited
3	Ramachandra Kasargod Kamath	Independent Director	19-11-1955	B/2004, Neptune CHSL, Sun City, Adi Shankaracharya Marg, Powai Mumbai 400076	01715073	AESPK 8250N	04-05-2017	1. BQ Padmavathy Finance Academy Private Limited 2. Aavas Financiers Limited 3. New Opportunity Consultancy Private Limited 4. Manipal Technologies Limited
4	Madhava Potturi	Director	05-06-1949	Flat No.303, Shivam Fortune Kumkum Heights 186/P RR Masjidbanda, Kondapur Hyderabad 500084	01787840	AIRPP 0456A	15/09/2014	1. Prasoma IT Solutions Private Limited 2. Nandan Bio-Research Foundation
5	Abanti Mitra	Independent Director	08-07-1978	Flat No.B-1201 Floor 12th, Obcroi Woods Mohan, Gokhale Road, Goregoan East. Mumbai 40006	02305893	AKEP M7995C	04-05-2017	1. Development Equities Private Limited 2. Positron Consulting Services Private Limited 3. Positron Advisory Services Private Limited
6	Kartikeya Dhruv Kaji	Nominee Director	22-03-1983	7A, Lands End, Doongersey Road, Malabar Hill Mumbai 400006	07641723	BDTP K0645Q	31-03-2017	1. Aavas Financiers Limited
7	Darius Dinshaw Pandole	Nominee Director	27-04-1966	5 B Sunshine Apartments, 15 B Maharshi Karve Road, Opposite : Oval Maidan, Mumbai-400020	00727320	AAFPP 7571C	18-07-2017	1. Credibility Financial Services Private Limited 2. JM Financial Asset Management Limited 3. Mahindra Logistics Limited 4. Fairchem Speciality Limited
8	AMIT SOBTI	Nominee Director	04-03-1979	J-125, J Block, Opposite Chawla Nursing Home, Rajouri Garden, Tagore Garden, West Delhi Delhi 110027	07795874	AAMP S1644J	29-05-2017	-

\*Company to disclose name of the current directors who are appearing in the RBI defaulter list and/or ECGC default list, if any: None



(b) **Details of change in directors since last three years:**

Name	Designation	DIN	Date of Appointment/Resignation	Director of the Company since (in case of resignation)	Remarks
Avinash Unapathy	Nominee Director	03567775	13/02/2014	09/06/2011	Nomination withdrawn by appointing authority
Khazan Singh Singhwan	Nominee Director	02435323	13/08/2014	28/06/2013	Nomination withdrawn by appointing authority
Lakshmi Narasaiahgunturu	Director	03567778	22/11/2015	28/06/2011	Resignation
Abanti Mitra	Director	02305893	01/11/2016	20/11/2012	Resignation
NatarajanRanganathan	Director	00218008	01/11/2016	08/02/2016	Resignation
Kartikeya Dhruv Kaji	Nominee Director	07641723	31/03/2017	-	Appointment
Sunish Sharma	Nominee Director	00274432	31/03/2017	-	Appointment
Perur Seshappa Prasad	Director	00206204	31/03/2017	15/09/2014	Resignation
Annapureddy Gopalareddy	Independent Director	02873035	25/04/2017	15/09/2014	Resignation
Sundaram Ramakrishnan	Nominee Director	02650040	02/05/2017	24/09/2015	Nomination withdrawn by appointing authority
Abanti Mitra	Independent Director	02305893	04/05/2017	-	Appointment
Ramachandra Kasargod Kamath	Independent Director	01715073	04/05/2017	-	Appointment
Amit Sobti	Nominee Director	07795874	29/05/2017	-	Appointment
Darius Dinshaw Pandole	Nominee Director	00727320	18/07/2017	19/05/2017	Nomination withdrawn by appointing authority
Darius Dinshaw Pandole	Nominee Director	00727320	18/07/2017	-	Appointment

**5.8 Following details regarding the auditors of the Company:**

(a) **Details of the auditor of the Company:**

Name	Address	Auditor since	Remark
M/s. S. R. Baltiboi & Co. LLP	14 <sup>th</sup> Floor, The Ruby 29 SenapatiBapatMarg, Dadar (West), Mumbai – 400028	27 <sup>th</sup> September 2013	-

(b) **Details of change in auditors since last three years:None**

**5.9 Details of borrowings of the Company, as on September 30, 2017:**



(a) **Details of Secured Loan Facilities:**

Lender's Name	Type of Facility	Cumulative Amount Sanctioned (Rs. Mn)	Principal Amount Outstanding as on September 30, 2017 (Rs. Mn.)	Repayment Date/Schedule	Security	
					Primary Security (book debt hypothecation)	Percentage of Cash Collateral
ICICI Bank Limited	Term Loan	1,180	885	30-Mar-19	110%	5%
Yes Bank Limited	Term Loan	4,750	4,125	10-Mar-19	110%	
Indusind Bank Limited	Term Loan	4,000	3,429	31-Mar-19	110%	
IFMR Capital Finance Private Limited	Term Loan	800	688	17-May-19	100%	
Reliance Commercial Finance Limited	Term Loan	400	305	01-Jun-18	100%	10%
Hinduja Leyland Finance Limited	Term Loan	70	64	31-May-20	110%	
MAS Financial Services Limited	Term Loan	350	317	08-Jun-20	110%	
Capital First Limited	Term Loan	550	550	09-Jun-20	110%	
Visu Leasing	Term Loan	400	367	28-Jun-19	110%	10%
Clix Capital	Term Loan	500	211	07-Jul-18	125%	
Au Small Finance Bank	Term Loan	400	356	10-Jan-19	110%	5%
Kotak Mahindra Bank	Term Loan	250	233	03-Aug-19	110%	
Bandhan Bank	Term Loan	750	750	03-Oct-19	100%	
Hero Fincorp Limited	Term Loan	300	147	02-Aug-20	110%	5%
JM Financial Products Limited	Term Loan	500	500	04-Jan-19	110%	
Mahindra & Mahindra Financial Services Limited	Term Loan	500	475	11-Jan-19	110%	5%
Manappuram Finance Limited	Term Loan	750	750	11-Sep-20	110%	

(b) **Details of Unsecured Loan Facilities as of September 30, 2017:**

Lender's Name	Type of Facility	Amount Sanctioned	Principal Amount Outstanding	Repayment Date/Schedule
Capital First Limited	Sub Debt	200	200	8-Jun-24



## (c) Details of Non-Convertible Debentures as of September 30, 2017:

Debt Series	Tenor/Period of Maturity	Coupon (Rate of Interest)	Amount (Rs in Lacs)	Date of allotment	Redemption Date/Schedule	Credit Rating	Secured/Unsecured	Security
N.A.	36 months	12.30%	12,00,00,000/-	21-08-2017	21-08-2020	ICRA BBB-	Secured	100% of Book Debt Hypothecation
N.A.	72 months	14%	100,00,00,000/-	18-09-2017	18-09-2023	ICRA BBB-	Secured	115% of Book Debt Hypothecation
N.A.	36 months	a) 13.30% (Thirteen Decimal Point Three Zero Percent) per annum coupon for year 1 b) 12.85% (Twelve Decimal Point Eight Five Percent) per annum coupon for year 2. c) 12.40% (Twelve Decimal Point Four Zero Percent) per annum coupon for year 3.	20,00,00,000/-	26-09-2017	25-09-2020	ICRA BBB-	Unsecured	N.A.

## (d) List of Top 10 Debenture Holders as on September 30, 2017:

S. No.	Name of Debenture Holders	Amount (Rs. in Crores)
1	UTI INTERNATIONAL WEALTH CREATOR 4	100.00
2	UNIFI AIF	20.00
3	NANDALA	0.26
4	ASHWIN CHHAGANLAL PATEL	0.25
5	SUREKHA ASHWIN PATEL	0.25
6	JATINDER DINANATH MEHRA	0.25
7	NISHI SAIGAL	0.23
8	KAMAL DEVA TAYAL	0.22
9	VONITA SINGH	0.20
10	SAILEN GOPAL NANDY	0.18





- (e) **The amount of corporate guarantee issued by the Issuer along with name of the counterparty (like name of the subsidiary, JV entity, group, company, etc) on behalf of whom it has been issued (if any)).**

The Company has not issued any corporate guarantee for any third party as of September 30, 2017.

- (f) **Details of Commercial Paper (as of September 30, 2017):**

The Company has not issued any commercial paper as of September 30, 2017.

- (g) **Details of rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares ) as on September 30, 2017:**

NIL

- (h) **Details of all default/s and/or delay in payments of interest and principal of any kind of term loans, debt securities and other financial indebtedness including corporate guarantee issued by the Company, in the past 5 years:**

➤ Due to AP Crisis, Operations were adversely impacted and company had applied for CDR forum for restructuring. Company serviced debt and interest as per the CDR repayment schedule till Dec 2015. IndusInd Bank gave an offer to buy good portfolio in Non AP States and use sale proceeds to square off debt with all 37 CDR Lenders. IndusInd Bank also offered to buy OCCRPS from all the lenders and convert into equity. In view of executing this transaction as it has pre-closure of debt to all the lenders, Lenders deferred repayment from Oct 2015 to Mar 2016 as they did not approve fresh limits as Company started pursuing options to exit CDR.

➤ IndusInd Bank had written to RBI seeking approval to buy OCCRPS from all the lenders and they did not get revert from RBI by Mar 2016. The Joint Lenders Forum has extended the corrective action plan of clearing over dues to Sep 2016 and subsequently to Dec and Mar 2017. In between the MC (Monitoring Committee) advised Company to service interest from Nov onwards and interest has been serviced for Nov, Dec and January 2017. While CDR EG has extended timelines to complete the transaction till Mar 2017, the settlement transaction was completed within timelines and the outstanding dues of all Banks were cleared on 30 Mar 2017.

- (i) **Details of any outstanding borrowings taken / debt securities issued where taken / issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option:**

NIL

#### 5.10 Details of Promoters of the Company:

- (a) **Details of Promoter Holding in Company as on latest quarter end, i.e. September 30, 2017:**

Sr No	Name of the shareholders	Total No of Equity shares	No .of shares in Demat form	Total shareholding as % of total no of equity shares	No of shares Pledged	% of shares pledged with respect to shares owned
1	Padmaja Gangireddy	58,04,412	58,03,657	20.40	-	-
2	Vijaya Siva Rami Reddy Vendidandi	14,91,483	14,79,983	5.24	-	-



(This Information Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

**5.11 Abridged version of the Audited Consolidated and Standalone Financial Information (like Profit and Loss statement, Balance Sheet and Cash Flow statement) for at least last three years and auditor qualifications, if any.**

Profit & Loss Statement (in Rs. Lakhs)	FY 2014 -2015	FY 2015-2016	FY 2016-2017
<b>Income</b>	<b>(Audited)</b>	<b>(Audited)</b>	<b>(Audited)</b>
Interest & Fee on loans	3,019,717,136	3,438,618,524	3,714,677,645
Other Financial Income	-	-	-
Other Income	234,351,144	1,288,388,422	503,561,528
<b>Total Income</b>	<b>3,254,068,280</b>	<b>4,727,006,946</b>	<b>4,218,239,173</b>
<b>Expenditure/ Cost of Sales</b>			
Personnel Expenditure	709,381,102	570,872,217	582,959,601
Provisioning & Write-off Expenditure	50,525,032	106,821,766	420,281,147
Depreciation and Amortization	33,130,234	37,011,072	83,331,208
Other Expenditure	289,962,341	285,617,817	287,529,719
<b>Total Expenditure</b>	<b>1,082,998,709</b>	<b>1,000,322,872</b>	<b>1,374,101,675</b>
Operating Profit before Interest	2,171,069,571	3,726,684,074	2,844,137,498
Interest	1,117,750,723	1,294,331,328	2,078,810,656
<b>Operating profit after Interest</b>	<b>1,053,318,848</b>	<b>2,432,352,746</b>	<b>765,326,842</b>
Net non-operating income/expenses	-	-	-
<b>Profit Before Tax</b>	<b>1,053,318,848</b>	<b>2,432,352,746</b>	<b>765,326,842</b>
Income Tax	7,832,394	-	235,839,798
<b>Net Profit</b>	<b>1,045,486,454</b>	<b>2,432,352,746</b>	<b>529,487,044</b>
<b>Balance Sheet (in INR Lakhs)</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Short Term borrowings	-	-	10,000,281
Other Current Liabilities	8,828,194,542	11,022,904,040	4,616,766,157
Short Term Provisions	112,339,460	115,482,854	286,341,225
<b>Total Current Liabilities</b>	<b>8,940,534,002</b>	<b>11,138,386,894</b>	<b>4,913,107,663</b>
<b>Other Non-current Liabilities</b>	<b>14,946,014,118</b>	<b>8,018,957,718</b>	<b>13,846,295,582</b>
<b>Total Liabilities</b>			
Ordinary Share Capital	8,279,965,760	8,113,884,880	9,294,662,027
Reserves & Surplus	(8,641,815,526)	(6,272,989,319)	(3,922,306,249)
Legal reserves	-	-	-
Other Capital	-	-	-
<b>Net Worth</b>	<b>(361,849,766)</b>	<b>1,840,895,561</b>	<b>5,372,355,778</b>
<b>Total Equity &amp; Liabilities</b>	<b>23,524,698,354</b>	<b>20,998,240,173</b>	<b>24,131,759,023</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Bank balances	590,899,870	353,264,361	2,901,168,938
Net Receivables	18,566,498	18,339,713	72,941
Other Short term Loan & Advances	30,256,132	14,140,550	30,561,835



Other Current Assets	97,541,088	86,887,873	75,310,599
<b>Total Current Assets</b>	<b>11,726,638,609</b>	<b>12,146,258,941</b>	<b>12,787,289,436</b>
Fixed Assets - Gross Block	275,833,974	244,683,839	257,200,430
Depreciation	233,167,370	122,905,655	190,968,941
<b>Fixed Assets - Net Block</b>	<b>42,666,604</b>	<b>121,778,184</b>	<b>66,231,489</b>
Intangible Assets	13272266	22,905,744	23,849,346
Capital Work in Progress	55,941,594		
Long-term loans and Advances	11652234360	8,685,419,287	11,230,775,240
Other Non-Current assets	33944921	21,878,017	23,613,512
<b>Total Non-Current Assets</b>	<b>11,798,059,745</b>	<b>8,851,981,232</b>	<b>11,344,469,587</b>
<b>Total Assets</b>	<b>23,524,698,354</b>	<b>20,998,240,173</b>	<b>24,131,759,023</b>

- 5.12 Any material event/ development or change having implications on the financials/credit quality (e.g. any material regulatory proceedings against the Issuer/promoters, tax litigations resulting in material liabilities, corporate restructuring event etc) at the time of Issue which may affect the issue or the investor's decision to invest / continue to invest in the debt securities.**

The Issuer hereby declares that there has been no material event, development or change at the time of issue from the position as on the date of the last audited financial statements of the Issuer, which may affect the Issue or the Investor's decision to invest/ continue to invest in the debt securities of the Issuer.

- 5.13 Names of the Debentures Trustees and Consents thereof**

The Debenture Trustee of the proposed Debentures is Catalyst Trusteeship. Catalyst Trusteeship Limited has given its written consent for its appointment as debenture trustee to the Issue and inclusion of its name in the form and context in which it appears in this Information Memorandum and in all the subsequent periodical communications sent to the Debenture Holders. The consent letter from Debenture Trustee is provided in Annexure III of this Information Memorandum.

- 5.14 Rating**

The Rating Agency has assigned ratings of "ICRABBB-" (pronounced as "BBB minus") to the Debentures. Instruments with this rating are considered to have adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry low credit risk. The rating rationale from the Rating Agency is provided in Annexure II of this Information Memorandum.

- 5.15 If the security is backed by a guarantee or letter of comfort or any other document / letter with similar intent, a copy of the same shall be disclosed. In case such document does not contain detailed payment structure (procedure of invocation of guarantee and receipt of payment by the investor along with timelines), the same shall be disclosed in the offer document.**

Not applicable

- 5.16 Names of all the recognized stock exchanges where the debt securities are proposed to be listed:**

- The NCDs are proposed to be listed on the Bombay Stock Exchange ("BSE") within 20 calendar days of the Deemed Date of Allotment
- The Company shall ensure that the Debentures at all times are rated in accordance with the provisions of the Transaction Documents and that the rating of the Debentures is not downgraded or withdrawn throughout the tenor of the Debentures.



**5.17 Other details:****(a) Debenture Redemption Reserve Creation:**

As per Section 71 of the 2013 Act, any company that intends to issue debentures must create a debenture redemption reserve to which adequate amounts shall be credited out of the profits of the company until the redemption of the debentures. However, at present, under the Companies (Issuance of Share Capital and Debentures) Rules, 2014, non-banking financial companies are exempt from this requirement in respect of privately placed debentures. Pursuant to this exemption, the Company does not intend to create any reserve funds for the redemption of the Debentures.

**(b) Issue / instrument specific regulations:**

The Issue of Debentures shall be in conformity with the applicable provisions of the Companies Act including the notified rules thereunder and the applicable RBI guidelines.

**(c) Application process:**

The application process for the Issue is as provided in SECTION 8: of this Information Memorandum.

**5.18 A statement containing particulars of the dates of, and parties to all material contracts, agreements:**

The following contracts, not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than 2 (Two) years before the date of this Information Memorandum, which are or may be deemed material, have been entered into by the Company.

The contracts and documents referred to here under are material to the Issue, may be inspected at the registered office of the Company between 10.00 am to 4.00 pm on working days.

Sr. No.	Nature of Contract
1	Certified true copy of the Memorandum of Association & Articles of Association of the Issuer
2	Board resolution dated 17 <sup>th</sup> October, 2017, read with the Resolution passed by the Management Committee of the Board dated 18 <sup>th</sup> October, 2017 Board of Directors authorizing the issue of Debentures offered under terms of this Disclosure Document.
3	Shareholder Resolution dated August 04, 2017 authorizing the issue of non-convertible debentures by the Company.
4	Shareholder Resolution dated March 29, 2017 authorizing the borrowing by the Company and Shareholder Resolution dated September 13, 2017 authorizing the creation of security.
5	Copies of Annual Reports of the Company for the last three financial years
6	Credit rating rationale from the Rating Agency .
7	Letter from Catalyst Trusteeship Limited giving its consent to act as Debenture Trustee
8	Letter for Register and Transfer Agent
9	Certified true copy of the certificate of incorporation of the Company
10	Certified true copy of the tripartite agreement between the Company, the Registrar & Transfer Agent and the NSDL/CDSL

**5.19 Details of Debt Securities Sought to be Issued**

Under the purview of the current document, the Issuer intends to raise an amount of Rs. 18,00,00,000/- (Rupees Eighteen crores Only) by issue of Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures, on a private placement basis.

For further details of the Debentures, please refer to the terms and conditions of the debentures set out in Section 5.22 of this Information Memorandum.

**5.20 Issue Size**

The aggregate issue size for the Debentures is Rs. 18,00,00,000/- (Rupees Eighteen Crores Only).



## 5.21 Utilization of the Issue Proceeds

The Issuer shall utilise the moneys received towards subscription of the Debentures for the disbursement of the Issuer's general corporate purposes of the Company including repayments and/or refinancing of existing debt.

The Issuer undertakes that the proceeds of this Issue shall be utilized for the deployment of funds on its own balance sheet and not to facilitate resource requests of its group entities/parent company/associates. The funds raised by the Issue shall be utilized by the Company solely for the aforesaid purpose and the Company shall not use the proceeds of the Issue towards:

- (i) any capital market instrument such as equity, debt, debt linked and equity linked instruments or any other capital market related activities; or
- (ii) any speculative purposes; or
- (iii) any activity on the Exclusion List; or
- (iv) investment in the real estate sector; or
- (v) in contravention of any guidelines, rules or regulations of the RBI applicable to non-banking financial companies.

The Issuer undertakes that proceeds of this Issue shall not be utilized for the following purposes as specified in the RBI Master Circular No. DBR.BP.BC.No.5/21.04.172/2015-16 dated July 1, 2015:

- 1) Bills discounted / rediscounted by NBFCs, except for rediscounting of bills discounted by NBFCs arising out of: Commercial vehicles (including light commercial vehicles) and two wheeler and three wheeler vehicles, subject to the following conditions: The bills should have been drawn by the manufacturer on dealers only; The bills should represent genuine sale transactions as may be ascertained from the chassis / engine number and; Before rediscounting the bills, the bona fides and track record of NBFCs which have discounted the bills would be verified.
- 2) Investments of NBFCs both of current and long-term nature, in any company / entity by way of shares, debentures, etc. However, Stock Broking Companies may be provided need-based credit against shares and debentures held by them as stock-in-trade.
- 3) Unsecured loans / inter-corporate deposits by NBFCs to / in any company.
- 4) All types of loans and advances by NBFCs to their subsidiaries, group companies / entities.
- 5) Finance to NBFCs for further lending to individuals for subscribing to Initial Public Offerings (IPO) and for purchase of shares from secondary market

## 5.22 Issue Details

Security Name	12.30% Spandana 2020 II
Issuer	Spandana Sphoorty Financial Limited
Type of Instrument	Non-Convertible Debentures
Nature of Instrument	Rated, Listed, Senior, Secured, Redeemable, Taxable, Non-Convertible Debentures
Seniority	Unsubordinated,
Mode of Issue	Private placement
Eligible/Identified Investors	As provided in Section 8.14 below
Listing	<p>The NCDs are proposed to be listed on the Bombay Stock Exchange ("BSE") within 20 calendar days of the Deemed Date of Allotment</p> <p>In case of a delay by the Issuer in listing the Debentures beyond 20 (Twenty) days from the Deemed Date of Allotment the Issuer shall make payment the Debenture Holders of penal interest calculated on the face value of the Debentures at the rate of minimum of 1% (One Percent) p.a. over the Coupon Rate from the expiry of 30 (Thirty) calendar days from the Deemed Date of Allotment until the listing of the Debentures.</p> <p>In the event that the NCDs are not listed within 15 (Fifteen) days from the Deemed Date of Allotment for any reason whatsoever, then to the extent</p>



	that any Debenture Holders are Foreign Institutional Investors or sub-accounts of Foreign Institutional Investors or Qualified Foreign Investors, the Issuer undertakes to immediately redeem and/or buyback any and all Debentures within 2 (two) Business Days of the expiry of the Listing Period.
Rating of Instrument	BBB-by ICRA Limited
Issue Size	Issue of 18,00,00,000(Eighteen Crore) Senior ,Secured, Rated, Listed Redeemable and Non-Convertible Debentures of face value of Re. 1/- (Rupee One Only) ("Debentures") aggregating up to Rs. 18,00,00,000/- (Rupees Eighteen Crores Only),on a private placement basis
Option to retain oversubscription	N.A.
Objects of the Issue	To raise secured unsubordinated debt to the extent upto Rs. 18,00,00,000/- (Rupees Eighteen Crores only) for general corporate purposes of the Company including repayments and/or refinancing of existing debt (" <b>Purpose</b> ").
Details of the utilization of the Proceeds	The issue proceeds will be utilized general corporate purposes of the Issuer including repayments and/or refinancing of existing debt.
Coupon Rate	12.30% (Twelve Decimal Point Three Zero) per annum.
Step Up/ Step Down Coupon Rate	N.A.
Coupon Payment Frequency	Monthly
Coupon Payment Date	As set out in Annexure VI
Coupon Type	Fixed
Coupon Reset Date	N.A.
Day Count Basis	Actual/Actual
Interest on Application Money	Interest at the Interest Rate will be paid on Application Money to the Applicants from the date of receipt of such Application Money up to 1 (one) day prior to the Deemed Date of Allotment for all valid applications, within 5 (Five) Business Days from the Deemed Date of Allotment. Where the entire subscription amount has been refunded, the interest on Application Money will be paid along with the refunded amount. Where an Applicant is allotted a lesser number of Debentures than applied for, the excess amount paid on application will be refunded to the applicant in the bank account of the Applicant as described in the Application Form towards interest on the refunded money by electronic mode of transfer like RTGS/NEFT/direct credit. Details of allotment will be sent to every successful Applicant. In all cases, the interest instruments will be sent, at the sole risk of the Applicant / first Applicant.
Default Interest Rate	<p>(a) The Company shall pay a default interest rate of 2% (Two per cent) per annum above the applicable Interest Rate on the Outstanding Principal Amounts from the date of the occurrence of a Payment Default or any other Event of Default until such Payment Default or Event of Default is cured.</p> <p>(b) The Company shall pay an additional interest rate of 2% (Two per cent) per annum above the applicable Interest Rate on the Outstanding Principal Amounts from the date of the occurrence of any breach of its obligations set out under the Transaction Documents until such breach is cured.</p>
Coupon Reset Process	N.A.
Tenor	36 (Thirty Six) months from the Deemed Date of Allotment
Redemption Date	The Debentures shall be fully redeemed on the Maturity Date. as set out in



	Annexure VI
Redemption Amount	Re. 1/- (Rupee. One Only) per Debenture on the Maturity Date plus accrued Coupon if any.
Redemption Premium/ Discount	N.A.
Issue Price	Re. 1/- (Rupees One Only) per Debenture
Discount at which security is issued and the effective yield as a result of such discount	N.A.
Put Date	N.A.
Put Price	N.A.
Call Date	N.A.
Call Price	N.A.
Put Notification Time	N.A.
Call Notification Time	N.A.
Face Value	Rs. 1/- (Rupee One Only) per Debenture
Minimum Application size and in multiples of 1 thereafter	The minimum application size for the Issue shall be 20,000 Debentures.
Issue Timing	Issue Opening Date: October 25,2017 Issue Closing Date: October 26,2017 Pay-in Dates: October 26,2017 Deemed Date of Allotment: October 26,2017
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	RTGS
Depositories	NSDL and CDSL
Business Day Convention	If any Due Date falls on a day which is not a Business Day, the payment to be made on such Due Date shall be made on the immediately succeeding Business Day, except where such Due Date is for the payment of the Redemption Amount, in which case such payment shall be made on the immediately preceding Business Day.
Record Date	The date which will be used for determining the Debenture Holders who shall be entitled to receive the amounts due on any Due Date, which shall be the date falling 3(Three) Business days prior to any Due Date.
Security (Including description, type of security, type of charge, likely date of creation of security, minimum security cover, revaluation, replacement of security)	The Debentures shall be secured by way of a first ranking, exclusive and continuing charge on identified receivables ("Hypothecated Receivables") created pursuant to the deed of hypothecation to be executed between the Company and the Debenture Trustee as described herein. The Hypothecated Assets shall at all times be equal to the value of the outstanding principal amount of the Debentures.
Transaction Documents	Shall be as set out in Section 6.1 below
Conditions Precedent to Disbursement	(i) Execution of Debenture Trustee Agreement, the Debenture Trust cum Mortgage Deed and the Deed of Hypothecation ; (ii) Copies of the constitutional documents and the corporate authorisations shall be provided to the Debenture Trustee; (iii) Rating of the Debentures being completed and the rating letter issued by the Rating Agency being in a form and manner satisfactory to the Debenture Trustee.



Conditions Subsequent to Disbursement	<p>(a) Filing of the relevant documents <i>inter alia</i> private placement offer letter, return of allotment etc. with the ROC within the timelines specified under the rules under the Companies Act, 2013.</p> <p>(b) Execution of any other documents as customary for transaction of a similar nature and size.</p>
Event of Default	As customary for a transaction of this nature and as further provided for in the Debenture Trust cum Mortgage Deed.
Provisions related to the Cross Default Clause	As customary for a transaction of this nature and as further provided for in of the Debenture Trust cum Mortgage Deed.
Role and Responsibilities of Debenture Trustee	To oversee and monitor the overall transaction for and on behalf of the Debenture Holder(s).
Representation and warranties and Covenants	As customary for a transaction of this nature and as further provided for in the Debenture Trust cum Mortgage Deed.
Illustration of Bond Cash flows	Kindly refer to Annexure VI of this Information Memorandum
Governing Law	The Debentures and documentation will be governed by and construed in accordance with the laws of India and the parties submit to the non-exclusive jurisdiction of the courts in Chennai, India.





## SECTION 6: TRANSACTION DOCUMENTS AND KEY TERMS

### 6.1 Transaction Documents

The following documents shall be executed in relation to the Issue (“**Transaction Documents**”):

- (a) Debenture Trustee Agreement, which will confirm the appointment of Catalyst Trusteeship Limited as the Debenture Trustee (“**Debenture Trustee Agreement**”);
- (b) Debenture Trust cum Mortgage Deed, which will set out the terms upon which the Debentures are being issued and shall include the representations and warranties and the covenants to be provided by the Issuer (“**Debenture Trust cum Mortgage Deed**” or “**DTMD**”);
- (c) Deed of Hypothecation (“**DoH**”); and
- (d) Such other documents as agreed between the Issuer and the Debenture Trustee.

### 6.2 Representations and Warranties of the Issuer

The representations and warranties of the Issuer shall be as provided for in the Debenture Trust cum Mortgage Deed.

### 6.3 Covenants of the Issuer

The covenants of the Issuer shall be as provided for in the Debenture Trust cum Mortgage Deed.

### 6.4 Events of Default

The Events of Default shall be as provided for in the Debenture Trust cum Mortgage Deed.

### 6.5 *Notice on the Occurrence of an Event of Default*

If any Event of Default or any event which, after the notice, or lapse of time, or both, would constitute an Event of Default, has occurred, the Company shall, forthwith give notice thereof to the Debenture Holders and the Debenture Trustee in writing specifying the nature of such event or Event of Default (as applicable).

### 6.6 Consequences Of Events Of Default

Upon the happening of an Event of Default, the Debenture Trustee shall be entitled to exercise any and all remedies in accordance with the terms contained in the Transaction Documents.



## SECTION 7: DISCLOSURES PERTAINING TO WILFUL DEFAULT

In case of listing of debt securities made on private placement, the following disclosures are required to be made vide *SEBI (Issue and Listing of Debt Securities) (Amendment) Regulations, 2016 w.e.f. 25-05-16*:

- (A) **Name of the Bank declaring the entity as a Wilful Defaulter:** N.A
- (B) **The year in which the entity is declared as a Wilful Defaulter:** N.A
- (C) **Outstanding amount when the entity is declared as a Wilful Defaulter:** N.A
- (D) **Name of the entity declared as a Wilful Defaulter:** N.A
- (E) **Steps taken, if any, for the removal from the list of wilful defaulters:** N.A
- (F) **Other disclosures, as deemed fit by the Issuer in order to enable investors to take informed decisions:** N.A
- (G) **Any other disclosure as specified by the Board:** N.A



## SECTION 8: OTHER INFORMATION AND APPLICATION PROCESS

The Debentures being offered as part of the Issue are subject to the provisions of the Act, the Memorandum and Articles of Association of the Issuer, the terms of this Information Memorandum, Application Form and other terms and conditions as may be incorporated in the Transaction Documents.

### 8.1 Mode of Transfer/Transmission of Debentures

The Debentures shall be transferable freely; however, it is clarified that no Investor shall be entitled to transfer the Debentures to a person who is not entitled to subscribe to the Debentures. The Debenture(s) shall be transferred and/or transmitted in accordance with the applicable provisions of the Act and other applicable laws. The Debentures held in dematerialized form shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL and the relevant DPs of the transferor or transferee and any other applicable laws and rules notified in respect thereof. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, amounts due will be paid/redemption will be made to the person, whose name appears in the register of debenture holders maintained by the R&T Agent as on the Record Date, under all circumstances. In cases where the transfer formalities have not been completed by the transferor, claims, if any, by the transferees would need to be settled with the transferor(s) and not with the Issuer. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Debentures held in dematerialised form. The seller should give delivery instructions containing details of the buyer's DP account to his DP.

### 8.2 Debentures held in Dematerialised Form

The Debentures shall be held in dematerialised form and no action is required on the part of the Debenture Holder(s) for redemption purposes and the redemption proceeds will be paid by cheque/EFT/RTGS to those Debenture Holder(s) whose names appear on the list of beneficiaries maintained by the R&T Agent. The names would be as per the R&T Agent's records on the Record Date fixed for the purpose of redemption. All such Debentures will be simultaneously redeemed through appropriate debit corporate action.

The list of beneficiaries as of the relevant Record Date setting out the relevant beneficiaries' name and account number, address, bank details and DP's identification number will be given by the R&T Agent to the Issuer. If permitted, the Issuer may transfer payments required to be made in any relation by EFT/RTGS to the bank account of the Debenture Holder(s) for redemption payments.

### 8.3 Trustee for the Debenture Holder(s)

The Issuer has appointed Catalyst Trusteeship Limited to act as trustee for the Debenture Holder(s). The Issuer and the Debenture Trustee intends to enter/have entered into the Debenture Trustee Agreement and the DTMD *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and the Issuer. The Debenture Holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Debentures as the Debenture Trustee may in its absolute discretion deem necessary or require to be done in the interest of the Debenture Holder(s). Any payment made by the Issuer to the Debenture Trustee on behalf of the Debenture Holder(s) shall discharge the Issuer *pro tanto* to the Debenture Holder(s). The Debenture Trustee will protect the interest of the Debenture Holder(s) in regard to the repayment of principal and coupon thereon and they will take necessary action, subject to and in accordance with the Debenture Trustee Agreement and the DTMD, at the cost of the Issuer. No Debenture Holder shall be entitled to proceed directly against the Issuer unless the Debenture Trustee, having become so bound to proceed, fails to do so. The Debenture Trustee Agreement and the DTMD shall more specifically set out the rights and remedies of the Debenture Holder(s) and the manner of enforcement thereof.

### 8.4 Sharing of Information

The Issuer may, at its option, but subject to applicable laws, use on its own, as well as exchange, share or part with any financial or other information about the Debenture Holder(s) available with the Issuer, with its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Issuer nor its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.



#### **8.5 Debenture Holder not a Shareholder**

The Debenture Holder(s) shall not be entitled to any right and privileges of shareholders other than those available to them under the Act. The Debentures shall not confer upon the Debenture Holders the right to receive notice(s) or to attend and to vote at any general meeting(s) of the shareholders of the Issuer.

#### **8.6 Modification of Debentures**

The rights, privileges, terms and conditions attached to the Debentures may be varied, modified or abrogated with 100% (One Hundred percent) of Debenture Holders approving such modification by way of a unanimous resolution. PROVIDED THAT nothing in such consent or resolution shall be operative against the Company where such consent or resolution modifies or varies the terms and conditions governing the Debentures and the same are not acceptable to the Company.

The provisions of the DTMD shall not be modified or amended without the written consent of the Debenture Trustee provided that the Debenture Trustee shall consent to a modification or an amendment only if such modification or amendment is approved by a consent in writing of the Majority Debenture Holder(s) for the time being outstanding, or by a Majority Resolution duly passed at a meeting of the Debenture Holder(s) convened in accordance with the provisions set out in Schedule II of the DTMD. The Debenture Trustee shall give effect to such modification or amendment by executing necessary deed(s) supplemental to the DTMD.

#### **8.7 Right to accept or reject Applications**

The Board of Directors/Committee of Directors reserves its full, unqualified and absolute right to accept or reject any application for subscription to the Debentures, in part or in full, without assigning any reason thereof.

#### **8.8 Notices**

Any notice may be served by the Issuer/ Debenture Trustee upon the Debenture Holders through registered post, electronic mail, recognized overnight courier service, hand delivery or by facsimile transmission addressed to such Debenture Holder at its/his registered address or facsimile number.

All notice(s) to be given by the Debenture Holder(s) to the Issuer/ Debenture Trustee shall be sent by registered post, electronic mail, recognized overnight courier service, hand delivery or by facsimile transmission to the Issuer or to such persons at such address/ facsimile number as may be notified by the Issuer from time to time through suitable communication. All correspondence regarding the Debentures should be marked "Private Placement of Debentures".

Notice(s) shall be deemed to be effective (a) in the case of registered mail, 3 (three) calendar days after posting; (b) in the case of electronic mail, at the time of sending; (c) 1 (One) Business Day after delivery by recognized overnight courier service, if sent for next Business Day delivery; (d) in the case of facsimile at the time when dispatched with a report confirming proper transmission; or (e) in the case of personal delivery, at the time of delivery.

#### **8.9 Issue Procedure**

Only Eligible Investors as given hereunder and identified upfront by the Issuer may apply for the Debentures by completing the Application Form in the prescribed format in block letters in English as per the instructions contained therein. The minimum number of Debentures that can be applied for and the multiples thereof shall be set out in the Application Form. No application can be made for a fraction of a Debenture. Application Forms should be duly completed in all respects and applications not completed in the said manner are liable to be rejected. The name of the applicant's bank, type of account and account number must be duly completed by the applicant. This is required for the applicant's own safety and these details will be printed on the refund orders and /or redemptions warrants.

The applicant should transfer payments required to be made in any relation by NIFT/RTGS, to the bank account of the Issuer as per the details mentioned in the Application Form.



**8.10 Application Procedure**

Eligible investors will be invited to subscribe by way of the Application Form prescribed in the Information Memorandum during the period between the Issue Opening Date and the Issue Closing Date (both dates inclusive). The Issuer reserves the right to change the issue schedule including the Deemed Date of Allotment at its sole discretion, without giving any reasons or prior notice. The Issue will be open for subscription during the banking hours on each day during the period covered by the Issue Schedule.

**8.11 Fictitious Applications**

All fictitious applications will be rejected.

**8.12 Basis of Allotment**

Notwithstanding anything stated elsewhere, Issuer reserves the right to accept or reject any application, in part or in full, without assigning any reason. Subject to the aforesaid, in case of over subscription, priority will be given to Investors on a first come first serve basis. The investors will be required to remit the funds as well as submit the duly completed Application Form along with other necessary documents to Issuer by the Deemed Date of Allotment.

**8.13 Payment Instructions**

The Application Form should be submitted directly. The entire amount of Rs. 1000/- (Rupees One Thousand Only) per Debenture is payable along with the making of an application. Applicants can remit the application amount through RTGS on Pay-in Date. The RTGS details of the Issuer are as under:

Beneficiary Name	: Spandana Sphoorty Financial Limited
Bank Account No.	: 201001917803
IFSC Code	: INDB0000004
Bank Name	: INDUSIND BANK LIMITED
Branch Address	: Begumpet Branch, Hyderabad

**8.14 Eligible Investors**

The following categories of investors, when specifically approached, are eligible to apply for this private placement of Debentures subject to fulfilling their respective investment norms/rules and compliance with laws applicable to them by submitting all the relevant documents along with the Application Form ("Eligible Investors"):

- (a) Mutual Funds
- (b) Non-banking financial companies
- (c) Provident Funds and Pension Funds
- (d) Corporates
- (e) Banks
- (f) Foreign Institutional Investors (FIIs)
- (g) Foreign Portfolio Investors (FPIs)
- (h) Qualified Foreign Investors (QFIs)
- (i) Insurance Companies
- (j) Investment holding companies of high net worth individuals
- (k) Any other person (not being an individual or a group of individuals) eligible to invest in the Debentures

All Investors are required to comply with the relevant regulations/guidelines applicable to them for investing in this issue of Debentures.

**Note:** Participation by potential investors in the issue may be subject to statutory and/or regulatory requirements applicable to them in connection with subscription to Indian securities by such categories of persons or entities. Applicants are advised to ensure that they comply with all regulatory requirements



applicable to them, including exchange controls and other requirements. Applicants ought to seek independent legal and regulatory advice in relation to the laws applicable to them.

#### **8.15 Procedure for Applying for Dematerialised Facility**

- (a) The applicant must have at least one beneficiary account with any of the DP's of NSDL/CDSL prior to making the application.
- (b) The applicant must necessarily fill in the details (including the beneficiary account number and DP - ID) appearing in the Application Form under the heading "Details for Issue of Debentures in Electronic/Dematerialised Form".
- (c) Debentures allotted to an applicant will be credited to the applicant's respective beneficiary account(s) with the DP.
- (d) For subscribing to the Debentures, names in the Application Form should be identical to those appearing in the details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details maintained with the DP.
- (e) Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrar and Transfer Agent to the Issuer.
- (f) If incomplete/incorrect details are given under the heading "Details for Issue of Debentures in Electronic/Dematerialised Form" in the Application Form, it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Issuer.
- (g) For allotment of Debentures, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The applicant is therefore responsible for the correctness of his/her demographic details given in the Application Form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient, the Issuer would not be liable for the losses, if any.
- (h) The redemption amount or other benefits would be paid to those Debenture Holders whose names appear on the list of beneficial owners maintained by the R&T Agent as on the Record Date. In case of those Debentures for which the beneficial owner is not identified in the records of the R&T Agent as on the Record Date, the Issuer would keep in abeyance the payment of the redemption amount or other benefits, until such time that the beneficial owner is identified by the R&T Agent and conveyed to the Issuer, whereupon the redemption amount and benefits will be paid to the beneficiaries, as identified.

#### **8.16 Depository Arrangements**

The Issuer shall make necessary arrangement with NSDL for issue and holding of Debentures in dematerialised form.

#### **8.17 List of Beneficiaries**

The Issuer shall request the R&T Agent to provide a list of beneficiaries as at the end of each Record Date. This shall be the list, which will be used for payment or repayment of redemption monies.

#### **8.18 Application under Power of Attorney**

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories of the Investor and the tax exemption certificate/document of the Investor, if any, must be lodged along with the submission of the completed Application Form. Further modifications/additions in the power of attorney or authority should be notified to the Issuer or to its agents or to such other person(s) at such other address(es) as may be specified by the Issuer from time to time through a suitable communication.

In case of an application made by companies under a power of attorney or resolution or authority, a certified true copy thereof along with memorandum and articles of association and/or bye-laws along with other



constitutional documents must be attached to the Application Form at the time of making the application, failing which, the Issuer reserves the full, unqualified and absolute right to accept or reject any application in whole or in part and in either case without assigning any reason thereto. Names and specimen signatures of all the authorized signatories must also be lodged along with the submission of the completed Application Form.

#### **8.19 Procedure for application by Mutual Funds and Multiple Applications**

In case of applications by mutual funds and venture capital funds, a separate application must be made in respect of each scheme of an Indian mutual fund/venture capital fund registered with the SEBI and such applications will not be treated as multiple application, provided that the application made by the asset management company/trustee/custodian clearly indicated their intention as to the scheme for which the application has been made.

The application forms duly filled shall clearly indicate the name of the concerned scheme for which application is being made and must be accompanied by certified true copies of

- (a) SEBI registration certificate
- (b) Resolution authorizing investment and containing operating instructions
- (c) Specimen signature of authorized signatories

#### **8.20 Documents to be provided by potential Investors**

Potential Investors need to submit the following documents, as applicable

- (a) Memorandum and Articles of Association or other constitutional documents
- (b) Resolution authorising investment
- (c) Power of Attorney to custodian
- (d) Specimen signatures of the authorised signatories
- (e) SEBI registration certificate (for Mutual Funds)
- (f) Copy of PAN card
- (g) Application Form (including NEFT/ RTGS details)

#### **8.21 Applications to be accompanied with Bank Account Details**

Every application shall be required to be accompanied by the bank account details of the applicant and the magnetic ink character reader code of the bank for the purpose of availing direct credit of redemption amount and all other amounts payable to the Debenture Holder(s) through EFT/RTGS.

#### **8.22 Succession**

In the event of winding-up of the holder of the Debenture(s), the Issuer will recognize the liquidator of the concerned Debenture Holder(s), or such other legal representative of the Debenture Holder(s) as having title to the Debenture(s).

The Issuer may, in its absolute discretion, where it thinks fit, dispense with production of such other legal representation, in order to recognize such holder as being entitled to the Debenture(s) standing in the name of the concerned Debenture Holder on production of sufficient documentary proof and/or an indemnity.

#### **8.23 Mode of Payment**

All payments must be made through cheques, demand drafts, EFT/RTGS as set out in the Application Form.

#### **8.24 Effect of Holidays**

If any Due Date falls on a day which is not a Business Day, the payment to be made on such Due Date shall be made on the immediately succeeding Business Day, except if such Due Date is for the Redemption Amount, in which case the payment to be made on such Due Date shall be made on the immediately preceding Business Day.



## 8.25 Tax Deduction at Source

All payments to be made by the Company to the Debenture Holders under the Transaction Documents shall be made free and clear of and without any Tax Deduction unless the Company is required to make a Tax Deduction pursuant to Applicable Law.

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. For seeking TDS exemption/lower rate of TDS, relevant certificate/document must be lodged by the debenture holders at the office of the Registrar & Transfer Agents of the Company at least 15 (Fifteen) days before the relevant payment becoming due. Tax exemption certificate / declaration of non-deduction of tax at source on interest on application money, should be submitted along with the Application Form. Interest will be paid to the Debenture Holder subject to deduction of tax deducted at source at the rate prescribed from time to time under the Income Tax Act, 1961 or any statutory modification or re-enactment thereof for the time-being in force.

The Company shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Debenture Trustee accordingly. If the Company is required to make a Tax Deduction, it shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by Applicable Law. Within the earlier of (A) 60 (sixty) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction or (B) 60 (sixty) days of each Due Date, the Company shall deliver to the Debenture Trustee evidence reasonably satisfactory to the Debenture Trustee that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

## 8.26 Letters of Allotment

The letter of allotment, indicating allotment of the Debentures in dematerialised form, will be credited in dematerialised form within 2 (Two) Business Days from the Deemed Date of Allotment. The aforesaid letter of allotment shall be replaced with the actual credit of Debentures, in dematerialised form, within a maximum of 7 (Seven) Business Days from the Deemed Date of Allotment.

## 8.27 Deemed Date of Allotment

All the benefits under the Debentures will accrue to the Investor from the specified Deemed Date of Allotment. The Deemed Date of Allotment for the **Debentures** is October 26, 2017 by which date the Investors would be intimated of allotment.

## 8.28 Record Date

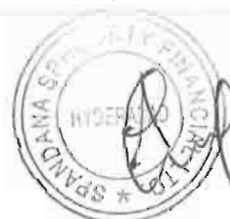
The Record Date will be 3(Three) Business Days prior to any Due Date.

## 8.29 Refunds

Where the entire subscription amount has been refunded, the interest on Application Money will be paid along with the refunded amount. Where an Applicant is allotted a lesser number of Debentures than applied for, the excess amount paid on application will be refunded to the Applicant and the cheque/ draft towards interest on the refunded money will be dispatched by registered post, courier or by way of RTGS/NEFT/direct credit. Details of allotment will be sent to every successful Applicant. In all cases, the interest instruments will be sent, at the sole risk of the Applicant. In case the Issuer has received money from applicants for Debentures in excess of the aggregate of the application money relating to the Debentures in respect of which allotments have been made, the Registrar shall upon receiving instructions in relation to the same from the Issuer repay the moneys to the extent of such excess, if any.

For applicants whose applications have been rejected or allotted in part, refund orders will be dispatched within 7 (seven) days from the Deemed Date of Allotment of the Debentures.

In case the Issuer has received money from applicants for Debentures in excess of the aggregate of the application money relating to the Debentures in respect of which allotments have been made, the R&T Agent shall upon receiving instructions in relation to the same from the Issuer repay the moneys to the extent of such excess, if any.





### 8.30 Interest on Application Money

Interest at the Interest Rate will be paid on Application Money to the Applicants from the date of receipt of such Application Money up to 1 (one) day prior to the Deemed Date of Allotment for all valid applications, within 5 (Five) Business Days from the Deemed Date of Allotment. Where the entire subscription amount has been refunded, the interest on Application Money will be paid along with the refunded amount. Where an Applicant is allotted a lesser number of Debentures than applied for, the excess amount paid on application will be refunded to the applicant in the bank account of the Applicant as described in the Application Form towards interest on the refunded money by electronic mode of transfer like RTGS/NEFT/direct credit. Details of allotment will be sent to every successful Applicant. In all cases, the interest instruments will be sent, at the sole risk of the Applicant / first Applicant.

### 8.31 PAN Number

Every applicant should mention its Permanent Account Number ("PAN") allotted under Income Tax Act, 1961, on the Application Form and attach a self attested copy as evidence. Application forms without PAN will be considered incomplete and are liable to be rejected.

### 8.32 Payment on Redemption

Payment on redemption will be made in accordance with the instructions of the Debenture Holder(s) by way of electronic funds transfer through RTGS system/funds transfer in the name of the Debenture Holder(s) whose names appear on the list of beneficial owners given by the Depository to the Issuer as on the Record Date.

The Debentures shall be taken as discharged on payment of the redemption amount by the Issuer on maturity to the registered Debenture Holder(s) whose name appears in the Register of Debenture Holder(s) on the Record Date. On such payment being made, the Issuer will inform NSDL/CDSL and accordingly the account of the Debenture Holder(s) with NSDL/CDSL will be adjusted.

On the Issuer dispatching the amount as specified above in respect of the Debentures, the liability of the Issuer shall stand extinguished.

**Disclaimer:** Please note that only those persons to whom this Information Memorandum has been specifically addressed are eligible to apply. However, an application, even if complete in all respects, is liable to be rejected without assigning any reason for the same. The list of documents provided above is only indicative, and an investor is required to provide all those documents / authorizations / information, which are likely to be required by the Issuer. The Issuer may, but is not bound to revert to any investor for any additional documents / information, and can accept or reject an application as it deems fit. Investment by investors falling in the categories mentioned above are merely indicative and the Issuer does not warrant that they are permitted to invest as per extant laws, regulations, etc. Each of the above categories of investors is required to check and comply with extant rules/regulations/ guidelines, etc. governing or regulating their investments as applicable to them and the Issuer is not, in any way, directly or indirectly, responsible for any statutory or regulatory breaches by any investor, neither is the Issuer required to check or confirm the same.



**SECTION 9: DECLARATION**

The Issuer declares that all the relevant provisions in the regulations/guidelines issued by SEBI and other applicable laws have been complied with and no statement made in this Information Memorandum is contrary to the provisions of the regulations/guidelines issued by SEBI and other applicable laws, as the case may be. The information contained in this Information Memorandum is as applicable to privately placed debt securities and subject to information available with the Issuer. The extent of disclosures made in the Information Memorandum is consistent with disclosures permitted by regulatory authorities to the issue of securities made by the companies in the past.

For SPANDANA SPOORTY FINANCIAL LIMITED

Authorised Signatory

Name: Aditya Kumar

Title: AVP - Finance

Date: October 25, 2017



**ANNEXURE I: TERM SHEET**

**AS PER SECTION 5.22 ISSUE DETAILS**



## ANNEXURE II: CREDIT RATING RATIONALE

## Spandana Sphoorty Financial Ltd

August 18, 2017

ICRA assigns the rating of [ICRA]BBB-(stable) for the debt instruments of Spandana Sphoorty Financial Limited

Summary of rated instruments		
Instruments*	Amount (Rs. crore) <sup>1</sup>	Rating Action
Unallocated long term bank facilities	500.00	[ICRA]BBB- (stable); assigned
Non convertible debentures	30.00	[ICRA]BBB- (stable); assigned
<b>Total</b>	<b>530.00</b>	

\*Instrument details are provided in Annexure-1

## Rating action

ICRA has assigned a long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the Rs. 500.00 crore unallocated bank facilities and Rs. 30.00 crore non-convertible debenture programme of Spandana Sphoorty Financial Ltd (Spandana)<sup>2</sup>. The outlook on the long-term rating is stable.

## Rationale

The assigned rating takes into consideration the promoter's experience in the microfinance business, the company's established track record, its relatively diversified geographical presence, and good earnings profile. Following a fresh capital investment by Kedaara Capital Investment Managers Limited<sup>3</sup> (Kedaara Capital) and financing by a group of banks in March 2017, all the existing liabilities of the company under corporate debt restructuring (CDR) arrangement, which it had entered with its lenders in September 2011, were settled in March 2017. The above was part of a separate settlement arrangement entered by the company with its lenders, which included repayment of outstanding debt of about Rs. 900 crore and purchase of outstanding Optionally Convertible Cumulative Redeemable Preference Shares (OCCRPS) of Rs.791 crore at a 73% discount by Kedaara Capital. The OCCRPS were converted to Compulsorily Convertible Preference Shares (CCPS), through a separate arrangement, before their acquisition by Kedaara Capital in March 2017. Spandana's formal exit from the CDR was confirmed by the CDR Empowered Group in April 2017. The company's net worth, following the above transactions, turned positive as on March 31, 2017 and stood at Rs. 537.2 crore with a comfortable gearing of 1.8 times (2.2 times as on June 30, 2017).

Spandana is expected to embark on a steep business growth at a CAGR of 80% over the period FY2018-FY2020 in the non-AP portfolio; while the expected capital infusion of Rs. 125.0 crore by Kedaara Capital in Q3FY2018 is likely to support the near term capitalisation profile. Spandana would require regular infusion going forward for maintaining a comfortable capital structure as internal generation would be moderate in relation to the targeted portfolio growth. Timely availability of incremental funding from diverse sources would be crucial. The company is in the process of strengthening and broad basing its senior management team for supporting its growth plans. However, in the near to medium term, Spandana's ability to expand its borrower base, and recruit, train and retain employees, in view of the challenges faced by the microfinance segment currently, would be a key monitorable.

<sup>1</sup> Rs. 1 crore = Rs. 0.01 billion = Rs. 100 lakh

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications.

<sup>3</sup> Through a special purpose vehicle called Karchhanga Limited



The rating takes note of the deterioration in the company's asset quality post demonetisation, with 90+dpd (in the non-AP portfolio) at 5.1% as on June 30, 2017 as compared with 0.2% as on September 30, 2016. Nevertheless, the asset quality remains relatively comfortable as compared with the prevailing industry average. ICRA also takes comfort from the steady decline in the overdues in recent months and the provisions made by the company on these overdues. The old AP portfolio, which became delinquent post the crisis in 2010-2011, is also fully provided for. The rating factors in the risks associated with the unsecured nature of microfinance loans, credit risk emerging from the marginal borrower profile and other socio-political and operational risks inherent to the microfinance business.

## Key rating drivers

### Credit strengths

- **Established track record of operations and experienced senior management team** – Spandana was established in 2003 by Ms. Padmaja Reddy, the company's Promoter and Managing Director, who has nearly two decades of experience in microfinance operations. Currently, the company has experienced senior managers heading key functions including internal audit, risk management, IT, MIS, training, human resources and operations. However, it would be crucial for the company to strengthen its senior and middle level management team further to manage the targeted portfolio expansion.
- **Improved financial position, supported by the large capital infusion** – During FY2017, Spandana's net worth turned positive to Rs. 537.2 crore as on March 31, 2017 (- Rs. 606.9 crore as on March 31, 2016) on account of the fresh capital infusion from Kedaara Capital amounting to Rs. 300 crore and acquisition of Rs. 791 crore OCCRPS (at 73% discount) by converting them into CCPS. Kedaara Capital is expected to infuse further equity of around Rs. 125 crore in Q3FY2018. The company's gearing was comfortable at 2.2 times (provisional) as on June 30, 2017; going forward, the management aims to cap the managed gearing at around 4.0-4.5 times. ICRA notes that the company would however require additional capital of about Rs. 500-600 crore over the period FY2019-FY2020 to maintain the gearing at targeted levels.
- **Fairly diversified geographically with presence across 13 states and Union Territories** – Spandana's portfolio is adequately diversified with Madhya Pradesh contributing 21.3% of the loan book as on June 30, 2017, followed by Orissa (21.2%), Karnataka (20.0%) and Maharashtra (13.6%). The district level concentration is also moderate in relation to peers with top 5 districts constituting 9.7% of the company's total portfolio as on June 30, 2017.
- **Comfortable profitability indicators** – For FY2017, the company's net profitability<sup>1</sup> (adjusted for the AP portfolio) was comfortable at 3.6%. Spandana's operating efficiencies are expected to improve going forward with improvement in scale; operating expenses as a proportion of managed assets (adjusted for the AP portfolio) stood at 6.5% in FY2017 (5.3% provisional for Q1FY2018). Spandana has also created provisions of Rs. 45.5 crore on account of the overdues post demonetisation and further Rs. 4.0 crore in Q1FY2018. Considering the steady decline observed in the overdues in recent months and the current provisions made, incremental provisioning requirement is expected to be moderate. ICRA expects the profitability indicators to remain healthy with the growth in portfolio; however, maintaining operating efficiencies at optimal levels and incremental credits costs at low levels would be crucial. The company's overall profitability in the past was supported by its optimal cost structure, reversals in provision/write offs (made post the AP crisis) and tax benefit because of the accumulated losses.

<sup>1</sup> ROA



- **Adequate internal controls and monitoring systems for the current scale of operations** – The company has a separate internal audit and risk management team. Spandana undertakes operational, financial and trigger based audits. The company's IT system is based on FIMO solutions and it also uses Microsoft Business Intelligence tool for portfolio monitoring and analysis. For all loan applications, Spandana undertakes credit bureau checks centrally and also undertakes house visits and centralised tele-calling at the pre-disbursement stage to verify the authenticity of applications. The company undertakes fortnightly collections. The overall systems and processes followed by the company are adequate for its current scale of operations.

#### Credit weaknesses

- **Deterioration in asset quality post demonetisation** – As on September 30, 2016, the company had a good asset quality profile with 0+ dpd (non-AP) at 0.3%, which steeply increased to 9.1% as on December 30, 2016 post demonetisation. However, with improvement in currency circulation and the company's focused collections efforts, the 0+ dpd steadily decreased to 7.8% as on March 31, 2017 and 5.3% as on June 30, 2017. The 90+ dpd stood at 5.1% as on June 30, 2017, which is at a lower level than the prevailing industry average. ICRA notes that the 0+ portfolio in absolute quantum also reduced steadily from about Rs. 101.5 crore as on March 31, 2017 to Rs. 89.8 crore as on July 15, 2017.
- **Ability to manage political, communal and other risks in the microfinance sector** – The microfinance industry is prone to socio-political and operational risks, which could negatively impact its operations and thus financial position. However, a geographically diversified portfolio would mitigate these risks to some extent as such issues have largely been region specific so far. Spandana's ability to on-board borrowers with good credit history, recruit and retain employees, especially in view of the attrition observed at the field level and expand into new geographies would be key for managing the high growth.
- **Ability to diversify the funding profile adequately to scale up operations** – Spandana's bank borrowings constituted 80% of its total borrowings of Rs. 1,345 crore as on July 31, 2017, wherein 70% of the total borrowings are from bank loans (from 3 banks) availed at the time of CDR exit; the remaining 30% of the total borrowings are from a few private-sector banks and some NBFCs. ICRA notes that the company would require sizeable funding in relation to the envisaged portfolio growth. Going forward, therefore it is critical for the company to diversify its funding sources to secure funding in a timely manner, commensurate with the envisaged portfolio growth, while maintaining a comfortable liquidity profile.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

#### Links to applicable criteria:

[ICRA's Credit Rating Methodology for Non-Banking Finance Companies](#)

#### About the company:

Spandana Society Financial Limited (Spandana) was incorporated in 2003 as a non-banking financial company (NBFC) and took over the microfinance operations of Spandana, a non-governmental organisation started by Ms. Padmaja Reddy in 1993. The company was classified as a non-banking financial company – microfinance institution (NBFC - MFI) in 2015. Following the microfinance crisis in Andhra Pradesh (AP), Spandana entered into a Master Restructuring Agreement (MRA) as a part of the corporate debt restructuring (CDR) with its lenders in September 2011. It exited the CDR in April 2017.



after a fresh equity investment led by Kedaara Capital Investment Managers Limited<sup>3</sup> (Kedaara Capital) and fresh funding from three banks. The key shareholders in the company as on July 31, 2017 on a diluted basis are Kedaara Capital (55.5%), JM Financial Ltd group (9.5%) and the company's erstwhile promoter Ms. Reddy (17.7%), who continues to be the Managing Director.

As on June 30, 2017, the company had operations in 13 states and union territories spanning across 198 districts with a total loan portfolio outstanding of Rs. 1,755 crore. The active member base and number of credit assistants stood at 10.6 lakh and 2,220 respectively as on June 30, 2017.

During FY2017, Spandana reported a net profit of Rs. 52.9 crore on an asset base of Rs. 2,413.2 crore as on March 31, 2017 as compared with a net profit of Rs. 243.2 crore during FY2016 on an asset base of Rs. 2,099.9 crore as on March 31, 2016.

#### Key Financial Indicators (Audited)

	FY2016	FY2017
Net Interest Income	213.8	162.5
Profit before tax	243.2	76.5
Profit after tax	243.2	52.9
Loan advances (including non-yielding old AP portfolio)	2,018.8	2,094.6
Total assets	2,099.9	2,413.2
% Tier I	-18.6%	48.5%
% CRAR	-18.6%	49.0%
% Net Interest Margin / Average total assets	9.6%	7.2%
% Net Profit / Average total assets	10.9%	2.3%
% Return on Net Worth	-33.5%	-152.0%
% 90+ dpd	0.0%	6.0%
% 30+ dpd	0.1%	7.5%
% Net NPAs	0.1%	1.6%
% Net NPA / Net worth	-0.2%	6.9%

Note: Amounts in Rs. crore

While the company's financial parameters consider the non-yielding old AP portfolio of about Rs. \$06 crore which has 100% provision cover, the operational parameters do not consider this portfolio

Source: Spandana, CRA research

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

<sup>3</sup> Through a special purpose vehicle called Katedraajung Limited



## Rating history for last three years:

Table:

S.No	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	July 2018	FY2017	FY2016	FY2015
1	Unallocated bank facilities	Long term	500.00	[ICRA]BBB- (Stable)	-	-	-
2	Non-convertible debenture programme	Long term	30.00	[ICRA]BBB- (Stable)	-	-	-

## Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)





(This Information Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

## Annexure-I

Instrument Details

Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Rated Amount (Rs. crore)	Current Rating and Outlook
Unallocated bank facilities	-	-	-	500.00	[ICRA]BBB-(stable)
Non-convertible debenture programme <sup>p</sup>	-	-	-	30.00	[ICRA]BBB-(stable)

<sup>p</sup> yet to be placed  
Source: Spandan

## Contact Details

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### About ICRA Limited

ICRA Limited was set up in 1997 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)





ICRA

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**ANNEXURE III: CONSENT LETTER FROM THE DEBENTURE TRUSTEE**

**CATALYST**  
Believe in yourself... Trust us!



CL/MUM/17-18/DIR/310

October 11, 2017

To,  
**Aditya Grandhi**  
**Spandana Sphoorty Financial Limited**  
Plot No: - 31 & 32, Ramky Selenium Towers,  
Tower A Ground Floor, Financial Dist,  
Nanakramguda, Hyderabad TG 500032

Dear Sir,

**Consent to act as Trustee for Senior, Secured, Listed, Rated, Redeemable, Non-Convertible Debentures aggregating upto Rs. 18 Crores to be issued by your Company.**

This is with reference to the discussions in respect of appointment of Catalyst Trusteeship Limited to act as Debenture Trustee for the Senior, Secured, Listed, Rated, Redeemable non-convertible debentures aggregating upto Rs. 18 Crores to be issued by your Company. In this connection, we are agreeable to act as Trustee on the terms and conditions as mutually agreed between the Trustee and the Company.

The Company and the Trustee shall enter into relevant trustee agreements and other necessary documents for the aforesaid issue of NCDs and term loans and also agrees & undertakes to comply with the provisions of the SEBI (Debenture Trustees) Regulations, 1993, SEBI (Issue and Listing of Debt Securities) Regulations, 2008, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as may be amended from time to time, SEBI Circular No. CIR/CFD/CMD/6/2015 dated October 13, 2015 and the Listing Agreement pursuant thereto to be executed with Bombay Stock Exchange(BSE)/ National Stock Exchange(NSE), the RBI Circular No. RBI/2012-13/560 dated June 27, 2013, the Companies Act, 2013 and any other applicable statutes, regulations and provisions as amended from time to time.

We are also agreeable for inclusion of our name as trustees in the Company's offer document/disclosure document/ listing application/any other document to be filed with the Stock Exchange(s) or any other authority as required.

Yours faithfully,

**For Catalyst Trusteeship Limited**

**Authorized Signatory**

We Accept the above terms  
**For Spandana Sphoorty Financial Limited**

**Authorized Signatory**

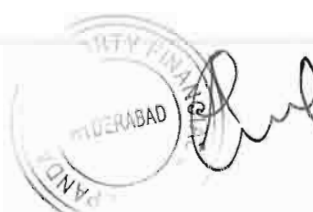
**CATALYST TRUSTEESHIP LIMITED** COMPANIES ACT 1956

AN ISO 9001:2015 Company

**Mumbai Office** Office No. B3 - 07, 8th Floor, B Wing, Mittal Tower, Nariman Point, Mumbai 400 021 Tel: +91 (022) 4922 0555 Fax: +91 (022) 4922 0505  
**Regd. Office** CGA House, Plot No. 95, Bhamburda Colony (Right), Pand Road, Pune 411 038 Tel: +91 (020) 25280081 Fax: +91 (020) 25280375  
**Beli Office** Office No. 715, 2nd floor, Navrang House, 21 Kasturba Gandhi Marg, New Delhi- 110 001 Tel: 011 53029501  
CIN No. U74999MH1997PLC102621 Email: [info@catalysttrustee.com](mailto:info@catalysttrustee.com) Website: [www.catalysttrustee.com](http://www.catalysttrustee.com)  
Pune | Mumbai | Bengaluru | Delhi | Chennai



Annexure IV: Application Form



**SPANDANA SPHOORTY FINANCIALS LIMITED**

CIN: U65929TG2003PLC040648

A public limited company incorporated under the Companies Act, 1956

Date of Incorporation: March 10, 2003

Registered Office: Plot No.31 & 32, Ramky Selenium Towers,  
Ground Floor, Nanakramguda, Gachibowli, Hyderabad - 500032

Tel: 040 - 48126666 / 44386648

Website: www.spandanaindia.com

**DEBENTURE SERIES APPLICATION FORM SERIAL NO.**

ISSUE OF 18,00,00,000 (EIGHTEEN CRORES) RATED, LISTED, SENIOR, SECURED, REDEEMABLE, TAXABLE, NON-CONVERTIBLE DEBENTURES OF FACE VALUE OF INR 1/- (RUPEE ONE ONLY) EACH, AGGREGATING UP TO RS. 18,00,00,000/- (RUPEES EIGHTEEN CRORES ONLY) ON A PRIVATE PLACEMENT BASIS (THE "ISSUE").

RS...../- (RUPEES .....), FULLY PAID UP FOR CASH AT PAR TO THE FACE VALUE

**DEBENTURE SERIES APPLIED FOR:**

Number of Debentures.....In words .....

Amount Rs. ....

**DETAILS OF PAYMENT:**

RTGS

No. .... Drawn on .....

Funds transferred to Spandana Sphoorty Financial Limited

Dated .....

Total Amount Enclosed

(In Figures) ..... (In words) .....

**APPLICANT'S NAME IN FULL (CAPITALS) SPECIMEN SIGNATURE**

--	--

**APPLICANT'S ADDRESS**

ADDRESS			
STREET			
CITY			
PIN	PHONE	FAX	

APPLICANT'S PAN/GIR NO.

IT CIRCLE/WARD/DISTRICT .....



**WE ARE (x) COMPANY ( ) OTHERS ( ) SPECIFY**

We have read and understood the Terms and Conditions of the issue of Debentures including the Risk Factors described in the Memorandum and have considered these in making our decision to apply. We bind ourselves to these Terms and Conditions and wish to apply for allotment of these Debentures. We request you to please place our name(s) on the Register of Holders.

Name of the Authorised Signatory(ies)	Designation	Signature

Applicant's  
Signature

We the undersigned, are agreeable to holding the Debentures of the Company in dematerialised form. Details of my/our Beneficial Owner Account are given below:

<b>DEPOSITORY</b>	<b>NSDL ( ) CDSL ( )</b>
<b>DEPOSITORY PARTICIPANT NAME</b>	
<b>DP-ID</b>	
<b>BENEFICIARY ACCOUNT NUMBER</b>	
<b>NAME OF THE APPLICANT(S)</b>	

<b>Applicant Bank Account :</b>  (Settlement by way of Cheque / Demand Draft / Pay Order / Direct Credit / ECS / NEFT/RTGS/other permitted mechanisms)	<b>Beneficiary Bank Name:</b> <b>Account No:</b> <b>IFSC Code:</b> <b>Branch:</b>
--	--

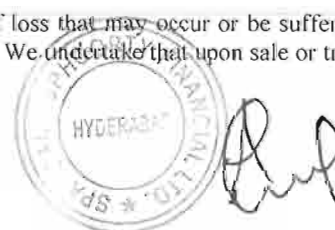
<b>FOR OFFICE USE ONLY</b>
<b>DATE OF RECEIPT</b> _____ <b>DATE OF CLEARANCE</b> _____

*(Note: Cheque and Drafts are subject to realisation)*

We understand and confirm that the information provided in the Information Memorandum is provided by the Issuer and the same has not been verified by any legal advisors to the Issuer, and other intermediaries and their agents and advisors associated with this Issue. We confirm that we have for the purpose of investing in these Debentures carried out our own due diligence and made our own decisions with respect to investment in these Debentures and have not relied on any representations made by anyone other than the Issuer, if any.

We understand that: i) in case of allotment of Debentures to us, our Beneficiary Account as mentioned above would get credited to the extent of allotted Debentures, ii) the Applicant must ensure that the sequence of names as mentioned in the Application Form matches the sequence of name held with our Depository Participant, iii) if the names of the Applicant in this application are not identical and also not in the same order as the Beneficiary Account details with the above mentioned Depository Participant or if the Debentures cannot be credited to our Beneficiary Account for any reason whatsoever, the Company shall be entitled at its sole discretion to reject the application or issue the Debentures in physical form.

We understand that we are assuming on our own account, all risk of loss that may occur or be suffered by us including as to the returns on and/or the sale value of the Debentures. We undertake that upon sale or transfer to



(This Information Memorandum is neither a prospectus nor a statement in lieu of a prospectus)

subsequent investor or transferee ("Transferee"), we shall convey all the terms and conditions contained herein and in this Information Memorandum to such Transferee. In the event of any Transferee (including any intermediate or final holder of the Debentures) suing the Issuer (or any person acting on its behalf) we shall indemnify the Issuer (and all such persons acting on its behalf) and also hold the Issuer and each of such person harmless in respect of any claim by any Transferee.

Applicant's  
Signature

FOR OFFICE USE ONLY	
DATE OF RECEIPT _____	DATE OF CLEARANCE _____
(Note : Cheque and Drafts are subject to realisation)	

------(TEAR HERE)-----

**- ACKNOWLEDGMENT SLIP**

(To be filled in by Applicant) SERIAL NO.									
---	--	--	--	--	--	--	--	--	--

Received from \_\_\_\_\_

Address _____	
Cheque/Draft/UTR # _____	Drawn on _____ for
Rs. _____ on account of application of _____	Debenture



# ANNEXURE V : LAST AUDITED FINANCIAL STATEMENTS

**S.R. BATLIBOI & Co. LLP**  
Chartered Accountants

14th Floor, The Ruby  
29 Senapati Bapat Marg  
Dadar (West)  
Mumbai-400 028, India  
Tel : +91 22 6192 0000  
Fax : +91 22 6192 1000

## INDEPENDENT AUDITOR'S REPORT

To the Members of Spandana Sphoorty Financial Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Spandana Sphoorty Financial Limited (the "Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 (the "Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2017, its profit, and its cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

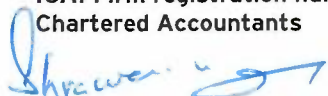
1. As required by the Companies (Auditor's Report) Order, 2016 (the "Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1, a statement on the matters specified in paragraphs 3 and 4 of the Order.



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

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of 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 and the Companies (Accounting Standards) Amendment Rules, 2016;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of 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 2 to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 4.30 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
  - iv. The Company has provided the disclosures in Note 4.31 to the financial statements as to the holding of Specified Bank Notes ('SBNs') on November 8, 2016 and December 30, 2016 as well as dealings in SBNs during the period from November 9, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including those in SBNs, we report that these disclosures are in accordance with the books of account maintained by the Company and as produced before us for verification. However, as stated in Note 4.31 (b) to the financial statements and as represented to us by the management, the Company has received an amount aggregating Rs.56.41 crore from transactions which were not permitted.

For S. R. BATLIBOI & CO LLP  
ICAI Firm registration number: 301003E/E300005  
Chartered Accountants



per Shrawan Jalan  
Partner  
Membership No. 102102

Mumbai  
June 15, 2017

**Annexure 1 referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date****Re: Spandana Sphoorty Financial Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in property, plant and equipment of the Company and accordingly, the requirements under clause 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under section 148(1) of the Act, for the services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, sales-tax, duty of custom, duty of excise, value added tax, cess and other statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute (Rs.)*	Amount paid (Rs.)**	Period to which it relates	Forum where dispute is pending
Chapter v of the Finance Act, 1994	Service Tax	57,130,919	9,926,956	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal ('CESTAT')

\* Excluding interest and penalty, as applicable

\*\* Paid under protest

- (viii) According to the information and explanations given by the management, the Company has delayed in repayment of loans or borrowings to financial institutions and banks during the year aggregating Rs.6,832,124,367 which were discharged by the Company before March 31, 2017 and accordingly, no dues are outstanding as at the reporting date. The Company did not have any loans or borrowings from the government or dues to debenture holders during the year.

- (ix) According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer or further public offer.

Further, monies raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/surplus funds which were not required for immediate utilization were gainfully invested in liquid assets payable on demand.

- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) According to the information and explanations given by the management, the managerial remuneration has been paid and provided in accordance with the requisite approvals mandated by the provisions of section 197, read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has complied with provisions of section 42 of the Act in respect of the preferential allotment or private placement of shares during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.
- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S. R. BATLIBOI & CO. LLP  
ICAI Firm registration number: 301003E/E300005  
Chartered Accountants

per Shrawan Jalan  
Partner  
Membership No. 102102

Mumbai  
June 15, 2017



**Annexure 2 referred to in paragraph 2 (f) under the heading "Report on other legal and regulatory requirements" of our report of even date**

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

We have audited the internal financial controls over financial reporting of Spandana Sphoorty Financial Limited (the "Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

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

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. 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 the 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 Act.

**Auditor's 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 as specified under section 143(10) of the Act, to the extent 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 judgement, 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 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 authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

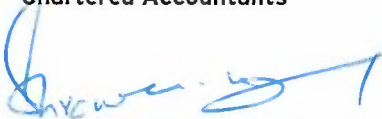
**Inherent Limitations of Internal Financial Controls Over Financial Reporting**

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

**Opinion**

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

For S. R. BATLIBOI & CO. LLP  
ICAI Firm registration number: 301003E/E300005  
Chartered Accountants



per Shrawan Jalan  
Partner  
Membership No. 102102

Mumbai  
June 15, 2017

**SPANDANA SPOORTY FINANCIAL LIMITED**  
**Balance sheet as at March 31, 2017**

	Notes	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>Equity and liabilities</b>			
<b>Shareholders' funds</b>			
Share capital	4.1	9,294,662,027	8,113,884,880
Reserves and surplus	4.2	(3,922,306,249)	(6,272,989,319)
		<b>5,372,355,778</b>	<b>1,840,895,561</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4.3	5,377,313,403	-
Other long term liabilities	4.4	-	17,636,235
Long-term provisions	4.5	8,468,982,179	8,001,321,483
		<b>13,846,295,582</b>	<b>8,018,957,718</b>
<b>Current liabilities</b>			
Short-term borrowings	4.6	10,000,281	-
Other current liabilities	4.7 & 4.3	4,616,766,157	11,022,904,040
Short-term provisions	4.5	286,341,225	115,482,854
		<b>4,913,107,663</b>	<b>11,138,386,894</b>
<b>TOTAL</b>		<b>24,131,759,023</b>	<b>20,998,240,173</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant & Equipment	4.8.1	66,231,489	121,778,184
Intangible fixed assets	4.8.2	23,849,346	22,905,744
Non-current investments	4.9	1,000,000	1,000,000
Loan portfolio	4.10	11,166,081,615	8,514,643,108
Other long-term loans and advances	4.11	64,693,625	170,776,179
Other non-current assets	4.12	22,613,512	20,878,017
		<b>11,344,469,587</b>	<b>8,851,981,232</b>
<b>Current assets</b>			
Trade receivables	4.13	72,941	18,339,713
Cash and bank balances	4.14	2,901,168,938	353,264,361
Loan portfolio	4.10	9,780,175,123	11,673,626,444
Other short-term loans and advances	4.11	30,561,835	14,140,550
Other current assets	4.12	75,310,599	86,887,873
		<b>12,787,289,436</b>	<b>12,146,258,941</b>
<b>TOTAL</b>		<b>24,131,759,023</b>	<b>20,998,240,173</b>
Summary of significant accounting policies 3.2			
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S. R. BATLIBOI & CO. LLP  
ICAI Firm registration number : 301003E/E300005  
Chartered Accountants

*Shrawan Jalan*

per Shrawan Jalan  
Partner  
Membership No.102102



For and on behalf of the Board of Directors of  
Spandana Sphoorty Financial Limited

Padmaja Gangireddy  
Managing Director  
DIN: 00004842

Abanti Mitra  
Director  
DIN: 02305893

*Rakesh Jhinjhar*

Rakesh Jhinjhar  
Company Secretary  
Membership No. F8325



Place: Mumbai  
Date: June 15, 2017

Place: Hyderabad  
Date: June 15, 2017

**SPANDANA SPHOORTY FINANCIAL LIMITED**

**Statement of Profit and Loss for the year ended March 31, 2017**

	Notes	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>Revenue</b>			
Revenue from operations	4.15	3,714,677,645	3,438,618,524
Other income	4.16	503,561,528	1,288,388,422
<b>Total revenue (I)</b>		<b>4,218,239,173</b>	<b>4,727,006,946</b>
<b>Expenses</b>			
Employee benefit expenses	4.17	582,959,601	570,872,217
Finance cost	4.18	2,078,810,656	1,294,331,328
Other expenses	4.19	287,529,719	285,617,817
Depreciation and amortization expense	4.8	83,331,208	37,011,072
Provision and write offs	4.20	420,281,147	106,821,766
<b>Total expenses (II)</b>		<b>3,452,912,331</b>	<b>2,294,654,200</b>
<b>Profit before tax (III) = (I)-(II)</b>		<b>765,326,842</b>	<b>2,432,352,746</b>
<b>Tax expenses:</b>			
Current tax		235,839,798	-
<b>Profit for the year</b>		<b>529,487,044</b>	<b>2,432,352,746</b>
<b>Earnings per share</b>			
Basic (computed on the basis of total profit for the year)	4.21	25.95	119.35
Diluted (computed on the basis of total profit for the year)	4.21	0.65	2.94
Nominal value		10.00	10.00
Summary of significant accounting policies	3.2		
The accompanying notes are an integral part of the financial statements			

As per our report of even date

For S. R. BATLIBOI & CO. LLP  
ICAI Firm registration number : 301003E/E300005  
Chartered Accountants

*Shrawan Jalan*

per Shrawan Jalan  
Partner  
Membership No.102102



Place: Mumbai  
Date: June 15, 2017

For and on behalf of the Board of Directors of  
Spandana Sphoorty Financial Limited

*Padma Gangireddy*  
Padma Gangireddy  
Managing Director  
DIN: 00004842

*Abanti Mitra*  
Abanti Mitra  
Director  
DIN: 02305893

*Rakesh Jhinjhar*  
Rakesh Jhinjhar  
Company Secretary  
Membership No. F8325



Place: Hyderabad  
Date: June 15, 2017



**SPANDANA SPOHOORTY FINANCIAL LIMITED**  
**Cash flow statement for the year ended March 31, 2017**

	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>Cash flow from operating activities</b>		
Profit before tax	765,326,842	2,432,352,746
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	83,331,208	37,011,072
Amortization of ancillary borrowing cost (incurred in earlier years)	19,477,762	20,363,239
Amortization of loan processing fee (collected in earlier years)	(142,957,844)	(86,469,649)
Provision for gratuity	5,200,986	(17,718)
(Profit) / loss on sale of fixed assets	(205,004)	9,458,637
Contingent provision against standard assets	(57,858,642)	109,267
Provision for non-performing assets	455,336,926	(2,537,023,660)
Portfolio loans written off	22,802,863	2,643,736,159
Dividend from mutual funds	(16,381,164)	(4,629,094)
Excess provisions / liabilities written back	(447,855,614)	(1,246,242,139)
Other provisions and write offs	10,273,181	33,781,048
Unrealized foreign exchange loss	-	350,871
<b>Operating profit before working capital changes</b>	<b>696,491,500</b>	<b>1,302,780,779</b>
Movements in working capital :		
Increase / (decrease) in other current liabilities	(825,445,976)	848,765,400
Increase / (decrease) in other long term liabilities	-	(634,417,393)
Decrease / (increase) in trade receivables	18,266,772	226,785
Decrease / (increase) in loans and advances	(701,699,086)	(381,706,854)
Decrease / (increase) in other current and non-current assets	(7,900,488)	4,068,632
Cash generated from / (used in) operations	(820,287,278)	1,139,717,349
(Direct taxes paid) / Refunds	-	(362,618)
<b>Net cash flow (used in) / from operating activities (A)</b>	<b>(820,287,278)</b>	<b>1,139,354,731</b>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets (including capital work in progress and advances)	(28,778,265)	(104,073,333)
Proceeds from sale of fixed assets	255,153	5,447,740
Purchase of current investments	(4,593,400,000)	(1,790,000,000)
Sale of current investments	4,593,400,000	1,790,000,000
Dividend from mutual funds	16,381,164	4,629,094
Margin money deposits (net)	(1,735,495)	(1,711,751)
<b>Net cash flow (used in) / from investing activities (B)</b>	<b>(13,877,444)</b>	<b>(95,708,250)</b>
<b>Cash flows from financing activities</b>		
Redemption of OCCRP (including premium on redemption)	-	(700,404,599)
Proceeds from issue of equity shares	1,900,000,050	-
Proceeds from issue of Preference Shares	1,102,270,249	-
Repayment of long-term borrowings	(9,187,962,708)	(4,160,715,651)
Receipt of long-term borrowings	9,557,761,426	3,579,838,260
Receipt of short-term borrowings	1,010,000,281	-
Repayment of short-term borrowings	(1,000,000,000)	-
<b>Net cash flow from / (used in) financing activities (C)</b>	<b>3,382,069,298</b>	<b>(1,281,281,990)</b>
<b>Net decrease in cash and cash equivalents (A + B + C)</b>	<b>2,547,904,577</b>	<b>(237,635,509)</b>
Cash and cash equivalents at the beginning of the year	353,264,361	590,899,870
<b>Cash and cash equivalents at the end of the year (refer note 4.14)</b>	<b>2,901,168,938</b>	<b>353,264,361</b>

Summary of significant accounting policies

3.2

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S. R. BATLIBOI & CO. LLP  
ICAI Firm registration number : 301003E/E300005  
Chartered Accountants

per Shrawan Jalan  
Partner  
Membership No.102102



Place: Mumbai  
Date: June 15, 2017

For and on behalf of the Board of Directors of  
Spandana Spohorty Financial Limited

Padma Gangireddy  
Managing Director  
DIN: 00004842

Abanti Mitra  
Director  
DIN: 02305893

Rakesh Jhinharia  
Company Secretary  
Membership No. F8325

Place: Hyderabad  
Date: June 15, 2017





**1. Corporate information**

Spandana Sphoorty Financial Limited ('SSFL' or the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as Non-Banking Financial Company – Micro Financial Institution (NBFC – MFI) effective April 13, 2015.

The Company is engaged in the business of micro finance providing small value unsecured loans to low-income clientele in urban and rural areas. The tenure of these loans is generally spread over one to two years. The Company also provides loans against gold as collateral.

**2. Regulatory and Company updates****a) Background:**

The Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" on October 15, 2010, subsequently enacted the same as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011 (Act 1 of 2011)" on December 31, 2010 and notified by Gazette on January 1, 2011 ('AP MFI Act'). In compliance with the said Ordinance/Act, the frequency of the JLG loan repayments in the state of Andhra Pradesh changed from a 'weekly' to a 'monthly' basis.

These directions significantly affected the recoveries for all MFIs in Andhra Pradesh, including the Company, which had a serious impact of the Company's ability to continue its operations in Andhra Pradesh. Though the AP MFI Act did not directly affect the operations in other states, the additional funding from the financial institutions was severely restricted. As a result, the Company incurred substantial losses up to financial year 2012-13, primarily on account of loan provisioning, and faced liquidity constraints for servicing its loan borrowings.

Therefore, the Company entered into a Master Restructuring Agreement (MRA) under the Corporate Debt Restructuring (CDR) arrangement with its lenders on September 24, 2011.

Further, due to the losses incurred up to financial year 2012-13, the Company was unable to maintain the minimum amount of net owned funds ('NOF'), as defined under section 45-IA of the Reserve Bank of India Act, 1934, to carry on the business of a non-banking financial institution ('NBFI'). Also, the Capital to Risk Assets Ratio ('CRAR') of the Company reduced below the minimum percentage prescribed by the RBI.

In view of the challenges being faced by the Company, the RBI had given an exemption to the Company for not maintaining minimum NOF and a regulatory forbearance for not maintaining minimum CRAR for a period of two years till March 31, 2016 which was subsequently extended till March 31, 2017 vide RBI letter dated November 30, 2016.

**b) Current year updates:**

In order to comply with the NOF and CRAR, the Company submitted a settlement proposal to the CDR – Empowered Group ('CDR-EG') and the lenders for pre-closure of its debt and exit from CDR. Pursuant to an in-principle approval granted by the CDR-EG and the lenders to the proposal, the Company entered into a settlement agreement with all its lenders dated March 21, 2017 (the 'Agreement'), the salient features of which are as given below:

- i. The Company to settle its dues in respect of the restructured term loans, priority debt and corporate guarantees (issued pursuant to portfolio assignment transactions) in accordance with the terms of the Agreement.



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- ii. The Company to pay an additional fee of 1% on OCCRPS outstanding to the existing OCCRPS holders.
- iii. A new investor to purchase the outstanding Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') from the existing OCCRPS holders at an agreed discount to the face value after converting them into compulsorily convertible preference shares ('CCPS').
- iv. The new investor to also infuse additional capital in the Company by way of subscription to its equity shares and CCPS.

Thereafter, the CDR-EG in its meeting held on March 29, 2017 approved the Company's exit from CDR mechanism on fulfillment of conditions stipulated in the minutes of CDR-EG which *inter alia* included discharging of all liabilities as per the Agreement and ensuring the settlement of the OCCRPS by the new investor as envisaged in the Agreement. Since, the Company was able to fulfill all conditions stipulated in the Agreement and the CDR-EG minutes prior to March 31, 2017, it stands exited from CDR as at March 31, 2017.

With the conversion of existing OCCRPS into CCPS and issuance of fresh equity shares and CCPS to the new investor, as mentioned above, the Company stands compliant with the regulatory requirements of NOF and CRAR as at March 31, 2017.

### 3. Basis of preparation

- a) The financial statements of the Company have been prepared in accordance with the 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 Companies Act, 2013 (the 'Act'), read with Rule 7 of Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016 and provisions of the RBI as applicable to a NBFC-MFI and Systemically Important NBFC-ND (NBFC-ND-SI). The financial statements have been prepared on an accrual basis and under historical cost convention, except as detailed in note 3.2.
- b) The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the changes in accounting policies explained in point 3.1.

#### 3.1 Changes in accounting policies

- a) During the year, pursuant to clarification issued by RBI on October 14, 2016, the Company has changed its accounting policy for recognizing the ancillary borrowing costs in the period in which they are incurred against amortizing them over the tenure of the borrowings. Accordingly, finance costs for the year are higher and profit before tax for the year is lower by Rs.232,699,652.
- b) During the year, pursuant to clarification issued by RBI on October 14, 2016, the Company has changed its accounting policy for recognizing the loan processing fee collected from the borrowers in the period in which it is collected against amortizing it over the tenure of the loan. Accordingly, the loan processing fee income and profit before tax for the year are higher by Rs.118,247,834.



### 3.2 Summary of significant accounting policies

#### a) Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make judgments, 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 on the 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 of assets or liabilities in future periods.

#### b) Revenue recognition

- i. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.
- ii. Interest income on loans given is recognized under the internal rate of return method. Income or any other charges on non-performing asset is recognized only when realized and any such income recognized before the asset became non-performing and remaining unrealized is reversed.
- iii. Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and rate applicable.
- iv. Loan processing fees collected from members are recognized on an upfront basis at the time of disbursement of loan.
- v. Amounts received against loans written-off are recognized on receipt basis.
- vi. All other income is recognized on an accrual basis.

#### c) Property, Plant and Equipment

Property, plant and equipment and capital work in progress are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price and directly attributable cost of bringing the asset to its working condition for the intended use.

#### d) Depreciation

- i. Depreciation on property, plant and equipments provided on a written down value method at the rates arrived at based on useful life of the assets prescribed under Schedule II of the Act, which also represents the estimate of the useful life of the assets by the management.
- ii. Fixed assets costing up to Rs.5,000 individually are fully depreciated in the year of purchase.

#### e) Intangible assets

Software expenditure is capitalized in accordance with Accounting Standard 26 "Intangible Assets" and amortised using the written down value method at a rate of 40% per annum.





**f) Impairment**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**g) Leases (where the Company is the lessee)**

Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

**h) Foreign currency transactions**

- i. All foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction.
- ii. Foreign currency monetary items are reported using the exchange rate prevailing at the close of the financial year.
- iii. Exchange differences arising on the settlement of monetary items or on the restatement of Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expenses in the year in which they arise.

**i) Retirement and other employee benefits**

- i. Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company recognizes contribution payable to the provident fund scheme as expenditure when an employee renders the related service.
- ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.
- iii. The service rules of the Company do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.



**j) Income taxes**

- i. Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.
- ii. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.
- iii. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences 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. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
- iv. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset 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 the deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
- v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and 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 income 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 Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and 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.

**k) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential



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equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

**l) Provisions**

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 embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

**m) Contingent liabilities**

A contingent liability is a 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.

**n) Cash and cash equivalents**

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

**o) Investments**

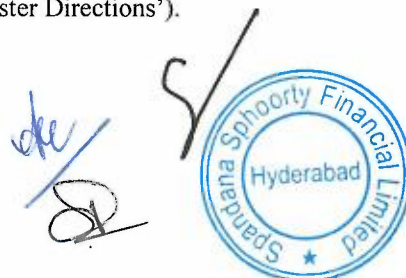
Investments, which are readily realizable and intended to be held for not more than a year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments. Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis except for investments in the units of mutual funds in the nature of current investments that have been valued at the net asset value declared by the mutual fund in respect of each particular scheme, in accordance with the NBFC Prudential Norms. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of an investment, the difference between the carrying amount and disposal proceeds are charged or credited to the statement of profit and loss.

**p) Borrowing costs**

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period they occur.

**q) Classification of loan portfolio**

Unsecured loan portfolio (excluding the loan portfolio disbursed prior to January 1, 2012 in the state of Andhra Pradesh and Telangana) is classified as standard and non-performing assets in accordance with Chapter IX of the Master Direction –Non-Banking Financial Company –Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016(‘the NBFC Master Directions’).





All other loans and advances are classified as standard, sub-standard, doubtful and loss assets in accordance with Chapter V of the NBFC Master Directions.

**r) Provisioning for loan portfolio**

- i. Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for in accordance with Chapter IX of the NBFC Master Directions which require the total provision to be 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.
- ii. All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions.
- iii. In addition to the provision created as stated in (i) and (ii) above, loans considered irrecoverable in the opinion of the Company, are fully provided for / written off.



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## SPANDANA SPHOORTY FINANCIAL LIMITED

Notes to financial statements for the year ended March 31, 2017

(Amount in Rupees unless otherwise stated)

	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>4.1 Share capital</b>		
<i>Authorized</i>		
<b>Equity shares</b>		
900,000,000 (Previous year: 900,000,000) equity shares of Rs.10 each	9,000,000,000	9,000,000,000
<b>Preference shares</b>		
1,100,000,000 (Previous year: 1,100,000,000) preference shares of Rs.10 each	11,000,000,000	11,000,000,000
<i>Issued, subscribed and paid-up</i>	<b>20,000,000,000</b>	<b>20,000,000,000</b>
<b>Equity shares</b>		
28,449,393 (Previous year 20,380,767) equity shares of Rs.10 each fully paid up	284,493,930	203,807,670
<b>Total equity share capital</b>	<b>284,493,930</b>	<b>203,807,670</b>
<b>Preference shares</b>		
Nil (Previous year: 791,007,721) 0.001% Optionally convertible cumulative redeemable preference shares (OCCRPS) of Rs.10 each fully paid up [refer note (c) below]	-	7,910,077,210
791,007,721 (Previous year: Nil) Class B 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up [refer note (c) below]	7,910,077,210	-
110,000,008 (Previous year: Nil) Class A 0.001% Compulsory Convertible preference shares (CCPS) of Rs.10 each fully paid up [refer note (b) below]	1,100,000,080	-
1,135,085 (Previous year: Nil) Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 Called Up [refer note (d) below]	45,403	-
2,83,771 (Previous year: Nil) FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 Called Up [refer note (d) below]	11,351	-
2,83,771 (Previous year: Nil) FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 Called Up [refer note (d) below]	11,351	-
2,83,771 (Previous year: Nil) FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 Called Up [refer note (d) below]	11,351	-
2,83,771 (Previous year: Nil) FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS) of Rs.10 each Rs.0.04 Called Up [refer note (d) below]	11,351	-
<b>Total preference share capital</b>	<b>9,010,168,097</b>	<b>7,910,077,210</b>
	<b>9,294,662,027</b>	<b>8,113,884,880</b>

## (a) Terms / rights attached to equity shares

The Company has only one class of equity shares of par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees.

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

## (b) Terms / rights attached to Class A CCPS

During the year ended March 31, 2017, the Company issued 110,000,008 Class A CCPS of Rs.10 each fully paid-up. The Class A CCPS shall rank pari-passu with other preference shares. The CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividends in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class A CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10<sup>th</sup> year from the date of issue, viz., March 31, 2017. The holder can also convert the CCPS before the 10<sup>th</sup> year, by giving 5 days prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

$$\frac{\text{Number of Class A CCPS proposed to be converted} \times \text{Face value of Class A CCPS}}{\text{Fair market value of equity shares of the Company as on the date of acquisition of Class A CCPS}}$$





## 4.1 Share capital (continued)

## (c) Terms / rights attached to Class B CCPS

During the year ended March 31, 2017, the Company has converted the OCCRPS outstanding as at March 31, 2016 into Class B CCPS. The Class B CCPS shall rank pari-passu with other preference shares. The Class B CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividends in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class B CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class B CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10<sup>th</sup> year from the date of issue, viz., March 31, 2017. The holder can also convert the CCPS before the 10<sup>th</sup> year, by giving 5 days prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that have occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

$$\text{Fair market value of equity shares of the Company as on the date of acquisition of Class B CCPS} = \frac{\text{Number of Class B CCPS proposed to be converted} \times 2.7}{\text{Fair market value of equity shares of the Company as on the date of acquisition of Class B CCPS}}$$

## (d) Terms / rights attached to OCRPS

During the year ended March 31, 2017, the Company issued 2,270,169 OCRPS of Rs.10 each, at a premium of Rs.225.48, out of which Rs.0.04 with premium of Rs. 0.96 per OCRPS was called up. These OCRPS (Series A, B and C) shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion into equity share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. Each holder of OCRPS is entitled to exercise voting rights at all meetings of shareholders of the Company on a proportionate 'as converted' basis to the extent of the amount actually paid up by the holder thereof on such OCRPS.

The Company will issue one equity share for each OCRPS held after taking into account any adjustment to the equity share capital that has occurred up to the date of conversion by way of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action. The terms of conversion of OCRPS into equity shares and payment of remaining calls is provided in the table below:

Class of Shares	Payment of balance subscription amount	Conversion into equity shares
Series C	Any time post March 31, 2017	To be converted immediately upon being fully paid up.
FY18 Series A	Based on pre-defined profitability levels in respect of FY 2017-18, FY 2018-19 and FY 2019-20 (as applicable in terms of the Promoter Subscription Agreement)	
FY18 Series B		
FY19 Series A		
FY19 Series B		



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## SPANDANA SPOORTY FINANCIAL LIMITED

Notes to financial statements for the year ended March 31, 2017

(Amount in Rupees unless otherwise stated)

## 4.1 Share capital (continued)

## (e) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year:

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	20,380,767	203,807,670	20,380,767	203,807,670
Issued during the year	8,068,626	80,686,260	-	-
Outstanding at the end of the year	28,449,393	284,493,930	20,380,767	203,807,670

## (f) Reconciliation of the number of OCCRPS at the beginning and at the end of the year :

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	791,007,721	7,910,077,210	807,615,809	8,076,158,090
Issued during the year	-	-	-	-
Converted / redeemed during the year (refer note below)	791,007,721	7,910,077,210	16,608,088	166,080,880
Outstanding at the end of the year	-	-	791,007,721	7,910,077,210

## Note on redemption of OCCRPS:

The redemption of OCCRPS in the previous years had been made out of the profits for the respective years. Since, such profits were inadequate for setting off the accumulated brought forward losses, such redemption of OCCRPS was not in compliance with the provisions of section 55 of the Act read with rules framed thereunder. Accordingly, the Company filed an application with the Regional Director of Ministry of Corporate Affairs (MCA) for compounding of offence under the relevant provisions of the Companies Act in respect of all redemptions made upto March 31, 2016. Pursuant to the order dated June 30, 2016 received by the Company, the offence was compounded for period upto March 31, 2016 upon payment of a total compounding fee of Rs.30,000.

## (g) Reconciliation of the number of CCPS Class B at the beginning and at the end of the year :

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	-	-	-	-
Converted during the year	791,007,721	7,910,077,210	-	-
Outstanding at the end of the year	791,007,721	7,910,077,210	-	-

## (h) Reconciliation of the number of CCPS Class A at the beginning and at the end of the year :

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	-	-	-	-
Issued during the year	110,000,008	1,100,000,080	-	-
Outstanding at the end of the year	110,000,008	1,100,000,080	-	-

## (i) Reconciliation of the number of OCRPS Series C at the beginning and at the end of the year :

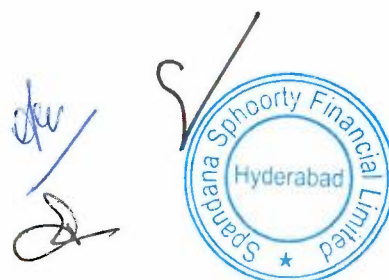
Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	-	-	-	-
Issued during the year (partly paid-up)	1,135,085	45,403	-	-
Outstanding at the end of the year	1,135,085	45,403	-	-

## (j) Reconciliation of the number of OCRPS FY18 Series A at the beginning and at the end of the year :

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	-	-	-	-
Issued during the year (partly paid-up)	283,771	11,351	-	-
Outstanding at the end of the year	283,771	11,351	-	-

## (k) Reconciliation of the number of OCRPS FY18 Series B at the beginning and at the end of the year :

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	-	-	-	-
Issued during the year (partly paid-up)	283,771	11,351	-	-
Outstanding at the end of the year	283,771	11,351	-	-



## SPANDANA SPOORTY FINANCIAL LIMITED

Notes to financial statements for the year ended March 31, 2017

(Amount in Rupees unless otherwise stated)

## 4.1 Share capital (continued)

## (l) Reconciliation of the number of OCRPS FY19 Series A at the beginning and at the end of the year :

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	-	-	-	-
Issued during the year (partly paid-up)	283,771	11,351	-	-
Outstanding at the end of the year	283,771	11,351	-	-

## (m) Reconciliation of the number of OCRPS FY19 Series B at the beginning and at the end of the year :

Particulars	31-Mar-17		31-Mar-16	
	Number of shares	Amount	Number of shares	Amount
Outstanding at the beginning of the year	-	-	-	-
Issued during the year (partly paid-up)	283,771	11,351	-	-
Outstanding at the end of the year	283,771	11,351	-	-

## (n) Details of shareholders holding more than 5% equity shares in the Company:

Name of the shareholder *	31-Mar-17		31-Mar-16	
	Number of shares	% of holding	Number of shares	% of holding
Kangchenjunga Limited	7,896,937	27.76%	-	-
JM Financial Trustee Company Private Limited	6,582,276	23.14%	6,582,276	32.30%
Padmaja Gangireddy	6,194,261	21.77%	6,194,261	30.39%
Valiant Mauritius Partners FDI Limited	3,981,780	14.00%	3,981,780	19.54%
Vijaya Sivarami Reddy Vendidandi	1,491,483	5.24%	1,479,983	7.26%

## (o) Details of shareholders holding more than 5% of OCCRPS in the Company:

Name of the shareholder *	31-Mar-17		31-Mar-16	
	Number of shares	% of holding	Number of shares	% of holding
ICICI Bank Limited	-	-	98,068,750	12.40%
Small Industries Development Bank of India	-	-	93,155,000	11.78%
Syndicate Bank	-	-	65,162,500	8.24%
Industrial Development Bank of India	-	-	43,265,000	5.47%

## (p) Details of shareholders holding more than 5% of CCPS (Class A) in the Company:

Name of the shareholder *	31-Mar-17		31-Mar-16	
	Number of shares	% of holding	Number of shares	% of holding
Kangchenjunga Limited	107,659,360	97.87%	-	-

## (q) Details of shareholders holding more than 5% of CCPS (Class B) in the Company:

Name of the shareholder *	31-Mar-17		31-Mar-16	
	Number of shares	% of holding	Number of shares	% of holding
Kangchenjunga Limited	774,176,271	97.87%	-	-

## (r) Details of shareholders holding more than 5% of OCRPS (Series A, B and C) in the Company:

Name of the shareholder *	31-Mar-17		31-Mar-16	
	Number of shares	% of holding	Number of shares	% of holding
Padmaja Gangireddy	2,270,169	100.00%	-	-

\* As per the records of the Company, including register of shareholders/members and other declaration received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.



## SPANDANA SPHOORTY FINANCIAL LIMITED

Notes to financial statements for the year ended March 31, 2017

(Amount in Rupees unless otherwise stated)

	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>4.2 Reserves and surplus</b>		
<b>Securities premium account</b>		
Balance as per the last financial statements	761,321,245	824,847,785
Add: Premium on issue of equity shares	1,819,313,790	-
Add: Premium on issue of OCRPS	2,179,362	-
Less: Utilization towards premium on redemption of OCCRPS	-	(63,526,540)
<b>Closing balance</b>	<b>2,582,814,397</b>	<b>761,321,245</b>
<b>General reserve</b>	<b>23,280,656</b>	<b>23,280,656</b>
<b>Capital redemption reserve</b>		
Balance as per the last financial statements	1,526,922,794	1,360,841,914
Add: Amount transferred from surplus in the statement of profit and loss	-	166,080,880
<b>Closing balance</b>	<b>1,526,922,794</b>	<b>1,526,922,794</b>
<b>Statutory reserve</b>		
Balance as per the last financial statements	1,499,077,389	1,012,606,840
Add: Amount transferred from surplus to profit and loss	105,897,409	486,470,549
<b>Closing balance</b>	<b>1,604,974,798</b>	<b>1,499,077,389</b>
<b>Surplus/(deficit) in the statement of profit and loss</b>		
Balance as per the last financial statements	(10,083,591,403)	(11,863,392,720)
Add: Profit for the year after tax	529,487,044	2,432,352,746
Less: Transfer to Statutory Reserve (@ 20% of profit after tax as required by Section 45-IC of Reserve Bank of India Act, 1934)	(105,897,409)	(486,470,549)
Less: Dividend on OCCRPS #	(297,126)	-
Less: Transfer to Capital redemption reserve	-	(166,080,880)
<b>Net deficit in the statement of profit and loss</b>	<b>(9,660,298,894)</b>	<b>(10,083,591,403)</b>
<b>Total reserves and surplus</b>	<b>(3,922,306,249)</b>	<b>(6,272,989,319)</b>

# Includes dividend distribution tax.

**Note on appropriation towards dividend:**

Since the opening reserves of the Company in respect of the previous year were negative, the Company was not eligible to declare / pay any dividend in terms of section 123 of the Act read with the rules framed there under. Therefore, no appropriation towards the OCCRPS dividend was made by the Company and the dividend paid was treated as an advance. In the current financial year, the Company filed an application with the Regional Director of the MCA for compounding of offence (in respect of payments made in the absence of distributable surplus), under the relevant provisions of the Act. Pursuant to the order dated March 22, 2017 received by the Company, the offence has been compounded upon payment of a total compounding fee of Rs.35,000 and accordingly, the entire amount of dividend declared or paid upto March 31, 2016 has been appropriated from the reserves in the current year.



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**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017**
*(Amount in Rupees unless otherwise stated)*

	Non-current portion		Current portion	
	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>4.3 Long-term borrowings</b>				
Term loans				
Indian rupee loan from banks (secured)	5,377,313,403	-	4,180,448,023	7,553,031,694
Indian rupee loan from financial institutions (secured)	-	-	-	1,222,023,008
Indian rupee loan from non-banking financial companies (secured)	-	-	-	412,908,006
	<b>5,377,313,403</b>	<b>-</b>	<b>4,180,448,023</b>	<b>9,187,962,708</b>
<b>Above amount includes</b>				
Secured borrowings	5,377,313,403	-	4,180,448,023	9,187,962,708
Amount disclosed under the head "Other current liabilities" (refer note 4.7)	-	-	(4,180,448,023)	(9,187,962,708)
<b>Net amount</b>	<b>5,377,313,403</b>	<b>-</b>	<b>-</b>	<b>-</b>

(a) During the year the Company has defaulted in repayment of borrowings (including principal and interest) of Rs.6,83,21,24,367. However, the Company does not have any continuing defaults in repayment of borrowings as at the reporting date.

(b) The long term borrowings are secured by exclusive charge on book debts to the extent of 110% of principal.

**Terms of repayment of borrowings**

Repayment frequency / Rate of Interest	Due within 1 year		Due in 1 to 3 Years	
	No. of installments	Amount	No. of installments	Amount
Monthly / 12% to 13%	12	589,852,212	12	589,852,214
	9	1,876,310,143	12	2,501,746,857
	9	1,714,285,668	12	2,285,714,332

(c) During the previous year, in view of the settlement transaction then proposed, the Company had expected to pre-close its debt outstanding as at March 31, 2016 within twelve months of the balance sheet date and exit from CDR. Accordingly, the entire balance of borrowings outstanding as at March 31, 2016 was considered as current maturities under "Other current liabilities".

	Non-current portion		Current portion	
	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>4.4 Other long term liabilities</b>				
Unamortized loan processing fees	-	17,636,235	-	-
	<b>-</b>	<b>17,636,235</b>	<b>-</b>	<b>-</b>
<b>4.5 Provisions</b>				
Provision for gratuity (net of contribution) (refer note 4.25)	5,979,439	778,453	-	-
Provision for Tax	-	-	235,839,798	-
Contingent provision against standard assets (refer note 4.27)	12,208,993	5,086,208	50,501,427	115,482,854
Provision for non-performing assets (refer note 4.27)	8,450,793,747	7,995,456,822	-	-
	<b>8,468,982,179</b>	<b>8,001,321,483</b>	<b>286,341,225</b>	<b>115,482,854</b>
<b>4.6 Short-term borrowings</b>				
Loans and advances from related parties (Unsecured)	-	-	10,000,281	-
	<b>-</b>	<b>-</b>	<b>10,000,281</b>	<b>-</b>
<b>4.7 Other current liabilities</b>				
Employee benefits payable	-	-	80,972,209	95,977,532
Payable towards asset assignment transactions	-	-	5,906,462	768,893,675
Expenses payable	-	-	169,956,623	31,914,815
Creditors for capital goods	-	-	420,000	5,019,924
Other payables	-	-	24,061,030	28,017,634
<b>Other liabilities</b>				
Current maturities of long-term borrowings (refer note 4.3)	-	-	4,180,448,023	9,187,962,708
Unfructified service tax liability [net of amount paid under protest Rs.9,926,956 (Previous year 9,906,050)]	-	-	124,303,097	117,319,300
Interest accrued but not due on borrowings	-	-	10,898,507	11,048,709
Interest accrued and due on borrowings	-	-	-	642,333,110
Statutory dues payable	-	-	19,800,206	9,095,024
<b>Unamortized income</b>				
Unamortized loan processing fees	-	-	-	125,321,609
	<b>-</b>	<b>-</b>	<b>4,616,766,157</b>	<b>11,022,904,040</b>



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## SPANDANA SPOORTY FINANCIAL LIMITED

Notes to financial statements for the year ended March 31, 2017

(Amount in Rupees unless otherwise stated)

## 4.8.1 Property, Plant &amp; Equipment

Particulars	Lease hold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers & Printers	Total
<b>Gross block</b>						
At April 1, 2015	-	85,004,259	35,372,893	3,761,839	151,694,983	275,833,974
Addition	92,198,325	23,860,393	977,440	-	4,348,757	121,384,915
Disposals	-	68,242,191	25,719,668	834,185	57,739,006	152,535,050
<b>At March 31, 2016</b>	<b>92,198,325</b>	<b>40,622,461</b>	<b>10,630,665</b>	<b>2,927,654</b>	<b>98,304,734</b>	<b>244,683,839</b>
Addition	3,200,008	5,756,378	974,605	1,230,000	2,829,136	13,990,127
Disposals	-	131,367	1,071,509	-	270,660	1,473,536
<b>At March 31, 2017</b>	<b>95,398,333</b>	<b>46,247,472</b>	<b>10,533,761</b>	<b>4,157,654</b>	<b>100,863,210</b>	<b>257,200,430</b>
<b>Depreciation</b>						
At April 1, 2015	-	72,811,362	31,343,718	3,380,362	125,631,929	233,167,371
Charge for the year	11,307,267	4,298,345	448,751	143,791	11,102,067	27,300,221
Disposals	-	59,195,241	22,348,958	834,185	55,183,553	137,561,937
<b>At March 31, 2016</b>	<b>11,307,267</b>	<b>17,914,466</b>	<b>9,443,511</b>	<b>2,689,968</b>	<b>81,550,443</b>	<b>122,905,655</b>
Charge for the year	51,457,160	8,636,703	869,071	449,415	8,074,322	69,486,671
Disposals	-	126,989	1,035,293	-	261,103	1,423,385
<b>At March 31, 2017</b>	<b>62,764,427</b>	<b>26,424,180</b>	<b>9,277,289</b>	<b>3,139,383</b>	<b>89,363,662</b>	<b>190,968,941</b>
<b>Net Block</b>						
<b>At March 31, 2016</b>	<b>80,891,058</b>	<b>22,707,995</b>	<b>1,187,154</b>	<b>237,686</b>	<b>16,754,291</b>	<b>121,778,184</b>
<b>At March 31, 2017</b>	<b>32,633,906</b>	<b>19,823,292</b>	<b>1,256,472</b>	<b>1,018,271</b>	<b>11,499,548</b>	<b>66,231,489</b>

## 4.8.2 Intangible assets

Particulars	Software	Total
<b>Gross block</b>		
At April 1, 2015	44,803,079	44,803,079
Addition	19,344,330	19,344,330
<b>At March 31, 2016</b>	<b>64,147,409</b>	<b>64,147,409</b>
Addition	14,788,138	14,788,138
<b>At March 31, 2017</b>	<b>78,935,547</b>	<b>78,935,547</b>
<b>Amortization</b>		
At April 1, 2015	31,530,813	31,530,813
Charge for the year	9,710,851	9,710,851
<b>At March 31, 2016</b>	<b>41,241,664</b>	<b>41,241,664</b>
Charge for the year	13,844,537	13,844,537
<b>At March 31, 2017</b>	<b>55,086,201</b>	<b>55,086,201</b>
<b>Net block</b>		
<b>At March 31, 2016</b>	<b>22,905,744</b>	<b>22,905,744</b>
<b>At March 31, 2017</b>	<b>23,849,346</b>	<b>23,849,346</b>



## SPANDANA SPHOORTY FINANCIAL LIMITED

Notes to financial statements for the year ended March 31, 2017

(Amount in Rupees unless otherwise stated)

	Non-current portion		Current portion	
	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-16
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
<b>4.9 Non-current investments</b>				
(Valued at cost unless otherwise stated)				
<i>Non-trade investments</i>				
Investments in equity instruments (unquoted)				
100,000 (Previous year: 100,000) equity shares of Rs.10 each fully paid up in Alpha Micro Finance Consultants Private Limited	1,000,000	1,000,000	-	-
	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>
Aggregate amount of unquoted investments	1,000,000	1,000,000	-	-
<b>4.10 Loan portfolio</b>				
<b>Joint liability group loans</b>				
Unsecured, considered good*	2,345,642,468	502,038,066	9,549,743,400	11,458,460,616
Unsecured, considered doubtful**	7,883,686,160	7,067,490,759	-	-
	<u>10,229,328,628</u>	<u>7,569,528,825</u>	<u>9,549,743,400</u>	<u>11,458,460,616</u>
<b>Individual loans</b>				
Unsecured, considered good*	300,784	4,399,160	4,320,936	35,038,535
Unsecured, considered doubtful**	928,557,135	927,617,628	-	-
	<u>1,229,341,919</u>	<u>13,816,828</u>	<u>4,320,936</u>	<u>35,038,535</u>
Secured, considered good*	854,441	2,459,588	226,110,787	180,127,293
Secured, considered doubtful**	7,040,627	10,637,907	-	-
	<u>7,895,068</u>	<u>13,097,495</u>	<u>-</u>	<u>-</u>
	<u>936,752,987</u>	<u>945,114,283</u>	<u>230,431,723</u>	<u>215,165,828</u>
<b>Total</b>	<u>11,166,081,615</u>	<u>8,514,643,108</u>	<u>9,780,175,123</u>	<u>11,673,626,444</u>
* Represents standard assets in accordance with Company's asset classification policy [refer note 3.2 (q)]				
** Represents non-performing or sub-standard assets in accordance with Company's asset classification policy [refer note 3.2 (q)]				
<b>4.11 Loans and advances</b>				
<b>A. Security deposits</b>				
Unsecured, considered good	15,776,990	15,541,709	114,000	-
	<u>15,776,990</u>	<u>15,541,709</u>	<u>114,000</u>	<u>-</u>
<b>B. Other loans and advances</b>				
<b>Unsecured, considered good</b>				
Advance income tax (net of provision)	46,629,020	151,652,165	-	-
Advance with service provider	1,000,000	1,000,000	-	820,201
Prepaid expenses	-	-	2,152,918	28,738
Advance against sum assured	-	-	3,729,508	10,938,928
Capital advances	-	-	-	181,545
Other advances	1,285,115	-	24,565,409	2,171,138
<b>Unsecured, considered doubtful</b>				
Employee loans	1,701,241	1,905,153	-	-
Amounts deposited with courts	4,744,622	5,034,622	-	-
Other advances	15,047,892	10,170,315	-	-
Advance against sum assured	12,400,752	16,385,744	-	-
	<u>82,808,642</u>	<u>186,147,999</u>	<u>30,447,835</u>	<u>14,140,550</u>
Less: Provision for doubtful advances	(33,892,007)	(30,913,529)	-	-
	<u>48,916,635</u>	<u>155,234,470</u>	<u>30,447,835</u>	<u>14,140,550</u>
<b>Total (A+B)</b>	<u>64,693,625</u>	<u>170,776,179</u>	<u>30,561,835</u>	<u>14,140,550</u>
<b>4.12 Other assets</b>				
Non-current bank balances (refer note 4.14)	22,613,512	20,878,017	-	-
Unamortized Ancillary borrowing costs	-	-	-	19,477,762
Amount Receivable from Banks	-	-	539,428	-
Interest accrued but not due on portfolio loans	-	-	65,190,759	64,480,200
Interest accrued and due on portfolio loans	-	-	9,112,368	2,358,572
Interest accrued on term deposits	-	-	468,044	571,339
	<u>22,613,512</u>	<u>20,878,017</u>	<u>75,310,599</u>	<u>86,887,873</u>



## SPANDANA SPHOORTY FINANCIAL LIMITED

Notes to financial statements for the year ended March 31, 2017

(Amount in Rupees unless otherwise stated)

	Non-current portion		Current portion	
	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>4.13 Trade receivables</b>				
Outstanding for a period less than six months from the date they are due for payment				
Unsecured, considered good	-	-	72,941	18,339,713
	-	-	72,941	18,339,713
<b>4.14 Cash and bank balances</b>				
<b>Cash and cash equivalents</b>				
Balances with banks				
On current accounts	-	-	2,894,538,620	351,219,491
Cash on hand	-	-	6,630,318	2,044,870
	-	-	2,901,168,938	353,264,361
<b>Other bank balances</b>				
Margin money deposit (refer note below)	22,613,512	20,878,017	-	-
	22,613,512	20,878,017	-	-
Amount disclosed under non-current assets (refer note 4.12)	(22,613,512)	(20,878,017)	-	-
	-	-	-	-





**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017**
*(Amount in Rupees unless otherwise stated)*

	<b>31-Mar-17</b>	<b>31-Mar-16</b>
	<b>(Rupees)</b>	<b>(Rupees)</b>
<b>4.15 Revenue from operations</b>		
Interest income on portfolio loans	3,361,018,357	3,282,673,341
<b>Other operating revenue</b>		
Loan processing fees [refer note 3.1 (b)]	341,905,044	148,161,219
Recovery against loans written off	10,401,052	6,012,773
Interest on margin money deposits	1,353,192	1,771,191
	<b>3,714,677,645</b>	<b>3,438,618,524</b>
<b>4.16 Other Income</b>		
Dividend from mutual funds	16,381,164	4,629,094
Profit on sale of fixed assets (net)	205,004	-
Liabilities no longer required, written back	447,855,614	1,246,242,139
Interest on income tax refund	9,854,604	3,460
Commission income	23,308,524	32,501,829
Miscellaneous income	5,956,619	5,011,900
	<b>503,561,528</b>	<b>1,288,388,422</b>
<b>4.17 Employee benefits expense</b>		
Salaries, wages and bonus	556,176,488	546,508,632
Contribution to provident fund	12,474,751	12,422,205
Contribution to Employees State Insurance Corporation	1,608,382	2,108,602
Leave benefits	5,244,956	7,900,908
Gratuity expense (refer note 4.25)	5,200,986	(17,718)
Staff welfare expenses	2,254,038	1,949,588
	<b>582,959,601</b>	<b>570,872,217</b>
<b>4.18 Finance costs</b>		
Interest		
On term loans from banks	1,152,062,166	1,035,998,400
On term loans from financial institutions	322,544,243	154,010,973
On term loans from non-banking financial companies	-	52,236,458
Other finance cost [refer note 3.1 (a)]	254,744,483	44,441,238
CDR settlement expenses [refer note 2 (b)]	342,995,743	-
Bank charges	6,464,021	7,644,259
	<b>2,078,810,656</b>	<b>1,294,331,328</b>



**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017**
*(Amount in Rupees unless otherwise stated)*

	31-Mar-17 (Rupees)	31-Mar-16 (Rupees)
<b>4.19 Other expenses</b>		
Rent (refer note 4.26)	63,343,665	77,487,667
Rates and taxes	7,322,098	1,058,205
Office maintenance	13,696,063	16,729,379
Computers and network maintenance	2,261,609	2,996,306
Electricity charges	8,779,768	8,798,667
Travelling expenses	73,089,880	65,958,722
Communication expenses	6,937,948	12,361,729
Printing and stationery	7,984,224	7,491,935
Legal and professional charges	65,287,805	28,449,095
Directors sitting fees	1,427,500	1,159,000
Auditors remuneration (refer details below)	6,612,599	6,815,315
Recruitment and training	973,076	792,315
Subscription fees	7,092,351	2,457,792
Other provisions and write off	10,273,181	33,781,048
Security charges	3,293,952	7,301,314
Foreign exchange loss	33,856	350,871
Loss on sale of fixed assets (net)	-	9,458,637
Premium paid on portfolio purchase	8,559,725	71,161
Miscellaneous expenses	560,419	2,098,659
	<b>287,529,719</b>	<b>285,617,817</b>
<b>Payment to auditors</b>		
<b>As auditor:</b>		
Audit fee	5,656,875	5,643,750
Certification fee	323,250	321,750
Out of pocket expenses	632,474	849,815
	<b>6,612,599</b>	<b>6,815,315</b>
<b>4.20 Provisions and write offs</b>		
Contingent provision against standard assets (refer note 4.27)	(57,858,642)	109,267
Provision for non-performing assets (refer note 4.27)	455,336,926	(2,537,023,660)
Portfolio loans written off	22,802,863	2,643,736,159
	<b>420,281,147</b>	<b>106,821,766</b>



**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

**4.21 Earnings per share (EPS)**

Particulars	31-Mar-17	31-Mar-16
Net profit/ (loss) after tax as per Statement of Profit and Loss	529,487,044	2,432,352,746
Less: Dividend on OCCRPS and tax thereon	-	(95,204)
<b>Net profit/ (loss) for calculation of basic earnings per share</b>	<b>529,487,044</b>	<b>2,432,257,542</b>
Net profit/(loss) as above	529,487,044	2,432,257,542
Add: Dividend on OCCRPS and tax thereon	-	95,204
<b>Net profit/ (loss) for calculation of diluted earnings per share</b>	<b>529,487,044</b>	<b>2,432,352,746</b>
Weighted average number of equity shares in calculating basic EPS	20,402,873	20,380,767
<b>Effect of dilution</b>		
Conversion of OCCRPS	788,840,577	807,562,168
Conversion of Class A CCPS	12,798	-
Conversion of Class B CCPS	24,848	-
Conversion of OCRPS	25	-
Weighted average number of equity shares in calculating diluted EPS	809,281,121	827,942,935
Basic earnings per share	<b>25.95</b>	<b>119.34</b>
Diluted earnings per share	<b>0.65</b>	<b>2.94</b>
Nominal value per share: Rs.10 (Previous year: Rs.10)		

**4.22 Segment Reporting**

The Company operates in a single business segment i.e. financing, 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 and the Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

**4.23 Related parties**
**1. Enterprises where key management personnel exercise significant influence**

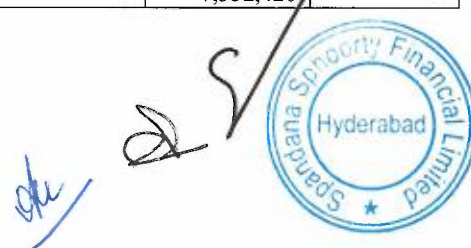
- Spandana Rural and Urban Development Organization
- Spandana Employees Welfare Trust
- Spandana Mutual Benefit Trust
- Spandana Sphoorty Chit Funds Private Limited
- Criss Financial Holdings Limited
- Abhiram Marketing Services Limited

**2. Key Management Personnel**

Mrs. Padmaja Gangireddy – Managing Director

Related party transactions during the year:

Sr. No	Name of the related party	Nature of transactions	Transactions during FY 2016-17	(Payable)/ Receivable 31-Mar-17	Transactions during FY 2015-16	(Payable)/ Receivable 31-Mar-16
1	Spandana Rural and Urban Development Organization	Rent expense	7,997,244	(236,991)	7,354,719	(124,712)
		Rent deposit	-	3,089,586	217,836	3,089,586
		Expense reimbursement	4,382,982	4,360,866	107,931	(12,869)
		Short term borrowing	10,000,281	(10,000,281)	-	-
		Interest expenses	16,439	(16,439)	-	-
		Purchase of fixed asset	1,000,000	-	-	-
2	Spandana Employees Welfare Trust	Expense reimbursement	35,919	2,387	36,241	36,241
3	Spandana Mutual Benefit Trust	Expense reimbursement	23,947	1,591	30,001	30,001
4	Criss Financial Holdings Limited	Expense reimbursement	227,689	(280,244)	709,318	408,891
		Purchase of portfolio	178,089,724	-	7,352,420	-



**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

Sr. No	Name of the related party	Nature of transactions	Transactions during FY 2016-17	(Payable)/ Receivable 31-Mar-17	Transactions during FY 2015-16	(Payable)/ Receivable 31-Mar-16
5	Abhiram Marketing Services Limited	Rent income	-	-	1,699,491	-
		Commission income	23,308,524	-	32,501,829	16,010,219
		Purchase of stationery	-	-	3,628,953	(639,329)
		Expense reimbursement	1,561,009	14,722	5,003,135	2,498,349
		Purchase of fixed assets	1,002,635	-	1,669,959	(41,234)
6	Mrs. Padmaja Gangireddy	Rent paid	320,065	-	574,204	(70,010)
		Remuneration <sup>#</sup>	27,843,750	(2,729,450)	27,843,750	(37,23,950)
		Rent Deposit Paid	-	114,000	-	114,000

Note: Transactions during the year are shown net of service tax and inclusive of TDS.

<sup>#</sup> Provision for gratuity is made for the Company as a whole and accordingly, the amount pertaining to the Key Management Personnel is not specifically identified and hence not included above.

**4.24 Contingent liabilities not provided for**

Particulars	March 31, 2017	March 31, 2016
(a) Claims against Company not acknowledge as debts:		
Service tax open assessments	49,236,798	48,666,369
(b) Dividend payable on OCCRPS and tax there on		
(i) Arrears of dividend on OCCRPS not provided for		
- FY 2012-13	-	94,060
- FY 2013-14	-	90,533
- FY 2014-15	-	83,424
- FY 2015-16	-	79,101
(ii) Tax on OCCRPS dividend	-	47,075
<b>Total</b>	<b>49,236,798</b>	<b>49,060,562</b>

**4.25 Employee benefit plans**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs.1,000,000. The scheme is funded with an insurance Company in the form of a qualifying insurance policy. Following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

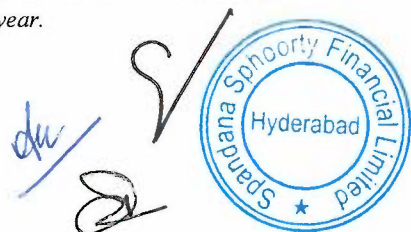
**Change in defined benefit obligation**

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Opening defined benefit obligation	15,701,587	21,113,905
Current service cost	2,718,223	1,853,241
Interest cost	1,193,321	1,689,112
Actuarial loss/(Gain)	3,392,845	(3,543,421)
Benefits paid	(3,830,753)	(5,411,250)
<b>Closing defined benefit obligation</b>	<b>19,175,223</b>	<b>15,701,587</b>

**Change in the fair value of plan assets**

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Opening fair value of plan assets	14,923,134	20,246,772
Expected return on plan assets	1,193,808	1,615,109
Actuarial gains	909,062	(1,527,497)
Employer contributions	-	-
Benefits paid	(3,830,753)	(5,411,250)
<b>Closing fair value of plan assets</b>	<b>13,195,251</b>	<b>14,923,134</b>

The Company expects to contribute Nil (March 31, 2016: Nil) to gratuity in the next year.





**SPANDANA SPOORTY FINANCIAL LIMITED**

Notes to financial statements for the year ended March 31, 2017 (Amount in Rupees unless otherwise stated)

**Balance Sheet****Details of provision for gratuity:**

Particulars	March 31, 2017	March 31, 2016
Present value of funded obligations	19,175,223	15,701,587
Fair value on plan assets	13,195,251	14,923,134
Net (liability)/asset	(5,979,972)	(778,453)

**Statement of profit and loss****Net employees benefit expense (recognized in employees benefit expense):**

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Current service cost	2,718,223	1,853,241
Interest on defined benefit obligation	1,193,321	1,689,112
Expected return on plan assets	(1,193,808)	(1,544,148)
Net actuarial loss/(gain) recognized in the year	2,483,250	(2,015,924)
Amount included in Personnel expenses	5,200,986	(17,718)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Category of Assets	March 31, 2017	March 31, 2016
Investment with insurer	100%	100%
Total	100%	100%

**Summary of Actuarial Assumptions**

Particulars	March 31, 2017	March 31, 2016
Discount rate	7.00%	7.60%
Expected return on plan assets	8.00%	7.60%
Salary escalation rate (p.a.)	13.00%	10.00%
Retirement age (years)	58	60

**Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

**Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

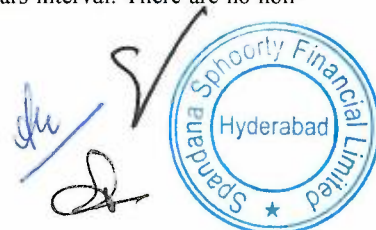
**Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four periods are as follows

Particulars	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
Defined benefit obligation	19,175,223	15,701,587	21,113,905	8,305,367	10,318,383
Fair value of plan assets	13,195,251	14,923,134	20,246,772	21,860,997	23,793,267
Surplus/(deficit) in the plan	(5,979,972)	(778,453)	(867,133)	13,555,630	13,474,884
Experience adjustments on plan liabilities	(3,392,845)	3,543,421	(10,749,077)	(931,271)	(14,995,954)
Experience adjustments on plan assets	909,595	(1,527,497)	31,817	(345,737)	810,911

**4.26 Leases****Operating lease where the Company is a lessee**

Head office and branch office premises are acquired on operating lease. The branch office premises are generally rented on cancellable term of eleven months with or without escalation clause, however none of the branch lease agreement carries non-cancellable lease periods. The head office premises have been obtained on a lease term of nine years with an escalation clause of fifteen percent at a three years interval. There are no non-cancellable sub-leases.



**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

Lease payments during the year are charged to statement of profit and loss.

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Operating lease payments recognized during the year	63,343,665	77,487,667
Minimum lease obligations		
Not later than one year	14,679,866	13,410,588
Later than one year and not later than five years	5,691,151	20,371,017
Later than five years	-	-

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Sub-lease payments recognized during the year	-	1,699,491

Sub-lease payments received (or receivable) are recognized in the statement of profit and loss.

**4.27 Loan portfolio and provision for standard and non-performing assets:**
*(Rupees in Crore)*

Asset Classification	Portfolio Loan outstanding(Gross)		Provision for standard & non-performing assets				Portfolio Loan outstanding(Net)	
	Mar-17	Mar-16	Mar-16	Addition FY 16-17	Written back FY 16-17	Mar-17	Mar-17	Mar-16
<b>Unsecured</b>								
Standard	1,190.00	1,199.99	12.00	-	5.81	6.19	1,183.81	1,187.99
Non-performing	881.22	799.51	799.29	47.37	1.84	844.82	36.40	0.22
<b>Sub Total(A)</b>	<b>2,071.22</b>	<b>1,999.50</b>	<b>811.29</b>	<b>47.37</b>	<b>7.65</b>	<b>851.01</b>	<b>1,220.21</b>	<b>1,188.21</b>
<b>Secured</b>								
Standard	22.70	18.26	0.05	0.02	-	0.07	22.63	18.20
Sub-standard	0.35	0.38	0.04		0.03	0.01	0.34	0.35
Doubtful	0.35	0.68	0.22	0.33	0.30	0.25	0.10	0.46
<b>Sub Total(B)</b>	<b>23.40</b>	<b>19.32</b>	<b>0.31</b>	<b>0.35</b>	<b>0.33</b>	<b>0.33</b>	<b>23.07</b>	<b>19.01</b>
<b>Total(A+B)</b>	<b>2,094.62</b>	<b>2,018.82</b>	<b>811.60</b>	<b>47.72</b>	<b>7.98</b>	<b>851.34</b>	<b>1,243.28</b>	<b>1,207.22</b>

\* Includes an additional provision of Rs.41.28 crore(March 31, 2016: Nil) for loans which, in the opinion of the Company, are not recoverable. Such provision in accordance with the Company's provisioning policy as defined under Note 3.2 (r).

*(Rupees in Crore)*

Category of loan portfolio	Portfolio Loan outstanding (Gross)		Provision for standard & non-performing assets		Portfolio Loan outstanding(Net)	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
Portfolio in states of Andhra Pradesh and Telangana						
Disbursed prior to Jan 1, 2012	797.55	799.29	797.21	799.29	0.34	-
Disbursed post Jan 1, 2012(including Gold Loans)	44.73	27.60	0.23	0.34	44.50	27.26
Portfolio in other states	1,252.34	1,191.93	53.90	11.97	1,198.44	1,179.96
<b>Total</b>	<b>2,094.62</b>	<b>2,018.82</b>	<b>851.34</b>	<b>811.60</b>	<b>1,243.28</b>	<b>1,207.22</b>

**4.28 Amounts payable to Micro, Small and Medium enterprises**

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises.

For the year ended March 31, 2017, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.



**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

**4.29 Additional information required by RBI**
**a. Capital to risk assets ratio ('CRAR')**

Particulars	March 31, 2017	March 31, 2016
CRAR (%)	48.96%	-18.61%
CRAR-Tier I Capital (%)	48.52%	-18.61%
CRAR-Tier II Capital (%)	0.44%	-

The modifications to the NBFC-MFI directions issued by RBI vide its circular no.RBI/2012-13/161 DNBS (PD) CC.No.300 /03.10.038/2012-13 dated August 3, 2012 have specified that provision made towards the loan portfolio in the states of Andhra Pradesh and Telangana (originated prior to January 1, 2012) should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and should be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017. Accordingly, 20% of such provisioning has been notionally reckoned as a part of net own funds.

**b. Exposure to real estate sector**

Category	Year ended March 31, 2017	Year ended March 31, 2016
<b>A Direct exposure</b>		
<b>I Residential Mortgages -</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	1,973,026	5,604,930
<b>II Commercial Real Estate -</b>		
Lending secured by mortgages on commercial realstates (office buildings, retail space, multipurpose Commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	-	-
<b>III Investments in Mortgage Backed Securities (MBS) and other securitised exposures -</b>		
Residential	-	-
Commercial Real Estate	-	-
<b>B Indirect exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
<b>Total</b>	<b>1,973,026</b>	<b>5,604,930</b>

c. Outstanding of loans against security of gold as a percentage to total assets is 1.08% (Previous year: 0.89%)

d. The Company has no exposure to capital market.

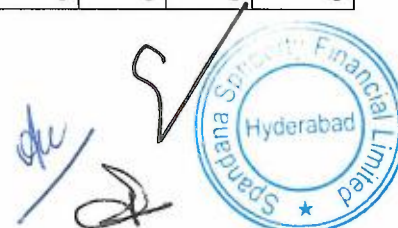
**e. Asset liability management**

Maturity pattern of assets and liabilities as on March 31, 2017:

(Rupees in Crore)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from banks	4.92	4.92	4.92	134.43	268.86	537.73	-	-	955.78
Market borrowings	-	-	-	-	-	-	-	-	-
Foreign currency liabilities	-	-	-	-	-	-	-	-	-
<b>Assets</b>									
Advances *	152.67	148.72	126.50	297.69	255.28	239.53	38.43	0.25	1,259.07
Investments	-	-	-	-	-	-	-	0.10	0.10
Foreign currency assets	-	-	-	-	-	-	-	-	-

\* Net of provision towards non-performing loans and advances.





**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

Maturity pattern of assets and liabilities as on March 31, 2016:

(Rupees in Crore)

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
<b>Liabilities</b>									
Borrowings from banks <sup>#</sup>	-	-	-	755.30	-	-	-	-	755.30
Market borrowings <sup>#</sup>	-	-	-	163.49	-	-	-	-	163.49
Foreign currency liabilities	-	0.26	-	-	-	-	-	-	0.26
<b>Assets</b>									
Advances *	149.17	141.76	134.00	334.64	409.53	66.15	2.58	-	1,237.84
Investments	-	-	-	-	-	-	-	0.10	0.10
Foreign currency assets	-	-	-	-	-	-	-	-	-

\* Net of provision towards non-performing loans and advances

<sup>#</sup> Borrowings were considered as current maturities in view of the settlement proposed during the year ended March 31, 2016 (refer note 4.3) and completed on March 30, 2017.

**f. Information on instances of fraud**

Instances of fraud reported during the year ended March 31, 2017:

Nature of fraud	No. of cases	Amount of fraud	Recovery *	Amount provided
Cash Embezzlement	30	487,035	485,745	1,290
Fake Loans	8	4,292,022	264,590	4,027,432

\* Includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2016:

Nature of fraud	No. of cases	Amount of fraud	Recovery *	Amount provided
Cash Embezzlement	69	1,816,180	469,114	1,347,066
Fake Loans	10	4,042,118	264,982	3,777,136

\* Includes recoveries in respect of frauds reported in earlier years

g. The Company has no transactions / exposure in derivatives in the current and previous year.

h. Ratings assigned by credit rating agencies and migration of ratings during the year:

(Rupees in crore)

Instrument	Name of the rating agency	Date of rating	Rating assigned	Valid up to	Borrowing limit or conditions imposed by rating agency
No rating has been obtained in the current year					

Previous Year

(Rupees in crore)

Instrument	Name of the rating agency	Date of rating	Rating assigned	Valid up to	Borrowing limit or conditions imposed by rating agency
Long-Term Debt	CRISIL	12-Aug-15	CRISIL D	11-Aug-2016	1750.00

**i. Disclosure of complaints**

Particulars	No. of complaints
No. of complaints pending at the beginning of the year	24
No. of complaints received during the year	672
No. of complaints redressed during the year	685
No. of complaints pending at the end of the year	11





**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017**
*(Amount in Rupees unless otherwise stated)*
**j. Concentration of Advances, Exposures and NPAs**
*(Rupees in crore)*

Particulars	March 31, 2017	March 31, 2016
<b>Concentration of Advances</b>		
Total advances to twenty largest borrowers	1.79	2.20
(%) of advances to twenty largest borrowers to total advances	0.09%	0.11%
<b>Concentration of Exposures</b>		
Total exposure to twenty largest borrowers	1.89	2.23
(%) of exposure to twenty largest borrowers to total exposure	0.09%	0.11%
<b>Concentration of NPAs</b>		
Total exposure to top four NPA accounts	0.12	0.14

**k. Sector wise NPAs**

Sector	Percentage of NPAs to total advances in that sector	
	As at March 31, 2017	As at March 31, 2016
Agriculture and allied activities	46.64%	47%
MSME	42.23%	36%
Corporate borrowers	0%	0%
Services	32.24%	31%
Unsecured personal loans	0%	0%
Auto loans	32.01%	30%
Other personal loans	47.85%	48%

Non-performing assets include amount of Rs.797.22 crore (Previous year: Rs.799.29crore) representing portfolio in the states of Andhra Pradesh and Telangana originated prior to January 1, 2012 which has been fully provided for.

**l. Movement of NPAs**
*(Rupees in crore)*

Particulars	March 31, 2017	March 31, 2016
Net NPAs to net advances (%)	1.59%	0.08%
<b>Movement of NPAs (gross)</b>		
1. Opening balance	800.57	1063.08
2. Additions during the year	83.56	5.62
3. Reductions during the year	(2.21)	(268.13)
4. Closing balance	881.92	800.57
<b>Movement of Net NPAs</b>		
1. Opening balance	1.02	9.90
2. Additions during the year	35.89	5.37
3. Reductions during the year	(0.08)	(14.24)
4. Closing balance	36.83	1.03
<b>Movement of provision for NPAs (excl. standard assets)</b>		
1. Opening balance	799.55	1053.25
2. Provisions made during the year	47.64	0.19
3. Write off/ write back of excess provisions	(2.11)	(253.89)
4. Closing balance	845.08	799.55

Non-performing assets include amount of Rs.797.22 crore (Previous year: Rs.799.29crore) representing portfolio in the states of Andhra Pradesh and Telangana originated prior to January 1, 2012 which has been fully provided for.

m. There has been no drawdown from reserves during the year except as disclosed in note 4.2.



**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

**n. Investments:**
*(Rupees in Crores)*

Particulars	March 31, 2017	March 31, 2016
(1) Value of investments		
(i) Gross value of investments		
(a) In India	0.10	0.10
(b) Outside India	-	-
(ii) Provision for depreciation		
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments		
(a) In India	0.10	0.10
(b) Outside India	-	-
(2) Movement of provisions held towards deprecation		
(i) Opening balance	-	-
(ii) Add: Provision made during the year	-	-
(iii) Less: Write off/ write back	-	-
(iv) Closing balance	-	-

**o. Details of financial assets sold to securitisation / reconstruction company for asset reconstruction:**

The Company has not sold financial assets to Securitisation / Reconstruction companies for asset reconstruction in the current and previous year.

**p. Details of assignment transactions undertaken:**

The Company has not undertaken assignment transactions in the current and previous year.

**q. Details of non-performing financial assets purchased / sold:**

The Company has not purchased / sold non-performing financial assets in the current and previous year.

**r. Details of financing of parent company products:**

This disclosure is not applicable as the Company does not have any holding / parent Company.

**s. Unsecured Advances – Refer note 4.10**
**t. Registration obtained from other financial sector regulators:**

The Company is registered with the 'Ministry of Corporate Affairs' (Financial regulators as described by Ministry of Finance)

**u. Disclosure of penalties imposed by RBI and other regulators:**

No penalties imposed by RBI and other regulators during current and previous year. Amounts paid as fees for compounding of offences under relevant provisions of the Companies Act, 2013, referred to in note 4.1 (f) and 4.2, have not been considered for disclosure under this note.

**v. Provisions and contingencies (shown under the head expenditure in statement of profit and loss)**
*(Rupees in Crores)*

Particulars	March 31, 2017	March 31, 2016
Provision for income tax (net)	23.58	-
Provision for non-performing assets	45.53	(253.70)
Provision for standard assets	(5.79)	0.01
Provision for unfructified service tax liability	0.70	2.04
Provision for theft & fraud	0.49	0.62
Provision for gratuity	0.52	(0.01)
Provision for leave benefits	0.52	0.79
Provision for insurance claims	(0.14)	0.15
Provision for employee loans	(0.02)	(0.01)
Provision for bonus	1.14	1.72



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**SPANDANA SPOORTY FINANCIAL LIMITED**
**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

**w. Un-hedged foreign currency**

The Company has un-hedged foreign currency exposure in respect of:

Particulars	As at March 31, 2017		As at March 31, 2016	
	USD	INR	USD	INR
Creditors for purchase of assets	-	-	39,464	2,617,762

**x. Information on Net Interest Margin**

Particulars	31-Mar-17	31-Mar-16
	(%)	(%)
Average interest charged	16.00	14.57
Average cost of borrowing *	16.31	13.26
Net interest margin	-0.31	1.31

\* Does not include CDR settlement expenditure incurred during the current year (refer note 4.18).

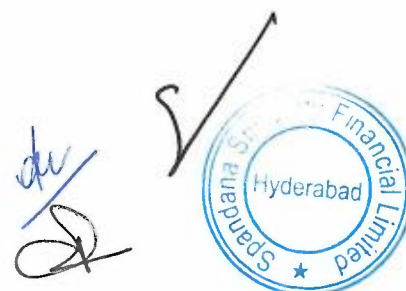
**4.30** The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability (refer note 4.24) where applicable in the financial statements.

**4.31** Details of Specified Bank Notes (SBNs) held and transacted by the Company during the period November 8, 2016 to December 30, 2016:

Particulars	SBNs	(Rupees in Crore)	
		Other denomination notes	Total
Closing cash in hand as on November 8, 2016	0.38	0.38	0.76
(+) Permitted receipts [refer Note (a) below]	-	294.56	294.56
(+) Non-permitted receipts [refer Note (b) below]	56.41	-	56.41
(-) Permitted payments[refer Note (c) below]	-	197.58	197.58
(-) Amount deposited in Banks	56.79	92.82	149.61
Closing cash in hand as on December 30, 2016	-	4.54	4.54

**Notes:**

- Permitted receipts in other denomination notes include collections made by the Company from its loan borrowers and withdrawals from bank accounts during the period from November 9, 2016 to December 30, 2016 in the ordinary course of business.
- Represent collections in Specified Bank Notes made by the Company from its loan borrowers from November 9, 2016 to December 30, 2016. These amounts were collected against the borrowers' regular loan obligations which had fallen due in the ordinary course of business and were deposited into bank account of the Company.
- Permitted payments in other denomination notes include disbursement of loans to its borrowers and other cash payments in the ordinary course of business.



**SPANDANA SPHOORTY FINANCIAL LIMITED**

**Notes to financial statements for the year ended March 31, 2017** (Amount in Rupees unless otherwise stated)

4.32 Previous year figures have been regrouped / reclassified, where necessary, to conform to this year's classification.

As per our report of even date

For S. R. BATLIBOI & CO. LLP  
ICAI Firm registration number : 301003E/E300005  
Chartered Accountants

*Shrawan Jalan*

per Shrawan Jalan  
Partner  
Membership No.102102



Place: Mumbai  
Date: June 15, 2017

For and on behalf of the Board of Directors of  
SpandanaSphoorty Financial Limited

*Padmaja Gangireddy*  
Padmaja Gangireddy  
Managing Director  
DIN: 00004842

*Abanti Mitra*

Abanti Mitra  
Director  
DIN: 02305893

*Rakesh Jhinjaria*

Rakesh Jhinjaria  
Company Secretary  
Membership No. F8325



Place: Hyderabad  
Date: June 15, 2017

**ANNEXURE VI: ILLUSTRATION OF BOND CASH FLOWS**

<b>Illustration of Bond Cash Flows – Series A Debentures</b>	
Company	Spandana Sphoorty Financial Limited
Face Value (per security)	Re. 1/- (RupeeOne only)
Issue Date	October 25, 2017
Date of Allotment	October 26, 2017
Redemption	October 26, 2020
Coupon Rate	12.30% (Twelve Decimal Point Three Zero)
Frequency of the Coupon Payment with specified dates	Monthly. Dates specified below
Day Count Convention	Actual / Actual

Cash Flows	Date	Coupon Amount (in Rupees)	Principal Amount (in Rupees)
<b>Issue amount</b>	26 October 2017		<b>18,00,00,000</b>
1st Coupon	15 November 2017	1,273,808	-
2nd Coupon	15 December 2017	1,819,726	-
3rd Coupon	15 January 2018	1,880,384	-
4th Coupon	15 February 2018	1,880,384	-
5th Coupon	15 March 2018	1,698,411	-
6th Coupon	16 April 2018	1,880,384	-
7th Coupon	15 May 2018	1,819,726	-
8th Coupon	15 June 2018	1,880,384	-
9th Coupon	16 July 2018	1,819,726	-
10th Coupon	15 August 2018	1,880,384	-
11th Coupon	17 September 2018	1,880,384	-
12th Coupon	15 October 2018	1,819,726	-
13th Coupon	15 November 2018	1,880,384	-
14th Coupon	17 December 2018	1,819,726	-
15th Coupon	15 January 2019	1,880,384	-
16th Coupon	15 February 2019	1,880,384	-
17th Coupon	15 March 2019	1,698,411	-
18th Coupon	15 April 2019	1,880,384	-
19th Coupon	15 May 2019	1,819,726	-
20th Coupon	17 June 2019	1,880,384	-
21st Coupon	15 July 2019	1,819,726	-
22nd Coupon	15 August 2019	1,880,384	-
23rd Coupon	16 September 2019	1,880,384	-
24th Coupon	15 October 2019	1,819,726	-
25th Coupon	15 November 2019	1,880,384	-
26th Coupon	16 December 2019	1,819,726	-
27th Coupon	15 January 2020	1,877,898	-
28th Coupon	17 February 2020	1,875,246	-
29th Coupon	16 March 2020	1,754,262	-
30th Coupon	15 April 2020	1,875,246	-
31st Coupon	15 May 2020	1,814,754	-
32nd Coupon	15 June 2020	1,875,246	-
33rd Coupon	15 July 2020	1,814,754	-
34th Coupon	17 August 2020	1,875,246	-
35th Coupon	15 September 2020	1,875,246	-
36th Coupon	26 October 2020	2,480,164	<b>18,00,00,000</b>

