

ANNUAL REPORT 2016 - 17



UJJIVAN FINANCIAL SERVICES LTD.

UJJIVAN SMALL FINANCE BANK LTD.

Awards & Accolades



3rd Best Place to Work For in India and 10th Best Large Workplace in Asia

For the past seven years, Ujjivan Financial Services has been consistently ranked among the Top 25 Companies to Work For in India. In 2016, Ujjivan once again emerged as a top Indian company across industries, by becoming the 3rd Best Place to Work in India as per the survey conducted by the Great Place to Work Institute in coordination with The Economic Times.

Ujjivan continued its successful track record of being recognized as the #1 Best Place To Work For in the Microfinance domain, where employees perceive their work to be not just career investments but also, as an opportunity that helps them contribute to the society.

Ujjivan also ranked 10th in the Best Large Workplaces in Asia List in FY 16-17 and had the honor of being the only Indian organization in the list.

SKOCH Platinum Award for Inclusive Insurance and SKOCH Order of Merit

The Platinum Award is the highest independent honor given for Inclusive Insurance and was presented to Ujjivan Financial Services after taking into consideration multiple factors, including the company's financial inclusion initiatives, exceptional customer service, insurance penetration and for covering the highest number of lives through insurance. Ujjivan's focus on Education through its Common Group Training and Financial Literacy program, Assured Reach and Access, backed by a 100 % claim settlement ratio were the key factors instrumental for it winning this award.

Ujjivan was also awarded the SKOCH Order-of-Merit for qualifying amongst the Top 100 Projects in India. The Order-of-Merit award is bestowed on the top private and public organizations, recognizing them for their best practices and

governance models towards efficient implementation of social programs and service deliveries.



CONTENTS

Ujjivan Financial Services Limited

Message from the Chairman	01
Letter from the Managing Director	02
Financial Highlights	04
Board of Directors	06
Management Team	07
Brand and Marketing	08
Products & Services	09
Service Quality	13
Risk Management	16
Human Resources	17
Community Development Programs	21
• <i>Education Programs</i>	23
Statutory Reports & Financials	26
• <i>Management Discussion & Analysis</i>	27
• <i>Directors' Report</i>	34
• <i>Corporate Governance Report</i>	63
• <i>Consolidated Financial Statements and Independent Auditors Report</i>	78
• <i>Standalone Financial Statements and Independent Auditors Report</i>	116
• <i>Business Responsibility Report</i>	167
Notice to the 13th Annual General Meeting	175



Message from the Chairman

Dear Shareholders,

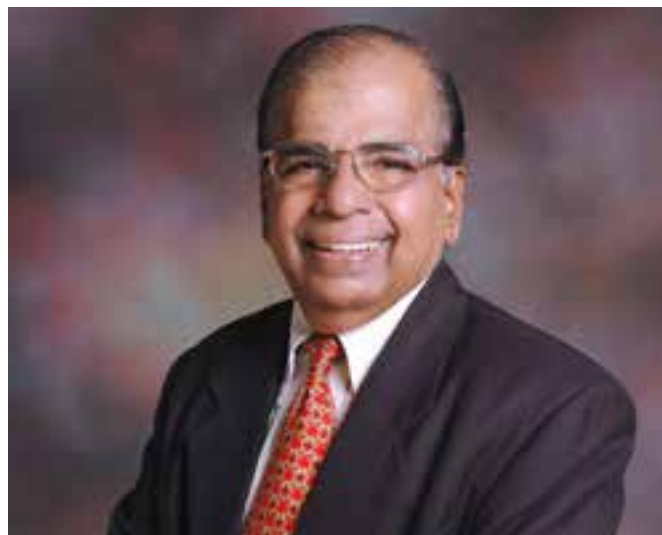
Financial Year 2016-17 is a momentous year in the annals of Ujjivan's organizational history with a successful IPO in May 2016 and a spectacular launch of Ujjivan Small Finance Bank in February 2017.

There were 72 competing players who sought for a "Small Finance Bank (SFB)" licence from the Reserve Bank of India and we made it to the list of ten successful applicants who were accorded "in principle" approval by RBI for setting up the SFB. It has been a great transformational journey and I will share some thoughts on this.

From modest beginnings in 2004 your company has emerged as one of the largest MFIs in the country in terms of geographical spread with pan India presence through 470 branches across 24 states and 209 districts and a loan book of around Rs 6500 crore, serving 36 lakh customers. We have not swerved from our mission and remain totally dedicated to serve the financially unserved and underserved community. We have consistently earned customer accolades by forging strong, meaningful & empathetic relationship with our customers, thanks to our dedicated front line and service quality teams. As a service entity, we are always conscious that human resources are our greatest assets and our organizational human resources policies and practices mirror this. With humility, I may share that Ujjivan has been recognized consistently as one of the Best Places to work, ranking 3rd in 2016 by The Great Place to Work Institute in Collaboration with The Economic Times.

Why did we become a Bank may be the upper most question that may linger in your minds. Lack of access to savings is often referred to as the "forgotten half of rural finance". More than the "loans", the poor need a trusted formal saving channel, shorn of rigidities, to keep their savings. Savings should precede loans. Due to regulatory constraints, hitherto as a non-banking finance company, Ujjivan was not permitted to accept deposits from customers. In our broadened role as a bank, we can provide savings products apart from loans and other financial products with which two benefits will accrue. Firstly, our access to savings from customers and public at large will reduce our funding cost, which in turn could benefit the borrowing customers by way of lower interest. Secondly, once our customers inculcate savings habits, they would be able to better manage their cash flows and avoid over-indebtedness and consequent debt traps.

Why two separate entities "Ujjivan Financial Services Limited" and "Ujjivan Small Finance Bank Limited" (hereinafter referred to as "USFB" or the "Bank") could be the other question that may arise. One of the key regulatory requirements for setting up a small finance bank is that the promoters/promoter group should at least hold 40 per cent of the paid up capital of the bank, which should be locked in for a period of five years. Rationale for this regulatory prescription is possibly to ensure "stability in the shareholding of the bank" in the initial years of formation. As Ujjivan did not have any promoter/ promoter group, we opted for the "Holding Company Structure" and transferred our operational business undertaking comprising of the assets and liabilities to "Ujjivan Small Finance Bank" through a slump sale. Post formation of Ujjivan Small Finance Bank, Ujjivan Financial Services Ltd., the Holding Company will be registered with the RBI as a NBFC-Core Investment Company. As the holding Company it will exercise its oversight function, provide support and funding within the legally permissible ambit thus managing its investment in the bank.



Mr Samit Ghosh assumed the leadership mantle of the Bank as Managing Director & Chief Executive of the Ujjivan Small Finance Bank, with the prior approval of the RBI. Ms Sudha Suresh, formerly the CFO of the Company, assumed charge as the Managing Director and CEO of your Company.

The year threw up major challenges, the impact of which will spill over to FY 2017-18. Transitioning your Company to a Bank was and continues to be a major challenge. Mr Samit Ghosh, MD & CEO of the Bank, has detailed these in his message in this Annual Report.

The major disruptive event we faced during the year, perhaps in our decade long journey, was "demonetisation". While the move will yield positive benefits to the economy and the public at large in the medium term, the immediate negative fallout has been on a vulnerable sector like microfinance business. Given the fragile cash flows of our customers, their income and business activities were severely affected across various pockets. The resultant impact has been lower collection efficiencies and increase in Portfolio at Risk. Closely on the heels of demonetisation, loan waivers announced by some state governments for agricultural borrowers raised the expectations of microfinance borrowers too. Relentless efforts are on to educate and persuade the borrowers to adhere to repayment schedules. In justifiable causes, loans are restructured. There has been positive support from the industry network and Governments through appropriate media announcements. Loan collections are picking up gradually and we expect the situation will improve in the months following.

The Company closed the financial year 2016-17 with a total income of Rs.1397.6 crore, a growth of 36% over the previous year. It achieved a profit after tax of Rs.207.6 crore, an increase of over 17% when compared to the PY. The Board has declared a dividend of 8% (subject to the approval of shareholders).

The Company will support the planned growth of the Small Finance Bank in achieving its mission of becoming the *best institution to provide financial services to the unserved and underserved customers and transform to a mass market bank.*

We thank you for your immense support and look forward for your continued trust in future.

With Best Wishes

K.R. Ramamoorthy

Letter from the Managing Director



In the history of Ujjivan, financial year 2016-17 will be written in Golden letters!

A historic year where our 12 year journey culminated in creating “Ujjivan Small Finance Bank ” to continue our mission of providing a full range of financial services to the unserved and underserved in a new Avatar!

As our transformation journey is spread across two financial years we had initially shared with you the path commencing with the receipt of in principle approval in October 2015 and the progress thereon in our previous Annual report. During the FY 2016-17 Ujjivan continued on its transition journey achieving several milestones. We would like to share key highlights of this sojourn.

FY 2016-17 commenced with a successful IPO in May 2017 wherein the company not only raised the requisite capital but was also able to principally meet the requirements of RBI's guidelines for SFB by increasing the domestic stake in the Company. Ujjivan was listed on BSE and NSE on 10th May 2016, a Red Letter Day for the Company and specially for its employees! A majority of our employees having ESOP's were able to understand and benefit from the same.

As the next step in structuring, 'Ujjivan Small Finance Bank Limited' was incorporated on July 04, 2016 as a wholly owned subsidiary of the Company. The Company, then submitted an application to the RBI for grant of banking licence to its subsidiary and based on the application submitted, the RBI issued Ujjivan Small Finance Bank the Licence No. MUM 123 dated November 11, 2016 to carry on Small Finance Bank business in India. Pursuant to the receipt of various approvals from the RBI including the approval for the Board and host of other registrations and regulatory compliances on which the licence was granted, 'Ujjivan Small Finance Bank Limited' commenced its operations as a Small Finance Bank with effect from February 1, 2017.

Multiple teams had been set up to manage various aspects of the transition. EY our consultants, PMO and functional teams worked untiringly in a disciplined manner. On the Technology, we worked comprehensively on all the three aspects— Implementation and testing of various softwares successfully, strengthening and ensuring a robust data centre, DR centre & NLDR and seamless integration with existing systems including BR. Net and Oracle. Finacle was implemented as our core banking system, I Exceed for Internet, mobile and handheld banking, CRM Next, SAS, AML, Finacle treasury systems, Risk & Compliance and other applications went through the entire

process from implementation to successful test runs. Parallely a host of IT Policies were formulated, reviewed and put in place. Cyber Security preparedness, policies and controls were a critical focus.

Ujjivan always had a robust risk management framework for its operation as a MFI. With the transition to a bank, we set up an independent Risk Management & Compliances department to manage various risks and compliances. Apart from the controls for Ujjivan's existing lines of business as a MFI, we set to address additional risks as it transitioned to new products, IT systems and processes aligned to the banking requirements with requisite softwares and systems. This included EGRC and ALM solution for effectively monitoring various aspects of Credit, Market, Liquidity, IT and Operational risks. Compliance framework focused both on micro level obligations for branches and departments and macro level management of regulatory/statutory interactions, regulatory audits, policies, products etc. Board approved policies were put in place for Compliance Management & AML/ KYC processes. Significant time and efforts went into the drafting and review of all risk management policies and procedures pertaining to portfolio, liquidity, interest rate and operational risks, Investment policies and strategies, security and regulatory compliances envisaged for a bank with proactive support from the SFB Committee of the Board.

Post the receipt of the final license from RBI on Nov 11th 2016, the team were all set for an exciting journey obtaining various approvals and licenses from RBI and other authorities. There were around forty approvals and permission including Bank Code, INFINET, RTGS, NEFT, Rupay, NFS, IMPS, AEPS, RBI Current Account, SGL etc. required for the launch of the bank. For all these approvals, the spirit of diligent follow up and enthusiasm prevailed and the entire team cheered on receipt of each and every approval, realizing we were a step closer to the final goal.

As we were walking the transition path, our business growth was maintained parallely. We sustained a robust growth in our overall portfolio which grew by 18.4%. Our Gross loan book stood at Rs. 6379.5 crore which includes a Managed portfolio of Rs. 508.3 crore.

We focussed on Affordable Housing and Micro & Small Enterprise (MSE) growth this year apart from a stable growth in the Microfinance vertical. We ensured growth across all our branches pan India, thus minimising concentration risk of our portfolio.

We managed a robust funding profile ensuring adequate funding as per the regulatory requirements for the small finance bank as well. With a successful capital raise at the beginning of the year and better credit ratings, we were able to leverage and raise debt at lower costs, the benefits of which were passed to the customers through reduced interest rates during the year.

We closed the financial year with a total income of Rs. 1397.6 crore, an increase of 36% over the previous year and a net profit after tax of Rs. 207.7 crore registering an increase of 17.2% over the previous year.

As we moved progressively across all fronts on the transition with jet speed timelines, Demonetisation came as a critical challenge for the entire Microfinance Industry. So though the first half of the year closed with an excellent set of numbers, the impact of demonetisation was evident in the second half across key parameters including business growth, new customer acquisition, collection efficiencies and Portfolio at Risk. Tremendous efforts and initiatives by various teams enabled customer awareness and collections over the next few months albeit with a time lag. Post demonetisation RBI had also come out with a circular providing for an additional time of 60 days for recognition of loan accounts as sub standard. The GNPA without RBI dispensation stood at 3.7% and NNPA stood at 0.03%. The team across various functions continues with its collective effort towards coping with this challenging situation in the current fiscal year.

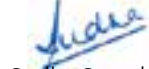
On January 31st, 2017, the Company formally closed its books enabling the transfer of business undertaking on February 1st, 2017, to Ujjivan Small Finance Bank thus marking the commencement of a new era in the history of Ujjivan. The formal launch of the bank was a dream come true!

With the advent of Small Finance Banks and Payment Banks backed by the state of art technology and paperless banking, a huge transformation across the banking sector is inevitable in the next few years.

We look forward to setting up a strong foundation for Ujjivan Small Finance Bank in the current fiscal year and the next year with focus on setting up the bank branches in a phased manner, building the Liabilities vertical, expanding the Asset side business including Affordable Housing and Micro and Small Enterprise verticals with cost efficient technology as the backbone for profitable operations.

As we move forward on this exciting and challenging journey, I wish to sincerely thank all the stakeholders - our Employees, Customers, Shareholders, Regulators and others for their great cooperation and look forward to their continued support in future.

With Best Wishes



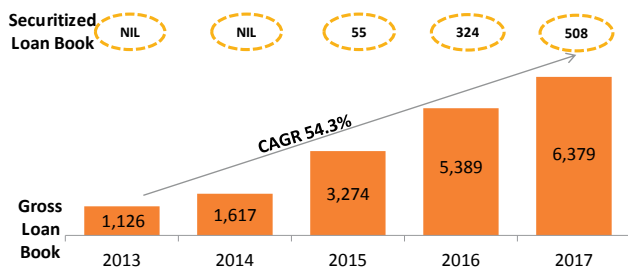
Sudha Suresh



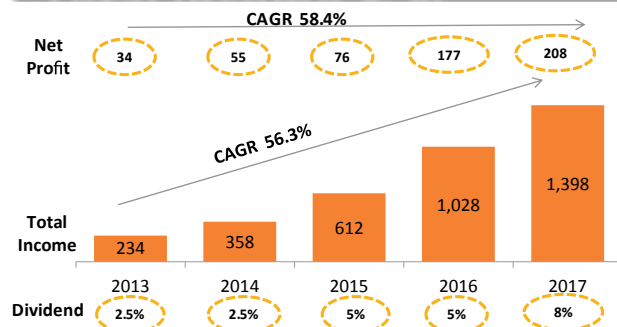
The Board Members of Ujjivan Financial Services Ltd. and Ujjivan Small Finance Bank Ltd. on the eve of bank launch.

Financial Highlights

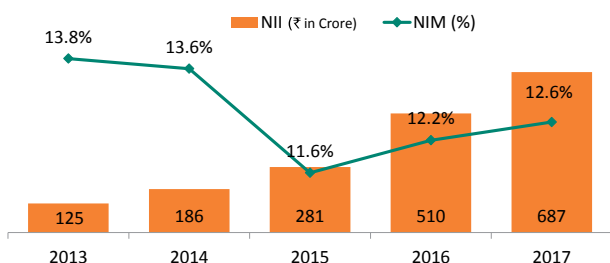
Gross Loan Book & Securitized Loan Book (₹ in Crore)



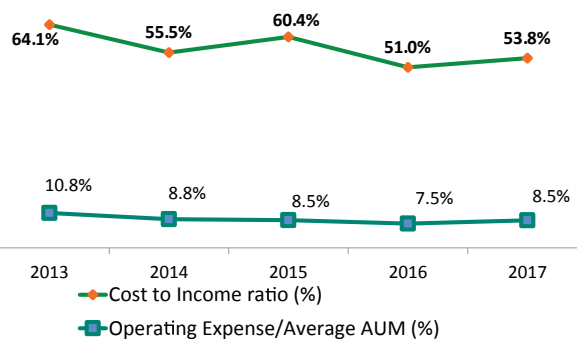
Total Income & Net Profit (₹ in Crore)



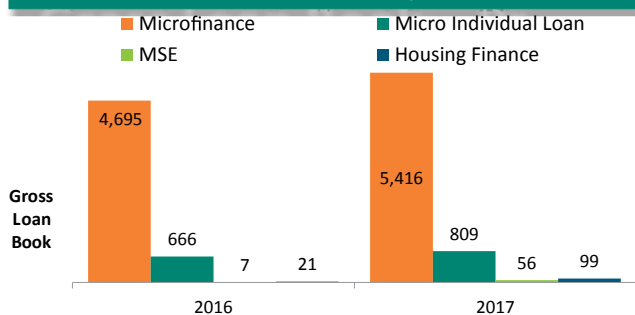
NII & NIM



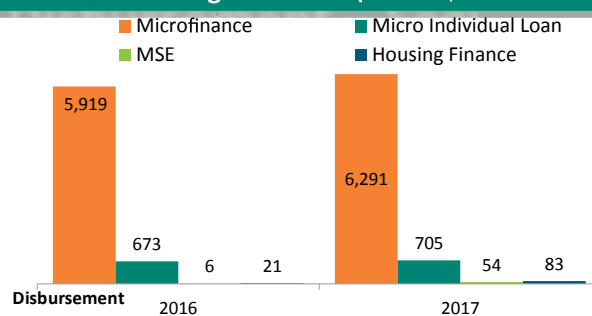
Operating Efficiency



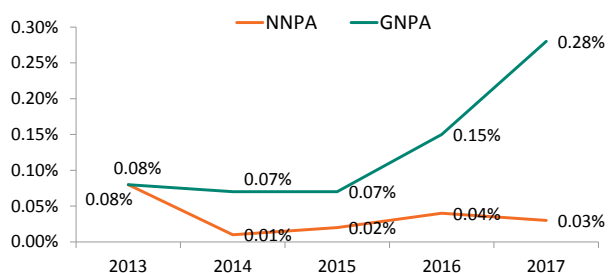
Gross Loan Book – Product Wise (₹ in Crore)



Disbursement – Segment Wise (₹ in Crore)

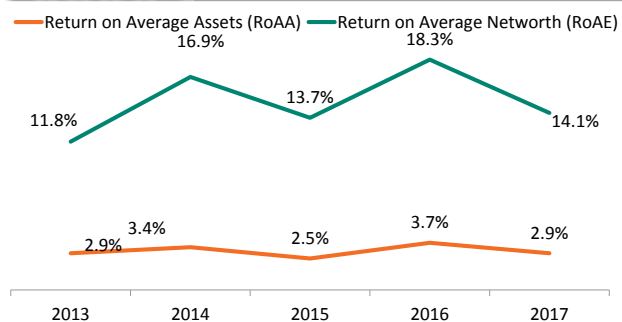


GNPA & NNPA

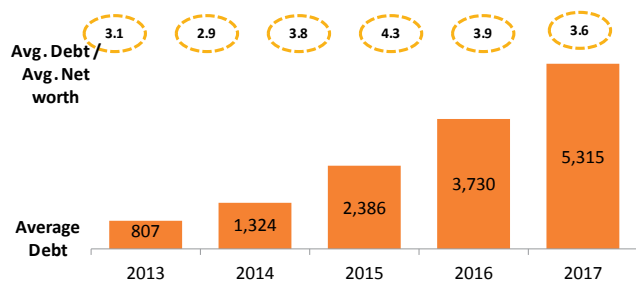


*GNPA without RBI dispensation is 3.69%

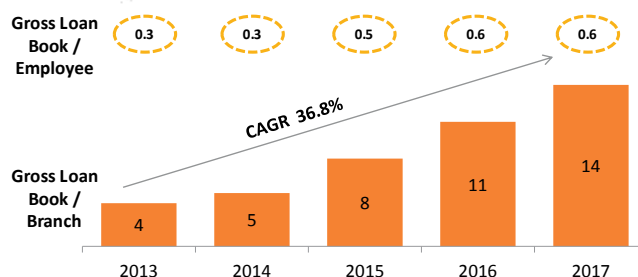
RoAA & RoAE



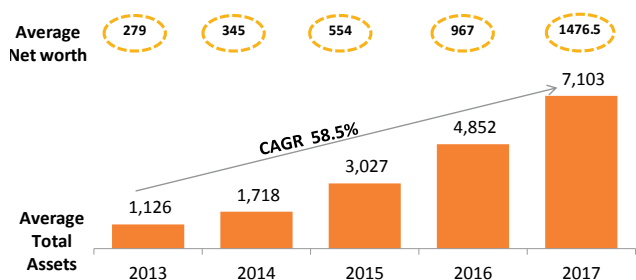
Average Debt (₹ in Crore)



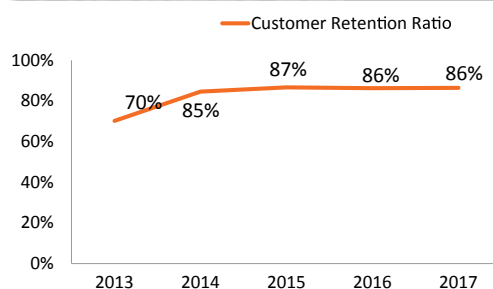
Gross Loan per Branch & Gross Loan per Employee (₹ in Crore)



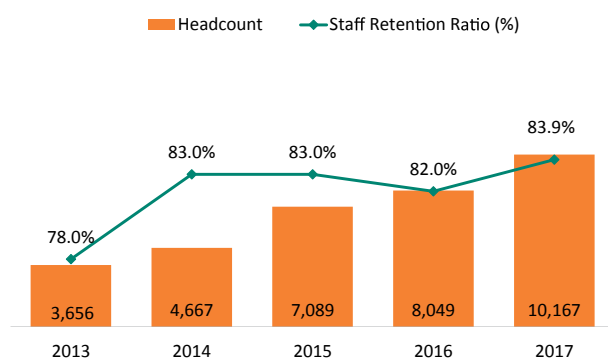
Average Total Assets and Net worth (₹ in Crore)



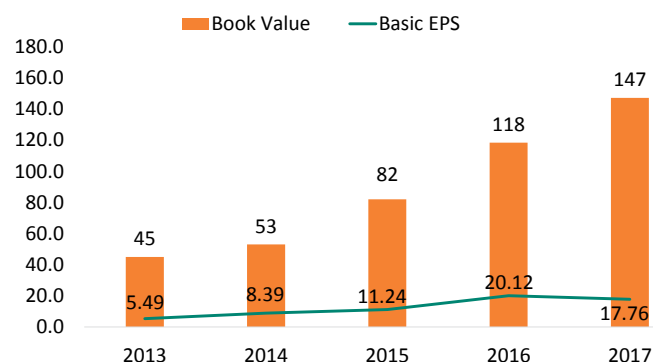
Customer Retention Ratio



Head Count & Staff Retention Ratio



Book Value per share and EPS (in ₹)



Board Of Directors



K.R. Ramamoorthy

K.R. Ramamoorthy is the Non-executive Chairman and Independent Director of our Company. He holds a bachelor's degree in arts from Delhi University and bachelor's degree in law from Madras University. He is also a fellow member of the Institute of Company Secretaries of India. He is the former Chairman and Managing Director of Corporation Bank and former Chairman & Chief Executive Officer of ING Vysya Bank. He has served as an advisor to CRISIL, a reputed credit rating agency in India and as consultant to The World Bank. He serves as an independent director on the boards of Subros Limited, Nilkamal Limited and Amrit Corp. Limited.



Abhijit Sen

Abhijit Sen is a Non-Executive, Independent Director of our Company. He retired from Citibank N.A. India after serving for over 18 years, last position being Managing Director - Chief Financial Officer. He was also a director of Citicorp Services India Limited and other locally incorporated Citi entities. He currently serves on several boards including IDFC Bank, Trent Limited and Indiafirst Life Insurance Company Limited. In the past, he has served on the board of NSDL e-governance Infrastructure Limited. He holds a bachelors honors degree in engineering from Indian Institute of Technology, Kharagpur and a post-graduate diploma in business management from Indian Institute of Management, Calcutta.



Vandana Viswanathan

Vandana Viswanathan is a Non-Executive, Independent Director of our Company. She is the co-founder of Cocoon Consulting, a management and human relationship consulting firm. She holds a master's degree in Personnel Management and Industrial Relations from the Tata Institute of Social Sciences and a bachelor's degree in science from Bangalore University. She is also a Non-Executive Director in Ujjivan Small Finance Bank Limited.



Sudha Suresh

Sudha Suresh is the Managing Director and Chief Executive Officer of our Company. She is a Chartered Accountant with a rich corporate career spanning over two decades. She received the 'CFO 100 - Recognition of Excellence' award in 2013. She is also a qualified Cost Accountant and Company Secretary. During her association with Ujjivan, she has been responsible for areas of Strategic Business Planning and Budgetary Controls, Equity Capital and Debt Syndication, Treasury Management, Accounts & Taxation as well as management of Board and regulatory compliances. She successfully spearheaded Ujjivan's IPO to list the company's shares on BSE and NSE. She has also led the restructuring of the Company and formation of the Small Finance Bank.



Venkatesh Natarajan

Venkatesh Natarajan is a Non-Executive Director of our Company. He joined Lok Advisory Services Private Limited in 2006 with over 12 years of experience in early stage venture capital, product development and marketing. He holds an MBA from Cornell University and an M.S. in Electrical Engineering from Arizona State. He serves as a director in many other companies including Lok Advisory Services Private Limited, Suryoday Small Finance Bank Limited and Veritas Finance Limited.



Jayanta Basu

Jayanta Basu is a Non-Executive Director of our Company. He holds a post graduate diploma in management from the Indian Institute of Management, Ahmedabad and a bachelor's degree in economics from University of Delhi. He has over 20 years of experience in the fields of investments. He is currently the Managing Partner at CX Advisors LLP. He has previously worked with Citibank India. He serves as a director in many other companies including Security and Intelligence Services (India) Limited, Matrix Cellular (International) Services Limited and CX Advisors Private Limited.



Amit Gupta

Amit Gupta is a Non-Executive Director of our Company. He is one of the founding partners and chief operating officer of NewQuest Capital Advisors (HK) Limited. He oversees India and south east Asia business for NewQuest Capital Advisors (HK) Limited. He represents NewQuest Capital Advisors (HK) Limited on board of Om Logistics Limited, Halonix Technologies Private Limited and Ittiam Systems Private Limited. He holds an undergraduate degree in electrical engineering from Kurukshetra University and a post graduate diploma in management from Indian Institute of Management, Bangalore, where he was placed in Director's Merit List for his performance.

Management Team



Sudha Suresh

Managing Director and Chief Executive Officer

Sudha Suresh is the Managing Director and Chief Executive Officer of our Company. She is a Chartered Accountant with a rich corporate career spanning over two decades. She received the 'CFO 100 - Recognition of Excellence' award in 2013. She is also a qualified Cost Accountant and Company Secretary. During her association with Ujjivan, she has been responsible for areas of Strategic Business Planning and Budgetary Controls, Equity Capital and Debt Syndication, Treasury Management, Accounts & Taxation as well as management of Board and regulatory compliances. She successfully spearheaded Ujjivan's IPO to list the company's shares on BSE and NSE. She has also led the restructuring of the Company and formation of the Small Finance Bank.



Sanjeev Barnwal

Company Secretary and Compliance Officer

Sanjeev Barnwal is a qualified Company Secretary from the Institute of Company Secretaries of India and holds a Bachelor's degree in Law and a Diploma in Business Management. He also received NSE's Certification in Financial Markets (NCFM) for Compliance Officer (Corporate) Module. He has a corporate experience of over 13 years and prior to joining Ujjivan, he worked with SMC Capitals Limited as Associate Vice President and Company Secretary. He played a significant role in the IPO and listing of the Company and subsequently in the restructuring, incorporation and formation of the Small Finance Bank. He has also worked with companies like CMC Limited and SBEC Sugar Limited previously.



Hiren Shah

Chief Financial Officer

Hiren Shah joined Ujjivan in August 2015 and was one among the key persons to successfully lead Ujjivan's IPO. He has over 17 years of consolidated experience as a Business Journalist, Investment Banker and Investor Relations Advisor to many leading corporates, both Indian and international. His expertise includes strategic planning and execution of financial deals including IPOs, PE/Pvt. Placements, Mergers and Acquisitions, Rights Issue, FPO and Investor Relations. He holds a Master's degree in Finance from the Jamnalal Bajaj Institute of Management Studies, Mumbai.



Ujjivan Team Members celebrating the listing of the company.

Brand & Marketing

Customer Connect Initiatives

To hear and learn from customers about their needs and aspirations is always our first priority. This year, we conducted customer forum meetings across 4 regions at more than 400 branches month on month basis. We organized meetings and communicated about our products & services in order to expand the scope of services to our customers. These meetings gave us learning insights from customers and helped in modifying our approach and services accordingly.



Shaurya – Be a Star. An employee motivation program

To reward exceptional performers from Sales & Distribution, an incentive program called Shaurya was launched. This is an organization wide reward & recognition program aimed towards motivating distribution team. Thousands of employees successfully participated and won attractive incentives for superior performance.



Swagat Program

Swagat is the program launched to welcome Ujjivan's existing borrowers to the fold of "Ujjivan Small Finance Bank through Opening of a Savings Bank Account for our existing borrowers which includes a personalized chip enabled debit card and a uniquely designed pouch made for customer convenience. Done with the help of a handheld device and an intention to enroll all our active borrowers before the launch of a branch, the campaign is completely paperless Aadhar enabled with biometric authentication



Mass Marketing Campaigns

Ujjivan conducted mass – marketing activities throughout the country like wall branding, auto rickshaw branding as well as van campaigns in South and West regions. The campaign resulted in significant number of lead generation providing fresh opportunities for new customer acquisitions.

Products & Services

Microfinance Products

Microfinance products at Ujjivan Financial Services are purpose based solutions for needy customers. We strive to bring an increase in household incomes for our customers through our product offerings at their doorstep. Access to financial services enables customers to build and change their mix of assets. Our micro loans can be used for business expansion, housing improvement, crop cultivation or the purchase of milch cattle and children education. Customers can also use loans to make important investments in human assets, such as medical emergency and higher education. Microfinance Loan Products are classified into 2 categories:

1. Group Loans
2. Individual Loans

Group Loans

Group loans are the most tactical products at Ujjivan Financial Services, which comprise more than 86% of the total Microfinance lending portfolio. In order to design new products and develop the existing ones, we are in constant pursuit to understand customer needs, their preferences and financial behavior. We believe in translating this gathered knowledge into products that are better adapted to our customer's household needs and are affordable.

Core Loan Products

Business Loan:

Provided to self-employed women (fruit vendors/vegetable vendors/petty shop owners/tailors etc.) for financing diverse business needs such as capital expense, working capital, repayment of high cost debt etc.

Features:

- Loan range: Rs.6,000–Rs.50,000 • Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure:
 - Loan amount between Rs. 6,000 - Rs. 15,000: 1 year
 - Loan amount between Rs. 16,000-30,000: 1 Year/ 2Years
 - Loan amount between Rs. 31,000- 50,000 : 2 Years
- Processing fees: 1% of loan amount (exclusive of taxes)

Family Loan:

Family loan is designed for low income economically active women to finance a range of family needs such as school expenses of children, medical care, house repairs, social and religious obligations, buying consumer durables and repayment of high-cost debt previously taken for family needs.

Features:

- Loan range: Rs.6,000– Rs. 35,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure:
 - Loan amount between Rs. 6000 - Rs. 15000: 1 year
 - Loan amount between Rs. 16000-30000: 1 Year/ 2Years
 - Loan amount between Rs. 31000- 35,000 : 2 Years
- Processing fees: 1% of loan amount (exclusive of taxes)

Agriculture and Allied loan:

Agriculture is the backbone of Indian economy. Keeping in

view the specific requirements of customers, we offer them agriculture and allied loans. The product helps our women borrowers meet the cost of capital expenses and working capital activities for farming and allied activities.

Features:

- Loan range: Rs. 6,000–Rs. 50,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure:
 - Loan amount between Rs. 6000 - Rs. 15000: 1 year
 - Loan amount between Rs. 16000 - Rs. 30000: 1 Year/ 2Years
 - Loan amount between Rs. 31000 – Rs. 50,000 : 2 Years
- Processing fees: 1% of loan amount (exclusive of taxes)

Value- Added Group Loan products

Business Top-up Loan:

This loan product offers additional finance to customers during the year to address business requirements. This loan allows customers access to additional liquidity over and above their initial business loan and is given based on a satisfactory credit history.

Features:

- Loan range: Rs.3,000–Rs. 6,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 9 Months
- Processing fees: 1% of loan amount (exclusive of taxes)

Emergency Loan:

The loan is designed to meet the unforeseen medical emergency requirements of customers. The loan is disbursed within 24 hours of request from Customer.

Features:

- Loan range: Rs.2,000–Rs.5,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 6 Months
- Processing fees: 0%

Education Loan:

Education loan helps promote education among our customers and their children. The product has been designed to help finance the education expenses e.g. admissions fee, purchase of text books, uniforms etc. for children studying from nursery to degree/diploma/vocational training.

Features:

- Loan range: Rs.5,000–Rs.15,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 12 Months
- Processing fees: 1% of loan amount (exclusive of taxes)

Loyalty Loan:

Loyalty loan has been designed as a top up loan to assist our loyal customers attain additional liquidity in their business cash-flows during the festival seasons. This product is a token of appreciation for customers who have maintained more than 20 EMI relationships with Ujjivan Financial Services.

Features:

- Loan range: Rs.5,000–Rs.15,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 12 Months
- Processing fees: 1% of loan amount (exclusive of taxes)

Individual Loan Products

Individual loans are higher ticket size loans tailor made to suit our mature group loan customers. Individual loans are disbursed on an individual basis to existing Ujjivan customers who have successfully repaid 20 EMIs or more. The modified product variant is also available for new to Ujjivan customers. The Individual loans at Ujjivan are available for business expansion, home improvement, animal husbandry, children higher education, and agriculture crop cycle and inputs management.

Individual Business Loan (IBL)-This loan product gives our customers access to finances for working capital and asset improvement for their business enterprises.

- Loan Amount: Rs. 51,000 - Rs.1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 2% of loan amount (exclusive of taxes)

Home improvement loan (HIL) - This product gives financial access to customers towards payment for home improvements

- Loan Amount: Rs. 51,000 – Rs.1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 12– 36 months
- Processing Fee: 2% of loan amount (exclusive of taxes)

Livestock Loan (LL) - This loan facilitates income enhancement by providing capital to livestock breeders for purchasing additional cattle and cattle shed renovation.

- Loan Amount: Rs. 51,000 - Rs. 1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 1% of loan amount (exclusive of taxes)

Individual Bazaar Loan (IBZL) - Individual Bazaar Loan is offered to clients operating in the bazaar area for the purpose of business improvement. This product has been specifically designed to cater to the needs of open market customers i.e. customers who have not graduated from Group Lending to Individual Lending in Ujjivan Financial Services.

- Loan Amount: Rs. 51,000 – Rs.1,50,000
- Interest Rate: 24% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 2% of loan amount (exclusive of taxes)

Higher Education Loan (HEL)- Higher Education Loan has been specially designed to cater to the needs of the families who find it difficult to arrange for higher education of their children due to lack of access to organized credit.

- Loan Amount: Rs. 51,000 – Rs. 1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 1% of loan amount (exclusive of taxes)

Individual Agriculture Loan (IAL)-The Individual Agriculture Loan has been designed for marginal and tenant farmers who find it difficult to access adequate institutional credit for crop cultivation.

- Loan Amount: Rs. 31,000 – Rs. 80,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 4– 12 months
- Processing Fee: 1% of loan amount (exclusive of taxes)

Open Market Livestock Loan (OMLL)- This loan facilitates income enhancement by providing capital to livestock breeders (who are new to Ujjivan Financial Services) for purchasing additional cattle and cattle shed renovation.

- Loan Amount: Rs.51,000 - Rs.1,00,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 - 24 months
- Processing Fee: 1% of loan amount (exclusive of taxes)



Insurance

Insurance for Group Loans

We advise all our borrowers and their spouse to avail the benefit of insurance. Insurance for borrowers is available up to the age of 59 years and for their spouse up to 58 years. Availing insurance product through Ujjivan Financial Services is optional and is subject to sole discretion of customer/spouse.

In Rupees

Product	Tenure	Premium		Total premium	Sum assured 1st year / 2nd year
		Customer	Spouse	Customer + spouse	
Core GL (6,000-15,000)	1 year	94	114	208	20,000
Core GL (16,000-30,000)	1 year	141	172	313	30,000
Core GL (16,000-30,000)	2 years	283	344	627	30,000
Core GL (31,000-50,000)	2 years	471	573	1044	50,000
Education loan	1 year	94	114	208	20,000
Top up	9 months	47	57	104	10,000
Loyalty (5,000-10,000)	1 year	47	57	104	10,000
Loyalty (11,000-15,000)	1 year	94	114	208	20,000
Emergency loan	6 months	Nil			

- Preprinted receipt on loan card will include details of payment of husband insurance premium, wherever applicable
- Policy tenure will be 1 year/ 2 years depending on the loan tenure. Age of the customers must be between 18 and 58 (for fresh customers) years and age of spouse must be between 18 and 58 (fresh customers) Years.

Insurance for Individual Loans

- We advise all borrowers and co-borrowers to insure them
- Age of the customers must be between 18 and 57
- Premium amount: Rs.4.09 per 1000 loan per person per year
- Sum assured is equal to loan amount

Disbursement date	Policy Start Date (w.r.t disbursement date)	Policy Tenure
1 st to 15 th of the month	1 st of the same month	12/24/36 months from the policy start date
16 th to 30 th /31 st of the month	16 th of the same month	12/24/36 months from the policy start date

Ujjivan also insures Housing Loans and Micro & Small Enterprise Loan borrowers on the similar lines.



Micro and Small Enterprises (MSE) Products

Unsecured Business Loan - This product caters to the need of customers who are into the business of Micro and small enterprises and require loan for expanding their business premises/purchase of new machinery, Working Capital, Debt consolidation (refinance of any loan taken for business purpose) or any capital investment. Primarily, the businesses are not registered in this segment. No documentary income proof and high fungibility with family income and expenses. In this segment, the tax filling is non-prevalent. No collateral is required for these loans.

- Loan Amount: Rs.1,50,000 – 3,00,000
- Interest Rate: 24% p.a. declining
- Tenure: 12 - 36 months
- Processing Fee: 2.25% of loan amount + Service Tax

Unsecured Enterprise Loan - This product caters to the need of customers who are into the business of small enterprises and require loans for expanding their business premises/purchase of new machinery, Debt consolidation (refinance any loan taken for business purpose), working capital or any capital investment. Primarily, the businesses are registered in this segment. Some formal documents are collected as income proof, tax-filling done although irregular and moderate exposure to banking. No collateral required.

- Loan Amount: Rs.3,00,000 – 5,00,000
- Interest Rate: 21-23% p.a. declining
- Tenure: 12 - 36 months
- Processing Fee: 2.00% of loan amount + Service Tax

Secured Enterprise Loan - This product caters to the need of customers who are into the business of small enterprises and require loan for expanding their business premises/purchase of new machinery, Debt consolidation (refinance any loan taken for business purpose), working capital or any capital investment. Primarily, the businesses are registered in this segment. Some formal documents are collected as income proof, tax-filling done although irregular and moderate exposure to banking. The loan will be secured by residential building or mixed use (residential and commercial), taken as collateral.

- Loan Amount: Rs.10,00,000 – 25,00,000
- Interest Rate: 17-19% p.a. declining.
- Tenure: 36 - 84 months.
- Processing Fee: 1.00% of loan amount + Service Tax
- Log in fee: Rs.1,500 + Service Tax

Secured Business Loan – This product caters to the working capital requirements/capital investment/mixed use of micro and small entrepreneurs for their smooth running of business. The loan will be secured by residential building or mixed use (residential and commercial), taken as collateral. (Discontinued from February 2017)

- Loan Amount: Rs.3,00,000–10,00,000
- Interest Rate: 19.75% p.a. declining
- Tenure: 24 – 84 months
- Processing Fee: 2.00% of loan amount + Service Tax
- Log in fee: Rs.1,500 + Service Tax

Housing Loan Products

Home Loan product variants offered by Ujjivan Financial Services are briefly as given below.

Home Loans (Informal Segment) – Loan can be utilized for Construction/Purchase of a home. In this segment, there is non-availability of proper documents to assess income. The income range is Rs.15000-Rs.50000 per month. Average ticket size of this segment is 5 Lakhs and average tenor is around 8 years. Loan to Market Value goes up to 70% (actual LTV is much lesser) and Loan to Estimate can go up to 80% under this product.

Home Loans (Semi-Formal Segment) – Loan can be utilized for Construction/Purchase of a home. In this segment, the income is partially documented. The income range is Rs.20000-Rs.60000 per month. Average ticket size of this segment is around 8 Lakhs and average tenor is around 11 years. Loan to Market Value goes up to 70% (actual is much lesser) and Loan to Estimate can go up to 90% under this product.

Home Improvement Loans – The loan can be utilized for incremental housing work like extension, renovation and sometimes completion. In extension purpose the works include addition of rooms in the same floor or in higher floors. In renovation purpose the works include, roof conversion, floor elevation, Plastering & Painting, Building of Compound walls, Portico extension etc. The income range is Rs.15000-Rs.50000 per month. Average ticket size is around Rs.3 Lakh and average tenor is around 6 years. Loan to Value is restricted to 50% and Loan to Estimate can go up to 90%.

Loan Against Property – The end use of this loan primarily goes for asset creation. There may be mixed usage for education or business. The income range is Rs.15000-Rs.50000 per month. Average ticket size for the product is Rs.4 Lakh and average tenor is 8 years. Loan to Value has been restricted to 60% of the Market Value of the property.

PRODUCTS OFFERED	LOAN AMOUNT	ROI	TENOR	PROCESSING FEE
Home Loan (Informal Segment)– Construction/Purchase	2-15 Lakh	15.75% p.a. reducing balance	24 to 180 months	2% of Loan Amount(exclusive of Service Tax)
Home Loan (Semi-Formal Segment) – Construction/Purchase	5-15 Lakh	12.75% p.a. reducing balance	36 to 180 months	1.5% of Loan Amount(exclusive of Service Tax)
Home Improvement Loan(Secured)	2-7 Lakh	17.75% p.a. reducing balance	24 to 120 months	2% of Loan Amount(exclusive of Service Tax)
Loan Against Property	3-10 Lakh	19.75% p.a. reducing balance	24 to 120 months	2% of Loan Amount(exclusive of Service Tax)

Service Quality



Our Service Quality programs implemented over the past few years have been a key differentiator in the micro finance sector. Our impressive customer retention rates year on year are key testimony of our customer centric approach. During the year 2016-17, we have taken a number of initiatives in order to upgrade our Service Quality programs for an effective transition from a lending organization to providing a full range of banking services. These initiatives are primarily focused on service quality trainings for frontline staff, developing customer service related policies, setting standards and processes for banking services including deposits and introduction of new software solution and channels.

Customer Service & Governance

Ujjivan as a micro finance institution has always believed in client protection and fair lending practices. Hence we have invested significantly on financial literacy programs, customer awareness on fair practices code, education on ill effects of multiple borrowing, avoidance of over-indebtedness, importance of maintaining a healthy credit history, issues relating to ghost lending and safety of customer information. We have also trained all our frontline staff on fair practices code, transparency, respectful treatment of customers, and grievance redressal mechanism. Ujjivan follows various guidelines issued by Reserve Bank of India (RBI) on Fair Practices Code for NBFC-MFIs and has also adopted Industry Code of Conduct developed by MFIN (Microfinance Institutions Network). Ujjivan also endorsed "Smart Campaign"-a global initiative committed to embedding strong client-protection practices into the microfinance industry, and implemented adequate global standards of Client Protection Principles.

As we are preparing for providing full range of banking services that includes deposit products and payment services, above mentioned customer service and customer protection framework need enhancements. Hence we have developed various customer service related policies with the principle guidelines taken from regulatory sources like the master circular on customer service & banking ombudsman scheme by Reserve Bank of India and various model policies of Indian Banks Association. The policies which were developed and incorporated are a) Customer Service Policy b) Customer Grievance Redressal Policy c) Policy on Avoiding Misselling d) Comprehensive Deposit Policy e) Customer Rights Policy f) Customer Compensation Policy g) Policy on Fixing Service Charges, and h) Citizen's Charter. Frontline staff who will take

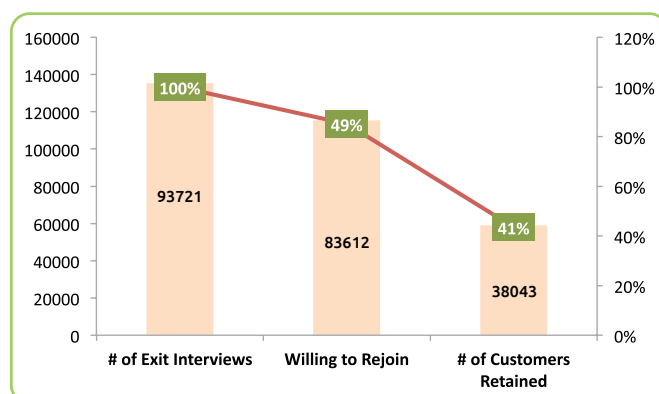
up roles in 'Bank Branches' have been trained on above policies for effective implementation. The customer service aspects will be monitored by the Small Finance Bank through Customer Service Committee of the Board, Standing Committee on Customer Service and Service Quality department.

Customer Retention Programs

Ujjivan has been maintaining a healthy customer retention rate and observed a marginal Increase from 86.29% to 86.40% in 2016-17 compared to the previous year despite impact on our operations due to demonetization and increased credit bureau related rejection rates from 11.6% in 2015-16 to 14% in 2016-17.

Customer Care Representatives placed in each of our branches have met over 93,721 inactive customers and retained 41% of them with repeat loans.

Chart 1: Number of Exit Interviews conducted by CCRs during FY 2016-17 and retention percentage



Note: 83,612 customers expressed their willingness to rejoin. Of these, 45,000+ customers were not retained due to multiple borrowing, bad credit history, migration and other reasons

Customers Grievance Redressal

Ujjivan adopted a well-structured customer grievance redressal mechanism and provides customers a reliable and easily accessible interface for timely and fair resolution of enquires & complaints. Our Board approved policy on

customer grievance redressal aims to minimize the instances of customer complaints through proper service delivery and review mechanism. Ujjivan provided multiple levels of contact and escalation points for customers to seek prompt resolution of their queries.

- **Customer Care Representatives (CCR)** - We have 430 CCRs working in branches as the first point of contact for the customer for complaint resolution. Due to low literacy rates and their vulnerable background, our customers found it convenient talking to someone face-to-face rather than calling a remote helpdesk, hence we have given importance to placement of CCRs in most of branches across the country.

- **Toll-free Customer Helpline** is a second level escalation point for customer grievances. The Help Desks ensure that all complaints are tracked, resolved and if required, escalated on a timely basis.

- **Grievance Redressal Officer:** Each Regional Office has a Grievance Redressal Officer (GRO) for 3rd level escalation; GRO monitors customer grievances at the regional level and is responsible for ensuring timely resolution of all complaints received directly and through CCRs and Helpdesks.

- **Outbound Calls:** Ujjivan offered Welcome & Service feedback calls to all new and repeat clients after loan disbursements. This is to seek their feedback on quality of our services, turn-around-time and employee behavior. The customer complaints received through these outbound calls were also documented and resolved by our grievance cell.

- **Call-back Requests:** We have provided an option in our website for customers who wish to raise enquiries or complaints by submitting 'call-back request' using our web page. All these requests are being attended by our regional helpdesk teams through outbound phone calls. We have received 344 call-back requests during the year 2016-17.

Chart 2: Customer Enquiries and Complaints attended and resolved during the year



Table 1: Statement of Customer Complaints received and resolved during the period Apr 2016 to Mar 2017

FY 2016-17	
Disclosure of Complaints	Count
No. of complaints pending at the beginning of the year	14
No. of complaints received during the year	2171
No. of complaints redressed during the year	2072
No. of complaints pending at the end of March 2017	113

As part of transitioning from MFI to Small Finance Bank, we have enhanced our grievance redressal mechanism by placing Nodal Officers in all 4 regional offices and Principal Nodal Officer at corporate office.

Assessments:

Code of Conduct Assessment (COCA):

Ujjivan underwent the "Code of Conduct Compliance Assessment" during December 2016. The assessment was conducted by **M2i Consulting**, an independent agency, using COCA Compliance Assessment Tool. This tool requires scores to be assigned on the seven Code of Conduct dimensions – Client Origination, Loan Pricing, Loan Appraisal, Client Data Security, Staff Conduct, Client Relationship and Feedback and Integrating Social Values into Operations, across the four parameters – Approval, Documentation, Dissemination and Observance. The seven dimensions have been drawn from a review of the norms prescribed for MFIs including industry's code of conduct, fair practices code of RBI and CGAP's client protection principles (Smart Campaign). The COCA tool also specifically assesses the MFI for compliance against the RBI's guidelines and scores it as well. The scores on the COCA indicators are then scaled down in proportion to the score received in Regulatory Compliance.

Ujjivan has received composite COCA score of **93%** (145.8 out of 157) on seven CoC dimensions and 100% (12 out of 12) scores on adherence to RBI directions which denotes "**Excellent Adherence**".

Understanding the expectations of un-served and under-served customers from a bank

The unserved and underserved segment of the society generally perceives that the banking transactions are painful, unsafe, entail long waiting time in queues at bank branches and they also face lack of respectful treatment, difficulties in accessing their funds and poor assistance in filling forms or carrying out a transaction. Due to these barriers, Ujjivan's present customer base and large section of lower income group population don't seek banking services for their day to day financial transactions. Ujjivan had assisted its customers to open savings accounts in other bank branches in the last few years. However, it was evident that these customers have not been actively using their bank accounts for the reasons mentioned above. Therefore, our Service Quality programs focused on changing those perceptions towards banking -an assurance that ensures:

- Customers are treated respectfully irrespective of the size of their transactions
- Quick and hassle free services
- Doorstep services to ensure easy access and convenient banking
- Assisted services across channels for smooth banking transactions and ensure gradual shift from 'assisted to self-service' model

Service Quality Trainings

As we are into a transition phase from a lending business to deposit seeking business, our staff requires change in mindset in order to be prepared for handling expectations of depositors. We started with "**Customer Centricity and Mindset Change**" trainings for front end staff in branches. The training focused on the skills required to handle different types of customers and their needs effectively while delivering new range of banking products and services through a multi-channel network. The trainings for branch managers, sales and operational staffs of branches were conducted by Service Quality on assisted banking services and behavioral aspects for improving quality of customer interactions. Service Quality also emphasizes on 'Internal Customer Service' which is a



prerequisite for delivering excellent customer experience, hence the trainings for key support functions within the Bank were carried out with a special emphasis on promoting internal customer service.

Customer Relationship Management

Customer Care Representatives (CCR) – enhancing skills from a Micro Finance role to a Bank Role: Over a period of 7 years we have developed a unique CCR program that provides a branch one representative who will focus on the needs of walk-in customers at the branch, their query and complaint resolution and on reducing customer dropout rates. One of the major achievements of the CCR project was achieving high customer retention rates through an exit interview process for dropout customers..

Preparing the existing CCRs for a Small Finance Bank was one of the key focus areas of Service Quality department during the year. The CCRs will now be placed at the welcome desk in ' Bank Branches' and specifically trained on attending customer needs and providing assistance in carrying out their transactions quickly. We have envisioned paper-less banking concept to make banking transactions effortless and quick. In case of any forms/ challans are still needed and customers are unsure of how to fill them, our CCRs and other staff at branches will assist them for the same. The training of CCRs are being completed through multiple phases including role based bank readiness training, technology and regulatory trainings. A variety of training methodologies are being used such as interactive sessions with group discussions, role plays using real life situations, practical technology sessions and e-learning projects.

• CRM solution:

Until now, a simple complaint tracker was used by Service Quality team to document, track and resolve customer enquiries and complaints. The complaint tool was not integrated with the core banking solution. Entire workflow of a query or complaint resolution was managed at one point by Service Quality since the types of customer queries or issues are simple and very less in lending business. In a banking space, where full range of financial products and services are offered, there are variety of customer needs hence we were required to adopt a robust software solution.

Our new CRM software is capable of handling different types of customer support requirements such as service requests, deliverables management (debit cards, cheque books, statements of accounts), enquiry, complaints and feedback. The CRM solution enables auto assigning of service requests to concerned support functions and fulfillment teams, tracks resolution against prescribed turn-around-time and auto escalates pending requests. The system acknowledges receipt of requests or a complaint via text messages sent to customers and communicates the closure of the issues.

• From a traditional Helpline to 24/7 Phone Banking Unit – multiple channels for customer support:

We have migrated from a traditional 9 am - 5 pm helpdesk to 24/7 multilingual phone banking unit with an advanced contact centre technology. Our customers will not face hassles of IVR or robotic voice; their calls will be directly connected to dedicated officers based on preselected language preferences. The integration between computer telephony and CRM solution enables phone banking officers to view customer profile, portfolio and outstanding service requests which enables appropriate responses to customer enquiries, thus providing a seamless customer experience.

In addition to phone banking, our customers are provided with other multiple channels to seek resolutions for their enquiries, requests and complaints. These include options such as customer care email, internet banking, mobile banking and our website where customers can find feedback/ enquiry templates to fill and submit. A dedicated centralized Customer Care Cell is in place to effectively respond to customer enquiries received through these alternate channels.

Risk Management



To build a robust risk management framework for its operations, Ujjivan as an MFI had set up an independent Risk Management department to manage various risks. The department had addressed inherent risks and developed controls for Ujjivan's existing lines of business as an MFI. The scope and remit of the Risk Management department has been enhanced to address additional risks as it transitions into a Small Finance Bank and new products and enhanced IT systems and processes are introduced. To meet this, Ujjivan has procured both an EGRC and ALM solution to effectively monitor aspects of Credit, Market, Liquidity, IT and Operational risks. Policies and procedures to meet the enhanced requirement have been formulated with the approval of the Board, in addition to the constitution of independent committees to oversee Credit, Market and Operational Risk. The Risk Committee of the Board have reviewed risk management policies in relation to various risks including portfolio, liquidity, interest rate and operational risks., Investment policies and strategies, regulatory and compliance issues in relation thereto are also reviewed by the Committee.

Ujjivan Financial services as a MFI had exposure to money market instruments through CPs in FY 2016-17. In addition to its traditional funding sources from Banks, NCDs and NBFC's etc. As such the function of market risk was mainly restricted to ALM. Ujjivan had a unique process to evaluate and monitor risk at each of its branches. This included an assessment of both internal and external factors, including quality of credit portfolio, branch supervision, staff attrition and external events. A team of field risk staff complemented the efforts of the team at the corporate and regional offices to generate a risk score for the branches. Based on the risk scores generated, the branches that are deemed to be exposed to higher risks were subjected to greater monitoring and control and the frequency of audits at these branches was increased. It is this rigorous monitoring of risk at a granular level that had helped Ujjivan avert any major crisis that had affected the MFI sector from time to time.

In compliance with the requirement of Companies Act, 2013, Ujjivan completed in 2016-17, a review of its Internal Financial Control (IFC) based on the COSO framework. It is now in a state of preparedness for ISO 27001 certification and is implementing Business Continuity measures pursuant to the requirement of ISO 22301.



Human Resources

Our Culture:

Ujjivan has a culture based on a set of core values of Integrity, Transparency, Respect, Professionalism and Teamwork tied together amidst diversity. Our people have been our vital energy source, giving us strength every step of the way, during this metamorphosis into a Small Finance Bank. For us, it has been a journey of striving to work for the development of our customers. We also practice an open door policy where employees are free to put across their ideas to foster transparency, fairness, integrity and innovation within the organization.

Ujjivan believes in the purposeful involvement of employees at their workplace so that they can make a difference & give back to the community and make a positive impact.

Described as a **Great Place to Work** by employees (a fact validated through external platforms), Ujjivan has always invested in its people. Since inception, we have always believed in building a culture of trust in our processes & functions throughout the organization. As a result, we have grown together as an organization which is "Born of Trust" and are known for our service excellence. We have been able to achieve this by being a people-oriented organization. At Ujjivan you will see that all employees share a unified vision & purpose – the HR Team has been successfully enabling this through its initiatives & communication channels.

Employee First

At Ujjivan, we believe in Employee Power & "Employees First" is our motto. We believe that happy employees create happy customers. Employees at Ujjivan feel cared for & valued. All employees here take a lot of pride in doing meaningful work & bettering lives. Ujjivan tops the chart in Customer Service & Customer Retention Ratios across the Banking & Financial Services Industry.

In this entire journey of transformation from microfinance to a Small Finance Bank we have ensured professional development is accorded the highest priority so that the employees feel valued and their skills are being nurtured to take over future roles within the organization.

In alignment with the motto of 'Employees First', our Banking Services was first launched to our employees before it was opened up to our customers and the general public. While we transitioned into becoming a Bank, we always worked with the prerogative that new opportunities & roles will first be given to the existing employees before opening it up for external hiring & talent acquisition. Besides communicating this, the HR Team has also proactively engaged in assuring employees that there would be continuity of service and preparing the employees for their collective growth with the transition.



Employee Engagement

In order to create a conducive environment for young mothers who are employed at Ujjivan, we have been providing on-site day care crèche facilities in our corporate office since 14th of June, 2016. It also provides state of the art infrastructure and services to the new -borns and toddlers.



Celebrating Together

Ujjivan has a strong culture of celebrations. All occasions are celebrated with great fervour and excitement at Ujjivan Regional Offices and branches. A few examples of such celebrations include:

- Successful IPO & Listing of the company
- The Great Place to Work ranking
- Receipt of the “in-principle Approval” from the RBI to set up a Small Finance bank
- Receipt of the Small Finance Bank License from RBI
- All other regional & religious celebrations & festivals

The Leadership is actively involved in these celebrations and key events were telecasted live to our employees across all regions in India. The HR Team has always been involved in proactively enabling such initiatives. A campaign called “We are Now Bankers” was initiated to heighten pride among our employees as we began operations as Ujjivan Small Finance Bank.

Being a “Great Place to Work”

Based on our survey results & the study conducted in 2016, we are ranked 3rd in India’s Best Companies to Work For & ranked 10th in Asia’s Best Large Workplaces List.

Here are a few facts we take pride in being the 10th Best Large Workplace in Asia.

- We are the Highest Ranked Indian Organization on this list.
- This is what the Great Place To Work Institute says about this study:

“The Best Workplaces in Asia list recognizes organizations in the Asia region that are dedicated to sustaining high-trust cultures for their employees. These workplaces are distinguished by their extraordinary levels of trust, pride, and camaraderie. Putting their people first is a key priority for these companies and it is this commitment to providing strong, caring, and innovative cultures that we celebrate with our Best Workplaces in Asia list.”

(Source: <http://www.greatplacetowork.net/best-companies/best-workplaces-in-asia/best-large-workplaces-in-asia>)

It is our constant endeavour to support our employees at all times of needs. One such momentous occasion came up as the country grappled with the aftermath of demonetization. With ATM’s unable to dispense cash and banks running out of money, we stepped in to support our employees and cash salary advances were extended to employees in addition to getting our partner banks to extend mobile ATM services to our staff in the offices. This well timed and well-meaning gesture helped our employees focus on supporting our customers well and focus on their work through the turbulent phase of the nation’s transformation.

Besides this, we ensure that employees availed compensatory leaves when they put in extra working hours; conducted de-stress activities & also actively resolved grievances. It was evident during this period that the leadership actively invested in the well-being of the staff, especially the field staff. Various initiatives conducted by HR at the branches like de-stress activities, hours of fun etc. helped in tackling periods of stress and crisis.

No stone was left unturned in reaching out to our branches and employees, especially in the distressed areas. Communication channels remained open and empowered – through this, staff found additional support and resources to tackle sensitive issues and customer issues.

Attracting Talent

There was an increased focus on recruitment to keep pace with the rapid growth of the microfinance business and to prepare for the bank transition. To meet the talent needs of the organization and in preparation for the SFB branch roll outs, we on boarded 4092 new employees during the FY 16 – 17. We hired across all organizational levels and ensured that the people on boarded in time.

Management Development Program

Ever since 2008, Management Development Program’s (MDPs) have been a focussed induction program for fresh management graduates. We shortlisted 118 Management graduates during the FY 2016-17 who will undergo a structured programme (“Ujjivan Gurukul”), in the current year familiarizing them with the Ujjivan ethos, values, business & operations.

Talent Management:

Last year was a year of great importance for Ujjivan as we transitioned into a Small Finance Bank. The transition entailed a lot of challenges, including on-boarding new talent and retaining the existing talent. However, Ujjivan succeeded in achieving a remarkable 83.9% retention rate against 75% industry average. 87% of our employees are engaged in field level interactions with customers which involves understanding the customers financial needs and catering to the same.

• Career Opportunities - Internal Job Postings (IJPs) and Employee referrals

At Ujjivan, IJPs & employee referrals are vital source of recruitment and have helped in sourcing talent for various critical banking positions. In the FY 2016-2017, once the new organizational structure for the bank was finalized and list of job roles were identified, the opportunity to take up new roles was opened to the existing employees through internal job postings.

Several IJPs were rolled out for different banking roles and overwhelming responses were received from employees across various departments. To ensure suitable candidate fitment a robust framework of screening was developed which included the employees’ past performance in the organization, performance in aptitude tests, supervisory feedback and interviews.

Rewarding Our People:

• Compensation Philosophy

Ujjivan believes in paying its employees in an equitable and fair manner. We endeavour to link our rewards package to the individual’s profile, performance and role.

Our endeavour through our Rewards package is to support the organizations efforts to build a meritocratic organization.

• Employee Benefits

Ujjivan believes in offering great benefits to employees to ensure that employees have increased efficiency and have higher commitment to meeting the company’s goals. We started the year with a comprehensive benefits portfolio which ensured all employees of the organization had benefits that supported every stage of life and help plan for the future as well.

The implementation of our people strategy started during FY 16-17 in preparation for meeting the requirements as a bank. This included a lot of efforts to streamline our benefits to align to banking standards. We attempted to automate our benefits enrolment and the response from employees to this initiative was overwhelmingly positive.

In the month of June 2016, my spouse suddenly fell ill and required an emergency hospital admission.

With the cooperation that I received from the organization and various teams (HR & our Insurance Service Providers) I was able to get treatment for my spouse from a reputed hospital at zero cost.

Thank you UJJIVAN HR Team for your great support. – *Mr. Prabir Kar (Officer – CMS Operations)*

• Rewards

As a part of the transformation journey from an MFI to a Small Finance Bank, Ujjivan found that a lot of new roles relevant to SFB were being created and current jobs were undergoing a significant change. The organization rolled out a new grade structure by evaluating all unique jobs in the organization through a scientific, analytical and job centred process. This was done keeping in mind the industry norms for the various verticals we operate and the job families.

In another significant preparatory step the organization benchmarked its salaries against the industry to ensure that we pay our people in accordance to banking standards. A detailed study of the compensation structure of the organization was also undertaken and salary changes were recommended basis several factors including the quantum of job change in a position in the SFB.

• Employee Stock Option Plan (ESOP)

Ujjivan has offered Stock Options to its employees since its early days. The stock options are not limited to senior employees but also extended to employees at all levels based on the employees' performance. Out of total 6098 employees who have been granted ESOPs, 764 employees have exercised their options. Last year we granted ESOPs to 3880 eligible employees based on their performance.

We successfully launched our IPO in May 2016, post which, a lot of excitement was seen amongst the employees to exercise their vested options under different schemes.

ESOP Scheme	No of employees granted ESOP's	No of employees who have exercised some part of the ESOP grant
ESOP 2006	22	10
ESOP 2007	46	30
ESOP 2008	204	93
ESOP 2010	1144	373
ESOP 2010 for FY11-12	2127	545
ESOP 2015	2817	276
Additional grant under ESOP 2015	3880	0

Employees' speak on ESOP:



"I am working at Ujjivan for the past ten years. Ujjivan has played a major role in improving my standard of living. I was unable to have any savings out of my salary earlier. But ESOPs given by Ujjivan helped me earn a lot when I sold it. My family is also very happy as it helped me buy a property, which was my dream" -**Ramu S** (Branch Operation Officer-South)



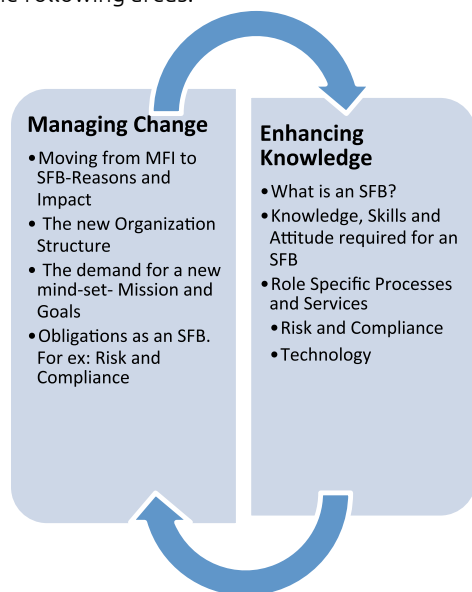
"The day I received ESOP's from Ujjivan, it was a memorable day for me. I strongly believe that this is not only an appreciation for my work but is a huge responsibility. After selling some part of ESOPs, I have purchased a small flat for my family. This was a dream come true for me after I have received the ESOPs" -**Milan Panda** (Officer Administration-East)



Learning the Ujjivan Way:

When Ujjivan first embarked on its exciting journey of getting the coveted Small Finance Bank license, we made some clear decisions. Our employees are precious to us and we have always looked for ways to add value to their work and life. Hence we decided to build our internal talent to scale up to certain key roles in the SFB. We recognized the inherent challenges that came with these decisions since we had limited time and an audience which till date was accustomed to working in the MFI space with minimal or no exposure to Banking.

Ujjivan as an MFI excelled in its learning since it successfully ran various interventions both at the branches and backend. However, what we now needed was bigger and more complex since it involved both mind-set change and knowledge enhancement in a completely new space. The intense learning roadmap for entire process of transition training was organized under the following areas:



The idea was to conceptualize the learning roadmap for the transition centrally in alignment with the other functions and the overall strategy for SFB branch roll-out. Some of the directives for the Learning and Development team were:

- Building the new customer service mind-set
- Building role-based operational competency
- Building the technology competency
- Building the Risk and Compliance knowledge
- Cultural alignment of existing and new employees

It became imperative to encourage our people to start thinking like Bankers. Training plans were developed based on the analysis of training needs conducted in consultation with various businesses. A host of training programs were developed and delivered which was a healthy mix of internal and external interventions which empowered our existing staff to take on new SFB roles.

Ujjivan conducted 7615 Change Awareness trainings totalling to 30,456 man hours. Ujjivan had also conducted for its branch roles 2763 'basics of banking trainings' totalling to 99,468 man hours and 733 Branch roll out training covering Branch readiness, branch technology and branch regulations totalling to 25,040 hours, 14,848 hours and 7,520 hours respectively. For back end and control functions 1,045 employees were trained in 'Basics of Banking' totalling 25,080 hours.

During transition to the Small Finance Bank, our MFI and Business-As-Usual training continued. Since we employed a number of people across roles and functions, it was important to align cultures and create familiarity with the MFI business. We trained 3,249 employees over 4,30,208 hours as part of the MFI branch induction training.

In addition to Induction, we conducted several workshops such as Interviewing Skills, Facilitation Skills and other Leadership Development programs.

Technology based Processes:

Technology in HR has played a vital role in managing employee life cycle processes based out of diverse geographies.

The role of technology was more pronounced during transition to Small Finance Bank. We were able to successfully conduct IJP tests online through, the Learning Management System (Moodle) covering 3500 applicants leading to time and cost savings.

It was and still continues to be widely used to disseminate several banking related trainings to the entire Ujjivan employee base.

Our transition to a bank called for stricter process controls within the HR domain and improving the ease with which the employee can access the HR software. Hence we sought to upgrade our current HR management software with Ramco HRMS. With the introduction of the HRMS several of the HR processes such as recruitment, PMS which erstwhile were being done manually would be automated. This would increase the efficiency of the process by reducing the man-hours spent on manual tracking and improving transactional transparency. The predictive capabilities in HRMS would also provide focused direction to drive our employee engagement efforts.

The predictive capabilities in HRMS would also provide focused direction to drive our employee engagement efforts.

Success Stories



My journey with Ujjivan started on 1st April 2008 as a CRM in Madangiri Branch in Delhi. Within a year I was promoted to a Program Manager for the Uttarakhand location and worked on surveys and Branch opening in Uttarakhand and Uttar Pradesh. In 2010 I was promoted as Area Manager for Uttar Pradesh and Uttarakhand. In 2012 I was transferred & promoted as

Distribution Manager for Gujarat.

Working in Ujjivan you never feel that you are doing a job, you feel like it is family - openness, friendly culture and easily approachable to senior management for any guidance and support when you need. It also gives opportunity and space to do things with new way also – **Abhishek Kr. Sharma** (Distribution Manager – Gujarat)



I joined Ujjivan as Program Manager and handled 3 branches for unsecured business. I have always been very happy about the customer centricity at Ujjivan. Ujjivan has a great working environment and I am proud to be a part of it. I performed to my level best and got transferred as the Cluster Branch Head for Whitefield Bank Branch. It was a dream come

true for me to work in a Bank. Ujjivan has given me this great opportunity for the growth in my career and personal life. Thanks to Ujjivan! – **Murali Rai S** (Cluster Manager- Whitefield – Karnataka- South)



Community Development Programs

Ujjivan initiated Corporate Social Responsibility projects under the banner of “Community Development Programs” (CDPs) from 2010 - the year we achieved breakeven and even before the CSR became mandatory under The Companies Act 2013. The CDPs programs addressed critical community needs.

Background

Ujjivan has started CDPs after the first year of profitable operations in 2009-10, the Board of Ujjivan has been allocating part of the profit to be utilized for community development programs every year. Ujjivan has a unique CSR approach, the community development projects are being undertaken by each branch rather doing it only at Corporate Office level. This diversification approach maximized the benefits to communities at all states and regions where we operate. The branch forms an ad-hoc committee for community development projects every year which involves representatives from customers in local areas. The branch CDP committee decides the projects to be undertaken for the year considering the critical need of local community. Through this, we have been supporting shishu mandirs, anganwadis, educational Institutions, local communities, local government institutions, old age homes and orphanages for creating better infrastructure and essential amenities for children and underserved communities.

Focus on Swachh Bharat Abhiyaan – From past 3 years we have been undertaking community development initiatives focused on “Swachh Bharat Abhiyaan” – a key project initiated by the Government of India. As part of Swachh Bharat Campaign, the Ujjivan CDP team helped school children and local communities by building or renovating toilets, sanitation and water facilities in 324 Government Schools across India during FY 2016-17 benefitting approximately 1,44,360 school students.. 62% of Ujjivan CDPs in FY 2016-17 were contributed towards the Swachh Bharat Abhiyaan campaign. Overall 438 branches have carried out projects during the year and helped over 242000 beneficiaries.

CSR Projects	South	North	East	West	Total	%
Drinking water facility	33	27	66	23	149	34%
Facilities for Schools	11	78	11	32	132	30%
Toilet construction/ renovation	32	10	37	24	103	24%
Health & Hygiene	10	5	2	3	20	5%
Public facilities and infrastructure	8		6	1	15	3%
Environmental projects	5		3		8	2%
Social Welfare of orphans/ disabled	1	1	1	3	6	1%
Bus stand construction/ renovation		3	2		5	1%
Grand Total	100	124	128	86	438	100%
Beneficiaries	63562	46379	90141	42679	242761	

Some of these initiatives are highlighted below:

Periyakulam branch conducted toilet renovation and water facility for Kallar Primary School, in Jayamangalam. Approximately 300+ students have been facing lack of basic toilet facility, the present toilet conditions were not in good state. Ujjivan renovated toilets/ urinals and also provided water connection. In addition, the branch staff also organized an eye camp in collaboration with Vasan Eye Care Hospitals. On the day of handing over renovated toilet facilities, the branch team also facilitated planting of 500 trees and blood donation for the social cause.



Maddur branch provided safe drinking water facility to children of government primary school at Chammanahalli. Ujjivan provided a water purifier unit to the school which benefited 200+ students.



Amritsar branch provided safe drinking water facility for school children in Govt Middle School, Fatahpur, Amritsar impacting 350 students.



Ellenabad branch at Amritsar constructed a bus stand adjacent to Mani Ram Jhorar College for the benefit of daily commuters and college students. This initiative impacted about 400 beneficiaries on daily basis.



Madangir branch has provided two crèches to Delhi Council for Child Welfare. The crèches were aided with toys, geyser and sitting mats for the kids. Both the crèches are centrally managed by DCCW. The smile on the faces of the kids was immensely delightful and worth the effort.



Parsudih branch installed water purifier facility at Government Sadar Hospital, Khasmahal approximately 300+ patients will benefit every day.



Hajipur branch installed Hand pump at Sarai area which would benefit over 750 people in the locality.



East Nagpur branch contributed sports equipment to Sanjay Gandhi Nagar School benefitting 700 students for their integrated growth.



Panvel branch provided study desks to Zillah Parishad Primary Urdu School of Wadghar, Panvel. Students were used to sit on the floor. Support from Ujjivan for the benefit of these kids was highly appreciated by the school authority.



A public ladies toilet in Aundh area was not in usable condition due to broken commodes and drainage pipes, no electricity and the surrounding area was full with garbage. The area has 500 households. Our branch team in Aundh arranged for cleaning the area, repaired toilets and also provided electricity connection.



Apart from the CDP programs Ujjivan also contributed Rs.50.00 Lakh to Parinaam Foundation to execute Educational Programs (Academic Adoption Program) and Rs.20.00 Lakh to Prime Minister's National Relief Fund for the girl child as part of its CSR activities.

EDUCATION PROGRAMMES

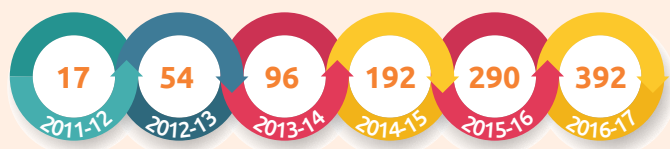
Academic Adoption Programme

Parinaam's Academic Adoption Programme was established in 2011 to address the unmet education needs of the children who live in the city's slums. The programme focuses on creating a highly evolved support for their academics and their future. The key activities undertaken as part of this Program are as follows:

Our Journey



Starting with 17 students in 2011, the Academic Adoption Programme has reached out to 392 children this year, and hopes to be able to support 1000 children by 2020.



Our Partner Schools

The aim of the academic adoption programme is that the children get the best possible opportunity at education so that they can dream of a better future and help their families at a better future. They go to good quality English medium Karnataka State board affiliated schools. We are partnered with 29 schools across Bangalore and some schools that our children attend are

- Indus International Community School
- Chrystel House
- South East Education Trust School
- The Whitefield public school
- Narayana e-techno school
- Chaithanya Techno School
- Kendriya Vidyalaya

Achievements of Academic Adoption Programme in 2016-17:

- The average attendance is 95% from June to November
- 104 children are being supported with Transport arrangements for going to school
- 85% of the children have completed their saving training and been given savings boxes. This will be tracked and the amount saved will be deposited in bank accounts as and when we open the accounts for them
- 90% of the children now have proper birth certificates
- 93% of the children have been through a Multi-discipline Annual Health Camp.
- 113 children whose families did not have access to electricity were provided with solar lamps through our Diwali celebration





Ujjivan's Support

Twenty four of the children from the Academic Adoption Programme are sponsored by Ujjivan through their complete educational journey.

Ujjivan also helps in fund the transport for the children to go to school. This is very important as sometimes, the lack of ability to afford transport can make a child discontinue school.

Through 2017-18, we are enrolling 250 new students into the programme and partner with 15 new schools. We hope that it will be a catalyst in helping them break the cycle and move their lives away from poverty.

Parinaam is committed to supporting as many children as we can through this programme and partners like Ujjivan make this possible.

As a part of its CSR activities, Ujjivan has contributed a sum of Rs 50 Lakh in March 2017 to Parinaam Foundation for undertaking educational programs including the Academic Adoption Programme.

Higher Education Scholarship Programme

Good quality education in our country is very expensive and many a time, this is the reason that students from economically backward families discontinue after Class XII and start working. This is a dangerous cycle as without education, they have no chance of a good career or income and they remain economically backward.

The ones, who do pursue Higher Education, often take high interest loans from friends, extended families or money lenders to pay the fees.

This is the gap that Parinaam's Higher Education Scholarship Programme hopes to help bridge. By lending a helping hand through an annual scholarship programme. The objective of the scholarship is to provide the deserving poor access to quality higher education, and to allow the economically backward to manage their debt and save regularly for the education of their children.

We have in the year 2016-17 disbursed **292** scholarships across India. Out of this, **105** scholarships were disbursed through Ujjivan Funding.





HEALTHCARE PROGRAM

To address health shocks among beneficiaries, Parinaam through its health camps and medical intervention programs provides access to quality health care services at affordable costs by networking with healthcare providers.

Health camps

To identify health problems and prevent major illnesses among its beneficiaries, Parinaam conducts health camps. A total of 6155 Ujjivan customers and their family members participated in 30 health camps organized across 4 regions by the Ujjivan-Parinaam Team; 18 patients were helped to get Cataract surgeries free of cost; 429 follow-up treatments were completed.

Medical Intervention program

Ujjivan Customers and family members suffering from different medical ailments are referred to Parinaam for Medical support. Parinaam through its network of healthcare providers analyses the patient's condition and refers the patients to hospitals providing quality treatment at affordable costs. It also links beneficiaries to various healthcare schemes available from Government and Non-Government organizations to avail free or subsidized rates in treatment.

In 2016-17, a total of 156 beneficiaries were identified for medical intervention of which 33 beneficiaries successfully completed their treatment; 2 cases were funded by Parinaam and treatment for 32 beneficiaries is under process.

Patients with below mentioned conditions were helped as part of medical intervention:

- 7 patients with different type of cancers like glandular, breast, blood, lymphoma, mouth

- 6 patients with heart related surgeries like open heart surgery, vascular surgery etc.
- 1 patient helped with root canal treatment
- 1 patient helped with burns treatment
- 6 patients helped with general surgeries like hernioplasty, *Colelitis* and medicines at discounted rates.
- 2 patient helped with Gynaec surgeries like removal of uterus and high risk pregnancy treatment
- 2 patients helped with nephro treatment like Renal stone removal
- 2 patients with neurological problems were helped with treatment at CMC
- 4 patients with Ophthalmological problems like vitrectomy, cataract, vision correction were helped
- 2 patients with orthopaedic problems like Vitamin deficiency treatment, physiotherapy and Jaipur foot were treated

Out of the 33 patients assisted throughout the year, 1 Ujjivan employee was helped with root canal treatment and 7 family members of Ujjivan employees were assisted with treatment for neurological problem, renal surgeries, high risk pregnancy and jaundice treatment.

Blood donation drives

2 blood donation drives were also organised across 3 States Gujarat, Maharashtra and Karnataka and 313 units of blood was donated.



Statutory Reports & Financials

Management Discussion and Analysis

FY 2016-17 has been a remarkable year in Ujjivan's history. We crossed multiple milestones – a very successful IPO, Final License for SFB and finally the Launch of Small Finance Bank operations in Feb 2017. We posted a good financial performance for FY 2016-17 despite considerable challenges posed by demonetization and transition.

We present the key highlights here. We have considered consolidated numbers and ratios for the purpose of the discussion as below:

The Year at a Glance

Business Growth:

Our gross loan book including managed assets grew by 18%. Our Microfinance vertical registered a stable 16% growth while we ramped up our new verticals- Affordable Housing Business and MSE business, both of which saw a substantial growth over last year. The GL loan book constituted 85% (87% in the PY) of the overall loan book and the secured business scaled by 333 % over the PY. Demonetization led to a slow-down of business momentum in Q3 and Q4 post a promising first half. The strong growth momentum of the first half (59% growth in loan book over first half of PY) was impacted by demonetization which affected our business volumes and de-railed collection discipline, affecting our credit quality. Paucity of currency necessitated suspension of new customer acquisition for both group lending and individual lending business. We made cash disbursements to select repeat customers with good credit track record to smoothen their cash flows. In our first two months of operations as a Small Finance Bank, we garnered a deposit franchise of Rs.106.4 Crore including a retail franchise of Rs.6.6 Crore.

Network Expansion:

Our focus this year was on rationalization of our existing branch network prior to transitioning to banking operations. We opened 4 new branches in the year – 2 each in South and East and merged 32 branches for operational efficiency, taking the tally to 457 branches.

Cost Efficiency:

Our Operating Expense ratio increased to 8.5% against 7.5% in the last FY and cost to income ratio increased to 53.8% from 51.0% in the last FY mainly on account of transition costs and moderate growth in loan book.

Credit Quality:

Our portfolio quality held up well till the first half of the year until demonetization disrupted the credit discipline among our customers, affecting collections and increasing over dues. Our overall PAR stood at 10.2% in March 2017, while Gross NPA increased to 0.28% as on March 2017 from 0.15% in March 2016.

Funding:

The Company mobilized significant external funding of Rs. 6,492 Crore from banks, financial institutions and other sources against Rs.3,393 Crore in the PY. Regulatory Reserve Compliances (CRR/SLR requirements) for the Small Finance Bank was the key reason for the higher quantum of funding this year.

With increased capitalization levels on account of a successful IPO and better credit ratings, Ujjivan was able to raise funds at the most competitive rates. The average cost of debt and Marginal cost of debt saw a reduction by 1.6% and 1.4% respectively during the year, the benefits of which was passed on to our customers through reduced rates on our loan offerings. Interest rates on our GL and IL products were consequently reduced by 75 bps.

Capital Raise:

Our IPO closed successfully in May 2017 with 41 times subscription and fresh issuance of shares worth Rs.358 Crore and secondary sales worth Rs.524 Crore. The IPO enabled compliance with a key pre-requisite of majority domestic ownership for the Small Finance Bank. We closed the anchor book of 12,607,081 equity shares at a price of Rs.210 per share, aggregating to Rs.265 Crore with marquee names of the industry including ICICI Prudential Mutual Fund, Birla Sun Life Mutual Fund, UTI Mutual Fund, Tata Mutual Fund, Birla Sun Life Insurance, Sundaram Mutual Fund and others. A total of 17 investors were allotted shares worth Rs.265 Crore. The company got listed on BSE and NSE on May 10, 2016 starting a new era for Ujjivan and all its stakeholders.

Transition:

Ujjivan navigated a very successful journey which included new technology implementation, people transformation, change management, introduction of channels, products processes and infra and building new departments for Liabilities, Treasury, Legal, Channels and Compliances. Ably supported by the PMO team and guided by the SFB committee of the board, team Ujjivan undertook this major transition in a seamless manner.

In accordance with the terms as mentioned in the application submitted by Ujjivan to the RBI and in compliance to the terms and conditions on which the RBI has granted an in-principle approval to set up a SFB, Ujjivan incorporated '**Ujjivan Small Finance Bank Limited**' ("**USFB**") on July 04, 2016 as a wholly owned subsidiary of the Company. Pursuant to the application submitted, the Reserve Bank of India has issued to the subsidiary of the Company i.e. 'Ujjivan Small Finance Bank Limited', the Licence No. MUM 123 dated November 11, 2016 to carry on Small Finance Bank business in India subject to the terms and conditions as mentioned in its letter dated November 11, 2016.

Pursuant to the restructuring plan submitted by the Company to the RBI and compliance of all the terms and conditions on which the license was granted, the Company inter alia transferred its business undertaking as a going concern by way of a slump sale to Ujjivan Small Finance Bank Ltd. on February 01, 2017 and the bank commenced its operations effective from the same date.

We launched our Small Finance Banking services with 5 branches in Bangalore on 6th of Feb 2017. Our Bank was inaugurated by Nobel Laureate Prof. Mohammad Yunus, one of the key inspirations for establishing Ujjivan Financial Services as a Microfinance Institution.

Awards:

Ujjivan ranked 10th in the Best Large Workplaces in Asia List in FY 16-17 and had the honor of being the only Indian organization in the list. We also ranked 3rd in India's Best Companies to work for based in the survey conducted by Economic Times & Great Place to Work Institute. Ujjivan was also adjudged Top NBFC for FY 2015-16 for its performance by The Financial Express.

The Platinum Award is the highest independent honor given for Inclusive Insurance and was presented to Ujjivan Financial Services after taking into consideration multiple factors, including the company's financial inclusion initiatives, exceptional customer service, insurance penetration and for covering the highest number of lives through insurance. Ujjivan was also awarded the SKOCH Order-of-Merit for qualifying amongst the Top 100 Projects in India.

Key Performance Indicators

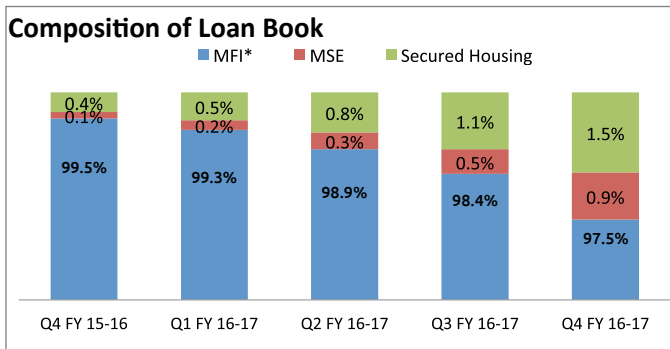
Particulars	FY2016-17	FY2015-16
Branch Network	457	469
New Customers	936,941	1,209,276
Borrowers	3,566,993	3,050,369
Disbursement (Rs. Crore)	7,132.3	6,619.2
Average Ticket Size (Rs. Crore)	25,777	22,620
Gross Loan Book (Rs. Crore)*	6,379.5	5,388.6
MFI Gross Loan Book (Rs. Crore)	6,224.6	5,361.1
MSE Gross Loan Book (Rs. Crore)	56.4	6.5
Affordable Housing Gross Loan Book (Rs. Crore)	98.6	20.7
GNPA	0.28%	0.15%
Cost to Income Ratio	53.8%	51.0%
PAT (Rs. Crore)	207.7	177.2
Deposit Base (Rs. Crore)	106.4	0
CASA	3.0%	0
Employees	10,167	8,049

*Includes managed assets of Rs.508.3 Crore in March 2017 and Rs.324.2 Crore in March 2016

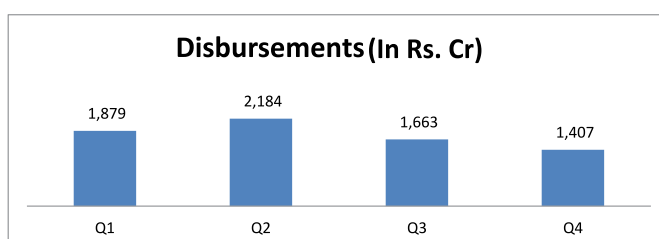
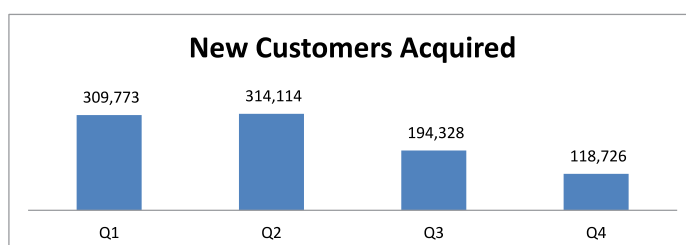
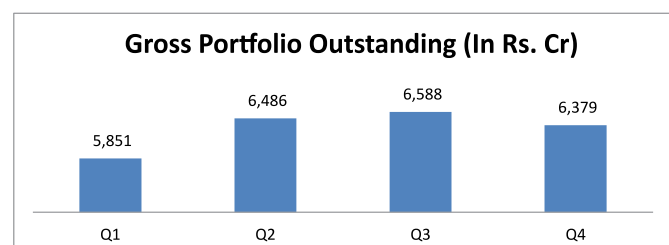
*Gross Loan book excludes staff loan

Segment wise Performance

We reorganized our asset business into 3 verticals – Microfinance, MSE and Affordable Housing for better focus and accountability. Microfinance includes Group Loan and Unsecured Individual Loans. We followed a two pronged growth strategy for the year – moderate and cautious growth for our matured business- Microfinance vertical and rapid scale up of the new verticals- Affordable Housing and MSE. We decided to consolidate our position in the existing locations with minimal network expansion. Increase in productivity and process efficiencies were envisaged as the key thrust for Group Loan business as we focused on careful customer selection. For Unsecured Individual Loans, we focused on effective graduation of the captive eligible pool of higher vintage group loan customers with simplified credit and back end processes. To ramp up our new verticals, we focused on expanding our product offering in new locations, product rationalization with introduction of new products and revision of existing products based on customer feedback and strengthening of the front end and the credit staff.



MFI includes Group Loan Portfolio and Unsecured Individual Loan Portfolio



Microfinance Business:

Group Loans

Our core GL business, contributing 85% of our Gross loan book grew by 15% over that in the previous year. Loans to repeat customers constituted 71% of the business during the year while fresh business constituted 29%. New customer acquisition was expected to be moderate this year and lower than that in the PY primarily in view of focus on transition to banking. Fresh business had good traction up to the first half of this year with 10% growth over last year, slowing down in the next two quarters as demonetization affected our credit discipline and transition processes progressed in full steam. Fresh acquisitions was suspended during the demonetization period and significant support was offered to our customers during this time including disbursements in cash helping them smoothen their cash flows and we offered extended repayment timelines to enable them to acquire legal tender. Loyalty loans to existing customers enabling festive period micro trade facilitation added Rs.334 Crore of business, contributing to 5% of the business. We focused only on income generating loyalty loans this year. Agriculture and Allied loan, a new offering introduced last year to cater to the requirements of the marginal and tenant farmers performed exceedingly well, growing from Rs.282 Crore in March 2016 to Rs.794 Crore by March 2017. Group Education loan book grew from Rs.52 Crore in March 2016 to Rs.118 Crore in March 2017. There was an increased focus on income generating loans during the year. 78% of the group loan book was for income generating purposes against 72% in the PY. We focused on process efficiencies to reduce customer service time and optimize servicing costs. We rolled out handheld devices equipped with loan acquisition software that helped digitize the loan application process, expedite the query resolution process, reducing courier and data entry costs and loan turn-around time.

Transition to an SFB has freed us from some of the regulatory restrictions on lending policies applicable to NBFC-MFIs. To ensure that customers are not overleveraged on account of multiple institutions lending to them, we have retained the indebtedness cap at Rs.60,000 for branches with PAR >1% and raised the cap to Rs.100,000 for branches with PAR <1%.

Unsecured Individual Loans

Our micro-individual loans contributed to 13% of our overall loan book, registering a 21% growth over PY. The key focus year for the product line was moderate growth and process efficiencies. Livestock loan was the best performing product in the line, growing by 47% over last year and contributing to almost a third of the micro individual portfolio followed by Unsecured Housing, posting a year on year growth of 26% and contributing to 36% of the total Unsecured Individual Loan portfolio. Unsecured Education Loans and Loyalty loans grew moderately while Business loan growth was nominal. The product structure for the unsecured individual micro loans was rationalized and further revised in line with the SFB regulations, doing away with the Pragati loans. Average ticket sizes of the unsecured lending business grew from Rs.61,000 to Rs.64,000, while the active client outreach increased from 1.50 Lakh active loans to 2.04 Lakh active loans.

Affordable Housing Business

Our Affordable Housing loan book took a big leap, growing by 376% over last year. The product was rolled out in additional locations for increased outreach. New product variants were launched based on customer feedback. The biggest challenge in the Affordable Housing space is the irregular or seasonal and largely undocumented income from informal sources. Ujjivan initiated its flexible "Assessed Income Program" to cater to customers in the informal segment in the semi urban and rural

areas, assessing their income through minimal documentation – personal discussions, house visits and bringing them under the ambit of institutionalized lending. Home Construction and Home Improvement Loans were the largest contributors to this vertical. We also introduced the "Loan Against Property" or LAP to accommodate customers who do not qualify for the core home loan category but have an investment/income generating activity. Our secured Housing business was affected due to a bearish real estate market as an aftermath of demonetization. Challenges in income flow and property valuation & construction due to uncertainty also affected volumes. Overall, the collections rate of the Housing vertical stood at 99%+.

MSE Business

Our MSE business formally took off this year with our loan book growing by 768% over last year. The Unsecured MSE offering got good traction from our customers and contributed to 67% of the total MSE loan book. Increase in ticket sizes, new product offerings, reduction of loan service time, rewards and recognition programs and lead generation campaigns contributed to the volume growth. Demonetization affected our MSE business with suspension of business in UP, Delhi, Tamil Nadu, Gujarat, and non-disbursal of sanctioned cases due to deferral by customers, however the collections rate stood strong at 99%+.

Deposit Business

We garnered a deposit base of Rs.106.4 Crore in the first two months of banking operations from our 15 live banking branches. The proportion of Current and Savings Deposits to Total Deposits was at 3% with retail deposit franchise stood at Rs.6.6 Crore.

Discussion on Financial and Operational Performance

We closed the year FY2016-17 with satisfactory performance despite considerable challenges posed by demonetization and transition. Our post-tax profits stood at Rs.207.7 Crore, against Rs.177.2 Crore in PY, a 17.2% growth, delivering healthy financial return ratios to our stakeholders. Basic earnings per share was Rs. 17.8, ROA was 2.9% while ROE stood at 14.1%.

Particulars (Rs. Crore)	FY2016-17	FY2015-16
Interest Income	1,225.8	931.0
Other Income	171.8	96.6
Total Income (A)	1,397.6	1,027.6
Operating Expenses	445.4	298.8
Finance cost	542.7	423.5
Depreciation	12.6	8.0
Provision / write off	75.1	25.3
Total Expenditure (B)	1,075.8	755.6
Profit Before Tax (A - B)	321.7	272.0
Tax	114.1	94.8
Profit After Tax	207.7	177.2

Overall, the total revenue grew by 36% over the last FY to close at Rs. 1,398 Crore. Our gross loan book grew by 18% over PY to close at Rs.6,379 Crore despite lower disbursement in Q3 and Q4 in response to unfavorable market conditions in the wake of demonetization. Demonetization led to a slow-down of business momentum in Q3 and Q4, political interference and rumors of loan waiver disturbed the credit discipline

among our customers, thereby affecting collections. Paucity of currency necessitated reduction in business volumes. New customer acquisition for both group lending and individual lending business was suspended during the period and cash disbursements were made to select repeat customers with good credit track record to help smoothen their cash flows. Our operating costs increased significantly in Q3 and Q4 as we upgraded our branches and technology infrastructure, recruited additional manpower for bank specific roles, rationalized salaries with increments and trained our new employees and existing staff to facilitate a seamless transition to banking operations. Our operating costs excluding depreciation increased to Rs.445 Crore, registering a 49% growth over that in FY 2015-16. Our Cost to income ratio was affected as a result, increasing to 53.8% in FY 2016-17 against 51.0% in PY.

Our NPA levels saw a significant rise due to demonetization related over dues. Collections saw a dip and over dues increased in November, December and January. Incremental provisions were made in Q3 on account of demonetization and RBI dispensation on standard asset provisioning was considered upto 31st Mar'17 for over dues originating in Nov & Dec. Excellent recovery efforts in Mar'2017 led to lower provision on account of over dues originating in Q4. Overall, our credit costs rose to Rs.75 Crore in FY 2016-17, a 197% increase over that in FY 2015-16.

On the borrowing side, there have been significant improvements in terms of lower marginal costs of borrowing for term loans and NCDs. Our average cost of debt has reduced to 10.6% in FY 2016-17 and marginal cost of debt to 9.7% against 12.2% and 11.1% respectively in FY 2015-16. Our finance costs increased significantly in Q4 on account of higher facilities drawn before transition for regulatory reserve compliance, registering a 28% increase over last FY to close at Rs.543 Crore.

As on 31st March 2017, Ujjivan's Balance Sheet stood at Rs. 8,479 Crore, an increase of 48% over Rs.5,727 Crore in the PY. Our on book asset portfolio closed at Rs.5,871 Crore, registering a 16% growth over that in PY. We garnered a deposit base of Rs.106.4 Crore in the first two months of banking operations.

Resource Mobilization

The twin objectives of raising funds for business at lower interest rates and also ensuring adequate liquidity for the newly formed bank in its initial phases was successfully achieved during the year.

We have a well-balanced funding mix of long term and short term capital market instruments and borrowing facilities. We raised Rs. 6,492 crore (73% increase over PY) from banks, financial institutions and other sources. The increase in borrowings is significantly due to regulatory reserve compliances (CRR/SLR) requirements for the SFB. Ujjivan's borrowings (including deposits) as on March 31, 2017 stood at Rs. 6,398 crore (Rs. 4,338 crore in PY). During the year we reduced our dependence on traditional term borrowings and diversified our funding basket to include Commercial paper of Rs. 465 crore, Refinance loans of Rs. 736 crore, Securitizations worth Rs. 836 crore and Non-convertible debentures of Rs. 400 crore at the most competitive rates. The average cost of debt and Marginal cost of debt have come down by 1.6% and 1.4% respectively as compared to previous year.

The company's excellent fund management ensured a very comfortable funding position at all times, even during and post demonetization, ably supporting the business volumes and liquidity requirements. With increased capitalization levels on account of a successful IPO and better credit ratings, Ujjivan was also able to negotiate and reduce its borrowing cost and

pass on the benefit to its customers with reduction in lending rates during the financial year.

Credit Rating

CRISIL has re-affirmed Ujjivan's grading at 'mfR1' in October 2016. CARE upgraded Ujjivan's Bank Loan rating to 'CARE A+' for its bank loan facilities of Rs. 6,000 crore & Rs. 400 crore for NCD. ICRA also provided [ICRA] A+ long term rating for NCD of Rs 425 crore. The rating factors in Ujjivan's consistent and robust improvement in earnings and profitability in FY 2016-17 with increasing scale of operations, getting small finance bank license, geographically well diversified client portfolio with good asset quality, experienced management and well-developed portfolio management system.

Internal Audit & Controls

Ujjivan has a well-established Internal Audit and Control Systems in place that monitors the company's adherence to policies, procedures and systems. The Board Audit Committee reviews the adequacy and effectiveness of the internal audit function, including the structure of the internal audit department, annual audit plan, staffing etc., and ensures an effective and independent review process.

The Internal Audit Department is responsible for monitoring and evaluating the effectiveness of internal controls of the organization and provides independent and objective assurance to the Board. The IAD undertakes comprehensive audits covering branches and all business and support functions as per the Board approved Annual Audit Plan. The Annual Audit Plan is drawn up based on the Risk assessment of the auditable units and the audit frequency is decided based on the risk profiling of these units.

Branch and Field Audits

Ujjivan has a strong and well trained audit team in all the four regions headed by the Regional Audit Managers. The Regional audit team executes branch and field audits as per the Risk based audit plan. Each branch is audited 3 to 4 times in a financial year, based on the risk of the branch. The comprehensive audits spanning 10 to 14 man-days, covers end-to-end branch processes, loan documentation, statutory compliances and independent customer visits. Based on the audit observations and scores, branches are assigned audit rating for Group Lending and Individual Lending Businesses. The branch audit rating forms a key component for annual performance evaluation of the Branches and the Staff. The Internal Audit team also carries out other key activities such as area cross-checks for all new branch openings, survey of branch working areas, negative area cross-checks, fraud investigations, fixed assets verification and special audits.

Functional Audits

Internal audits at Regional Offices and Head Office is carried out on a quarterly basis by a Board-appointed independent audit firm, covering all key functions including HR, Operations, Credit, Administration, Finance and Accounts etc. The firm also audits the company's adherence to all Statutory and Regulatory Guidelines that have been prescribed for NBFC-MFIs. The scope of various audits are reviewed and continuously modified to keep pace with a dynamic business environment. A strong compliance monitoring mechanism ensures that all critical issues are tracked until closure within specified timelines. All significant audit observations of Internal Audits and follow-up actions are reported and discussed by the Board Audit Committee, which meets every quarter. Monthly audit updates are also circulated to the Board, summarizing audit trends and critical issues.

Vigilance

Preventive Vigilance, targeted at controlling cash loss, and moving towards predictive approach in our asset business was the key focus area for this year.

During the year some of the branches witnessed cash loss cases especially break-in-theft, robbery and snatching in pockets of Haryana, Odisha, UP, Uttarakhand and Rajasthan. We were able to curtail snatching incidents in UP and Uttarakhand with introduction of preventive measures.

Major problems faced during the demonetization period were external interferences influencing the borrowers against repaying and false complaints against field staff. Maharashtra, UP and Bengaluru faced overdue problems due to certain external forces trying to influence the customers and thus throwing a major challenge to the industry in particular. Vigilance team actively participated by way of meetings with local community leaders and government officials to thwart the negative influences. Concentrated efforts are underway to bring down the overdue numbers.

Risk Containment Unit (RCU) contributed to the expansion of Secured lending business across India through timely support to the vendors and through on-shore activities including sampling in host locations. Timely and regular flagging of fraud & negative cases helped the Secured lending vertical understand local risks and introduce preventive measures, thereby paving way for a healthy portfolio. Processes and Manuals for RCU were upgraded in line with banking requirements. During the year, we had the highest recovery of claims of insurance, a result of timely coordination for insurance surveys, investigations and documentation. The team actively participated in handling issues arising due to Demonetization and provided continuous support to the collection initiatives across regions.

Going forward, the key focus shall be the consolidation of the Vigilance and Risk Containment Unit vertical and transformation into a function well attuned to banking requirements. We will focus on preventive and predictive controls to minimize cash losses & frauds, by upgrading the security, introducing procedural changes in Bank branches operating structure, policy implementation, training of staff, regular checks, etc.

Risk Management and Compliance

Risk Framework

Ujjivan has an independent Risk Management department to manage various risks including Credit, Market and Operational Risk. The scope and remit of the Risk Management Department has been enhanced during the year to manage all the relevant and material risks.

- Our existing robust credit risk management process was enhanced to address the developments post demonetization for the microfinance vertical
- New risk management processes were introduced and developed to face the challenges in the banking environment
 - Our operational Risk processes evolved to include liability and new asset products
 - Market Risk and ALM framework was also developed to address the changing funding requirements as an SFB
 - AML and KYC and transaction monitoring policies were beefed up for regulatory compliances such as mandatory check on restricted entities at the time of customer onboarding and enhanced due diligence for high risk customers
 - A separate unit was created within the Risk Management department to address IT Risk and Cyber Security
 - An initial step was also made at scorecard modeling aimed at sourcing and onboarding customers in the nascent MSE and Affordable Housing vertical

Demonetization required a more granular approach to credit risk management. Monitoring of the affected portfolio was made more granular, at the account level, by each branch within a district and in every state. A task force drawn from different control functions and business units was formed for on-field collection. Evidence of this was the improved collection post the initial after effects of demonetization. The enhanced risk management at a granular level helped in policy initiatives that helped contain the adverse effects on the portfolio.

The year also saw the setup of the Operational Risk Management framework, consistent with Basel III guidelines. This included:

- a. Increasing transparency and understanding of operational risk loss by incident reporting;
- b. Enhancing the operational risk awareness through Risk & Control Self-Assessment (RCSA) process or workshop;
- c. Improving upon the process of early warning signals by effective monitoring of Key Risk indicators (KRI)
- d. Facilitation of speedy resolution of risk issues through effective tracking of issues and follow up on action taken
- e. Reporting in the form of dashboards to ensure that relevant operational risk management information is identified, captured, analyzed and distributed to appropriate levels across organization to enable effective, informed and timely decision making for a robust control environment.

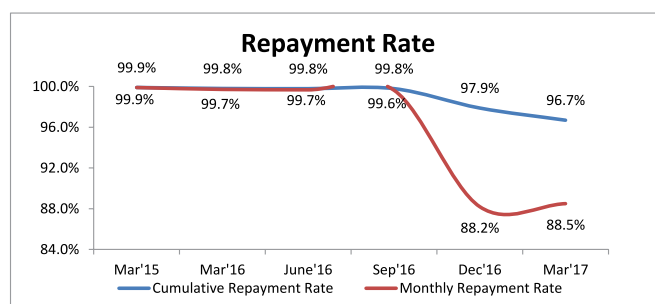
Ujjivan also went through comprehensive Internal Financial Controls (IFC) review, including review of both operational and financial controls

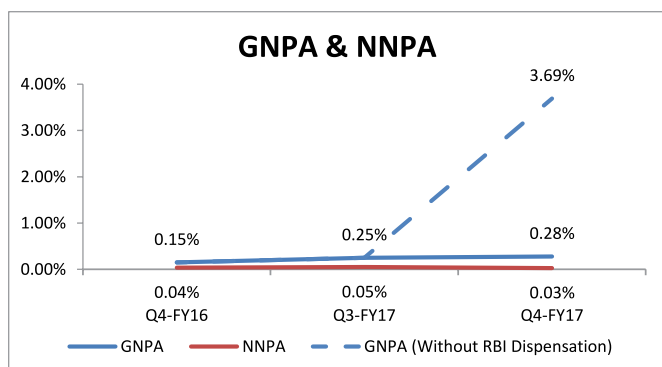
Credit Quality and Demonetization

Financial year 2016-17 has been a challenging year in the history of Ujjivan. During November'16, the government demonetized the existing 500 and 1000 rupee notes. The new currency was in short supply leading to restrictions on cash withdrawal and a cash crunch during the ensuing months. This had significant impact on the microfinance sector which deals with a borrower base that predominantly earn their wages/incomes in cash.

The first impact has been on the collections for the MFI Industry which dropped to 86% from its standard collection rate of around 99%. While banks were allowed to collect old notes, the NBFCs including NBFC-MFIs were not allowed to do so which led to higher level of defaults for NBFCs. Consequently the collection discipline was derailed resulting in higher PAR & Provisions during the year. The RBI dispensation on classification of NPA (allowing a further 90 days over the 90 days overdue norm for classification as an NPA) was misconstrued and deemed as repayment holidays, adding woes to the already affected situation. This was further taken advantage of by local politicians in states of UP, Maharashtra, Uttarakhand and Karnataka.

Our NPA levels saw an increase during the last two quarters due to local political interference and rumors of loan waiver disturbing the credit discipline among our customers affecting collections during the period. The groups have fragmented and group members across these areas are largely influenced by local and dominant group/center leaders who thrive on any sort of financial gain.





Livelihoods of many of our customers across selective segments were impacted:

- The salaried segment received salaries in advance in old notes, their cash flows were badly impacted on account of this since these notes were not valid. Many factory employees lost their jobs.
- The micro and small enterprises faced a severe downturn in their business or were shut down on account of disruptions in the supply chain which is mostly cash driven. Income levels dropped all of a sudden which laid stress on their household cash flow management
- Similarly in Agriculture, the sales, transportation and distribution of agri produce to mandis/wholesale markets is dominantly cash driven and the cash crunch led to disruptions in supply chain impacting the sales volumes and increased wastage of perishables resulting in lower revenues and lower repayment capacity.

Since March 2017, there has been improvement in the customer's ability to pay their installments, however, not all past due installments have been paid up. As a result, loan installments of such customers for the previous months are getting adjusted against the amount received. Due to this lag factor and until an account is normalized, there is a significant portfolio which will continue to be NPA during current financial year. Important point to note here is that the NPA is largely coming from states which have/are seeing errant political/external interference misleading and forcing customers to default.

Incremental provisions were made in Q3 on account of demonetization, RBI dispensation on standard asset provisioning was considered for over dues originating in Nov & Dec. Recovery efforts and changing macro environment in March-2017 led to lower provision compared to projection in Q4. Overall credit costs stand at Rs. 75 Crore in 2016-17, an increase of 197% from last FY.

A number of initiatives have been taken to control credit losses. Cross functional task forces have been constituted across all critical clusters to monitor & support recoveries. Customer forum meetings are being organized to engage with overdue customers and communicate with them regarding the importance of repayment continuity and its impact on future loans, our conversion to a small finance bank which will help them avail of banking services in the near future.

We offered extended repayment time for customers, continuing a healthy relationship with them during such testing times. Ujjivan pamphlets were distributed to all customers. We also ensured continued service to good customers by providing them with repeat loans. Loan rescheduling options have been provided selectively to borrowers in financial distress.

Paper Ads and Radio Ads were released across India informing customers of their continued liability towards MFIs and that we are regulated by the RBI. We have actively engaged with MFIN (Micro Finance Institution & Network) to take action against local representatives creating trouble, spreading rumors and organizing rallies.

Extensive media outreach was undertaken to create awareness about our transition to a bank. Though the recovery trend is positive, it will take a few months to achieve normalcy in terms of collection efficiency. We remain focused on servicing the underserved and unserved and it is our endeavor to diversify portfolio risk based on geography as well as customer segments.

In our pursuit of process advancements, as planned, the business rule engine was implemented which has strengthened the credit check and underwriting process. We continue to build and leverage on technology to gain better insights on customers, their credit behavior, understanding recovery trends, ensuring accurate credit sanctioning etc., that will help us construct relevant strategies and enable strong monitoring of the same.

Service Quality Initiatives

Our customer centric service quality initiatives have evolved over the years, strengthening our customer connect and retention, client protection, fair practices and grievance redressal. As a micro finance institution, our commitment to quality customer service have progressed a long way since establishment of the 3 point customer grievance escalation matrix in 2011, comprising of branch level customer care representatives, a national toll-free helpline and regional level grievance redressal officers to the adoption of the Code of Conduct and Client Protection Principles of RBI, MFIN and Smart Campaign in 2013, graduating to the establishment of a professionally managed in bound call centre in 2014 and outbound call center in 2015

- More than 93,700 dormant and dropout customers were met by Customer Care Representatives (CCRs) for exit interviews and 41% (38,043) of them were retained after addressing their concerns
- Customer Retention rate for Mar'17 stood stable at 86.4%

With our foray into Small Finance Banking operations in Feb 2017, our service quality programs are increasingly attuned to sensitizing our customers to banking services, dispelling their prejudiced notions of long wait time, disrespectful behavior of bank staff and difficulties in executing transactions. Quick and hassle free service with dignity, assisted services across service channels for seamless banking transactions, graduating to 'self-service' model are our mantra for customer service. Key initiatives taken this year towards furthering our customer centric approach include:

Service Quality Trainings: We launched "customer centricity and mindset change" trainings for frontend branch staff to sensitize our staff about the transition from a lending institution to a deposit seeking institution and the mindset change it entails. The trainings were also rolled out for key support functions with a special emphasis on promoting "internal customer service", a prerequisite for delivering excellent customer experience

Customer Experience Management: To ensure seamless service assistance, specially trained Customer Care Representatives (CCRs) have been placed at the welcome desks in banking branches. Customer satisfaction surveys have been conducted post launch to proactively seek customer feedback on our products and services

Life Events based Banking Services: A special initiative to help our customers navigate through difficult life events with support services such as documentation/procedures for smooth settlement of deceased customer accounts

Quality Assurance: "Quality Circle", a cross disciplinary group has been formed to assess service standards and identify root causes of service defects and delays and solutions for course correction

Information Technology

Our strategy is to leverage our existing IT ecosystem and enhance its capabilities through robust core banking solution ("CBS"), customer relationship management solution ("CRM"), Handheld Banking, Risk Management tools, Analytics & Treasury systems customized for SFB operations to optimize the cost of IT transition. Looking ahead at the future, Ujjivan has brought together an impressive ensemble of world class IT majors. The best of the breed technology solution providers for bank IT infrastructure include Finacle Core Banking Solution, Oracle Financials, IBM Middleware etc. As a company whose operations will continue to remain customer-centric, Ujjivan shall be using the CRM Solution from CRMNext to ensure that every customer enjoys best-in-class service. Ujjivan's Core Banking Solution and all other systems runs on the most secure and robust servers like Oracle Sun Super Cluster, CISCO Blade Servers and CISCO Routers and Switches. Keeping in mind the need for security, Ujjivan hosts a 3 way Data Centre consisting of a Primary Data Centre, a Disaster Recovery Data Centre and a Near Disaster Recovery Data Centre. This will ensure proper protection and a 3 way replication of data in real time.

Ujjivan is leveraging its IT infrastructure by using Aadhaar & NPCI's range of services, E-KYC, E-Sign, AEPS, IMPS & Rupay to bring banking services to the underserved & unserved segment. Our field staff is being equipped with sophisticated hand held device which makes basic banking services available at door step.

Human Resources

Human capital is one of our biggest strengths and delivering the best returns for our people has always been our focus. Our commitment to employee engagement and fair practices in all employee related matters is endorsed by our consistent top positioning in Economic Times & Great Place to Work Institute survey. This year we ranked 10th in Asia's large workplaces and 3rd in India's Best Companies to work for. Our core employee values have ensured a high employee retention ratio of 83.9%.

Employee First

We celebrate all our successes with our biggest stakeholder-our people. Organizational achievements such as the Great Place to Work ranking, key milestones such as the grant of the banking license and the launch were celebrated with our employees through cultural events and programs. In line with our motto 'Employees First', our banking services were first launched to our employees before being opened to our customers and the general public. While we transitioned into becoming a Bank, we always ensured that new opportunities & roles are given to the existing employees before opening up the same for external hiring. 67% of our new hires are referred by our own employees. Compensation rationalization was undertaken to align the salaries of our front end staff and management. An additional grant of ESOPs under the 2015 scheme was launched during the year, giving our employees a sense of ownership and pride

Work Life Balance

We insisted on Compensatory Leaves for those employees who had put extra working hours and conducted de-stress activities to ensure proper work life balance. We conducted family days for our branch staffs for better employee connect. International Women's Day 2017 was celebrated with great zeal and vigor as we celebrated the spirit of our women employees. We also set up our first Crèche facility in the corporate office to support those with newborns & toddlers

Significant Supporting Role

Our Human resources department ably lived up to its mammoth responsibility of recruiting and onboarding 4000+ new staff members with requisite induction and training apart from planned training programs of our existing staff for

bank specific roles. A Change Management Program named 'Parivartan' was launched in February 2016 to sensitize our staff to servicing a bank. Additionally, the department also conducted regular refresher/capacity development courses, sales training, functional training, leadership development training, interviewing skills training. E-learning modules were rolled out to acquaint all employees with important RBI regulations and banking norms, encouraging self-learning at their own pace.

We endeavor to implement fair practices in all matters relating to our people and remain the preferred employer.

Corporate Social Responsibility

Our self-sustained Corporate Social Responsibility (CSR) program was launched after our first profitable year of operation to undertake high impact community development projects to foster strong connect with our customer communities. A wide array of programs including rain water harvesting projects in water deficient areas, building children's playground to equipping underfunded Government run Anganwadi schools with basic amenities have been conducted over the years. For the last three years, we have focused on building toilets especially for the girl child in schools, in response to the Prime Minister's Swachh Bharat initiative. Ujjivan CSR team helped build proper toilets, sanitation and water facilities in 324 Government Schools across India benefitting approximately 1,44,360 students. 62% of CSR programs of Ujjivan in FY 2016-17 were towards the Swachh Bharat Abhiyan.

Other programs included providing safe drinking water facilities and renovation of basic facilities at Government Schools and Primary Health care centers, providing public facilities such as police barricades, road, bridge, safe grills/ street solar lights and providing basic amenities and infrastructure for orphanages, old-age homes and people with disability.

A total of 438 projects with an outlay of Rs.2.7 Crore, benefitting over 2,42,000 people have been undertaken in FY 2016-17.

Conclusion

After a successful FY 2016-17 notwithstanding the setback imposed by demonetization, we embark on a very challenging journey in FY 2017-18. With the collateral impact of demonetization, roll out of bank branches, building of liabilities and managing operating cost, we also need to focus on stable growth in our microfinance portfolio while rapidly scaling up our new verticals - MSE & Affordable Housing Business. A rapid scale up of the liability business is key to mobilizing low cost funds and replacing high cost debt with low cost funds. Initially, we shall focus on Institutional/Corporate Deposits to rapidly ramp up deposit base as retail deposits gradually grow to a sizeable scale. This year we will be setting strong foundations as a bank with an objective to encourage deposits & CASA from the un-organized and unbanked sector and gaining customer confidence as a deposit taking institution. As massive investments in human capital and banking infrastructure substantially increase our operating costs, cost management and efficiency will be a key focus this year. Our phased branch infrastructure roll out will help optimize costs and help apply our leanings from the early experience to our new and existing branches.

Ujjivan Small Finance Bank's mission is to become the best institution to provide financial services to the un-served and under-served customers and transform to a bank serving the mass market.

Directors' Report

To the Members,

Overview

The Company was originally incorporated as Ujjivan Financial Services Private Limited on December 28, 2004 at Bengaluru, Karnataka, India as a private limited company under the Companies Act, 1956. Pursuant to a certificate issued by the Reserve Bank of India ("RBI") on October 31, 2005, the Company was permitted to commence operations as a non-banking financial company ("NBFC") under section 45 IA of the Reserve Bank of India Act, 1934. Since financial year 2008-09, the Company has been classified as a systemically important non-deposit accepting NBFC. Pursuant to the RBI introduction of a new category of NBFC-Micro Finance Institution vide its circular BI/2013-14/49 DNBS.(PD)CC.No. 347 /03.10.38/2013-14 dated July 01, 2013, the Company was granted NBFC-Microfinance Institution ("NBFC-MFI") status by the RBI on September 5, 2013. Subsequently, the Company was converted into a public limited company pursuant to a special resolution passed by its Shareholders at the extraordinary general meeting ("EGM") held on November 3, 2015 and the name of the Company was changed to Ujjivan Financial Services Limited. A fresh certificate of incorporation consequent upon conversion to a public limited company was issued by the Registrar of Companies, Bangalore, Karnataka ("ROC") on November 26, 2015. Subsequently, a fresh certificate of NBFC-MFI registration consequent upon the change of name of the Company was issued by the RBI on March 4, 2016.

On October 7, 2015, the Company was one amongst 10 companies in India, out of a total of 72 applicants, to receive in-principle approval from the RBI to set up a small finance bank ("SFB").

The Company completed its maiden Initial Public Offering (IPO) and its equity shares were listed in NSE and BSE on May 10, 2016.

In accordance with the terms as mentioned in the application submitted to the RBI and in compliance to the terms and conditions on which the RBI has granted an in-principle approval to the Company to set up a SFB, the Company incorporated '**Ujjivan Small Finance Bank Limited**' ("USFB") on July 04, 2016 as a wholly owned subsidiary of the Company.

The Company had submitted an application to the Reserve Bank of India on August 18, 2016 for grant of banking licence in terms of Section 22 of the Banking Regulation Act, 1949 to USFB. Pursuant to the application submitted, the Reserve Bank of India has issued to the subsidiary of the Company i.e. 'Ujjivan Small Finance Bank Limited', the Licence No. MUM 123 dated November 11, 2016 to carry on Small Finance Bank business in India subject to the terms and conditions as mentioned in its letter dated November 11, 2016.

The Company based on the approval of the Board in their meeting held on July 29, 2016 and Shareholders' approval on September 13, 2016 through a postal ballot has executed an agreement to transfer its business undertaking ("BTA") to USFB. The Company executed the BTA with USFB on January 12, 2017 followed by an addendum agreement to the BTA on February 09, 2017 which included the purchase price and mode of discharge of consideration by USFB to the Company. Pursuant to the execution of the BTA, the Company has transferred its business undertaking as a going concern by way of a slump sale to USFB on February 01, 2017 for a lump sum consideration. This was in line with the restructuring plan submitted by the Company to the RBI and as disclosed by the Company in its prospectus dated May 03, 2016.

Pursuant to the compliance of all the terms and conditions on which the licence was granted, 'Ujjivan Small Finance Bank Limited' commenced its operations as a Small Finance Bank with effect from February 1, 2017.

The Company has made an application to the RBI for getting itself registered as a NBFC-Core Investment Company ("CIC") for which the RBI approval is awaited. The Company on receipt of the CIC registration from RBI will surrender its NBFC-MFI registration to the RBI.

1. Financial Results

The director's submit annual report of Ujjivan Financial Services Limited (the "Company" or "Ujjivan") alongwith the audited financial statements for the financial year (FY) ended March 31, 2017.

(Rs. in Crore)

Particulars	Standalone		Consolidated
	FY 2016-17*	FY 2015-16	FY 2016-17
Operating Income	1,145.53	1,007.25	1,349.37
Other Income	42.00	20.36	48.25
Total Income	1,187.53	1,027.61	1,397.62
Less: Operational Expenses			
Personnel Expenses	220.87	196.65	271.62
Administrative Expenses	134.85	102.17	173.80
Finance Charges	432.76	423.50	542.72
Depreciation	7.53	8.02	12.63
Provision For Doubtful Debts	70.68	25.27	75.12
Total Operational Expenses	866.68	755.62	1,075.89
Profit/(Loss) Before Tax	320.85	271.99	321.74
Less: Income tax	135.54	103.57	136.96
Less Deferred tax	(22.33)	(8.80)	(22.90)
Profit/(Loss) After Tax	207.64	177.22	207.67

* includes the numbers for both discontinued as well as continued operations.

2. IPO

The Company came out with its Initial public offer (IPO) of 42,023,609 equity shares of face value of Rs. 10 each for cash at a price of Rs. 210 per equity share (including a share premium of Rs. 200 per equity share) aggregating to Rs. 882.50 Crore comprising a fresh issue of 17,055,277 equity shares aggregating to Rs. 358.16 Crore by the company ("fresh issue") and an offer for sale of 24,968,332 equity shares aggregating to Rs. 524.34 Crore by 8 selling shareholders.

The Company's equity shares got listed on NSE and BSE on May 10, 2016.

The objects of the IPO *inter alia* was to augment the capital base of the Company and to meet the future capital requirements of the Company arising out of growth of the Company's assets, primarily the Company's loans and advances and other investments. Further, the Company intended to reduce its foreign shareholding in accordance with the requirements of the RBI in-principle approval to set up the SFB.

There has been no deviation in the utilization of the IPO proceeds by the Company.

3. Dividend

In accordance with the Dividend Distribution Policy adopted by the Board in its meeting held on April 27, 2017 and in continuation to the dividend payment track record of the Company, the directors are pleased to recommend for approval of the members a dividend of Rs. 0.80 per equity share for the FY 2016-17. The dividend on equity shares, if approved by the shareholders would involve a cash outflow of ~ Rs. 11.5 Crore (including dividend distribution tax).

4. Transfer to reserves

The Company transferred Rs. 41.5 Crore to Statutory Reserves. Transfer of 20% of the Profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

5. Credit Rating

CRISIL has assigned the Company a grading of mF1 (the highest grading for MFI) on October 29, 2016. CARE has assigned a rating of 'CARE A+' (Single A Plus) to the long term facilities of the Company in November 2016 for its Long Term Bank Facilities of Rs. 4,500 Crore and has assigned a rating of 'CARE A+' for its NCDs* of Rs. 825 Crore.

** The Company has transferred all its NCDs to USFB through novation in the month of February 2017. Also, all the debt portfolio of the Company comprising of borrowings from banks / financial institutions etc were transferred to USFB on February 01, 2017*

6. Capital Adequacy

The Capital Adequacy Ratio of the Company was 113.76% as of March 31, 2017 as against the minimum capital adequacy requirements of 15% by RBI.

7. Corporate Governance and Management Discussion and Analysis Report

In accordance with SEBI LODR Regulations, Management Discussion and Analysis Report and Corporate Governance Report together with the Certificate thereon from the Independent Practicing Company Secretary is provided separately and forms part of this Directors' Report.

8. Extract of Annual Return

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format (MGT-9) is appended as "**Annexure 1**" to the Board's Report.

9. Business Responsibility Reporting

The Board of the Company in its meeting held on April 27, 2017 has approved the Business Responsibility Report ("BRR") of the Company as stipulated under Regulation 34 (as amended) of SEBI Listing Regulations which mandates that top 500 listed companies based on market capitalization as on March 31 should include its BRR in its Annual Report. The Company is ranked 308 in the list.

Please refer the section 'Business Responsibility Report' of the Annual Report.

A copy of the BRR has also been hosted on the website of the Company at www.ujjivan.com and can be accessed from the link below http://ujjivan.com/html/ujjivan_policies.php

10. No. of Meetings of the Board during the FY 2016-17

During the Financial Year 2016-17, our Board has met 12 (twelve) times and the meetings of our Board of Directors were held on April 13, 2016, May 03, 2016, May 25, 2016, July 05, 2016, July 29, 2016, November 09, 2016, December 08, 2016, January 10, 2017, January 19, 2017, February 06, 2017, February 10, 2017 and March 27, 2017. For further details, please refer to the Corporate Governance Report, which forms part of this report.

11. Reappointments

As per the provisions of the Companies Act, 2013, Mr. Amit Gupta retires by rotation at the ensuing 13th AGM and being eligible, seeks his appointment. The Board recommends his appointment. Please refer the 13th AGM Notice for further details.

12. Directors' Responsibility Statement

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

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management and the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2016-17.

13. Declaration by Independent Directors

The Company has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent director envisaged in section 149 (6) of the Companies Act, 2013.

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act, stating that they meet the criteria of Independence as provided in section 149(6) of the Companies Act, 2013 and are not disqualified from continuing as Independent Directors.

14. Nomination and Remuneration Policy

The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy which is disclosed on our website at the below link-

http://ujjivan.com/html/ujjivan_policies.php

15. Statutory Auditors

M/s Deloitte Haskins & Sells, (Firm Reg. No. 008072S), Chartered Accountants, who were appointed as Statutory Auditors of the Company for two years till the conclusion of the ensuing the 13th Annual General Meeting will complete their tenure of 13 years (maximum continuous tenure for a statutory auditor permissible under the Companies Act, 2013 including the extension of 3 years subsequent to the commencement of provisions of Section 139 of the Act) with the Company on the conclusion of the 13th AGM.

Considering the above, the Board based on the recommendation of the Audit Committee in its meeting held on April 27, 2017, subject to the approval of the shareholders has appointed M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/N500016) as the Statutory Auditors of the Company for a period of 5 (five) years commencing from the conclusion of the ensuing 13th AGM till the conclusion of 18th AGM of the Company. The Company has received written consent(s) and certificate(s) of eligibility in accordance with Sections 139, 141 and other applicable provisions of the Act and Rules issued thereunder (including any statutory modification(s) or re-enactment(s) for the time being in force), from M/s Price Waterhouse Chartered Accountants LLP. Further, they have confirmed that they hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India (ICAI) as required under SEBI LODR Regulations.

16. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –

(i) By the auditor in his report;

Statutory Auditor

M/s Deloitte Haskins & Sells, (Firm Reg. No. 008072S), Chartered Accountants, were appointed as Statutory Auditors of the Company for 2 years till the conclusion of the 13th Annual General Meeting to be held for the FY 2016-17. The shareholders in the 12th AGM held on August 10, 2016 have ratified their appointment as Statutory Auditors of the Company till the conclusion of the ensuing 13th AGM of the Company.

Auditor's report

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report

(ii) By the Company Secretary in practice in his secretarial audit report;

Secretarial Auditor

Mr. K. Jayachandran, Practicing Company Secretary (ACS No. 11309 and Certificate of Practice No. 4031) was appointed as the Secretarial Auditor of the Company to conduct secretarial audit of the Company for the Financial Year 2016-17 as required under Section 204 of the Companies Act, 2013 and the Rules made thereunder. The secretarial audit report for FY 2016-17 is appended as "**Annexure 2**" to the Board's Report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark made by the Secretarial Auditor.

17. Particulars of loans, guarantees or investments under Section 186

The Company has not given any loans and guarantees to any-body corporate. The Company has made the following investment in 'USFB' as per the details below:

Sr. No.	Date of Investment	Mode of Investment	Amount (Rs. in Crore)
1.	July 04, 2016	First Subscription of 50,000 Equity Shares of Rs. 10/- each	0.05
2.	July 30, 2016	Subscribed the Rights Issue of 109,986,800 Equity Shares of Rs. 10/- each	109.99
3.	February 10, 2017	Allotment of Securities*	1,530.00
4.	March 31, 2017	Investment in Fixed Deposit	100.00
	Total		1,740.04

*'USFB' on February 10, 2017 has allotted the below securities to the Company in discharge of the consideration for the acquisition of the business undertaking of the Company by USFB.

Sr. No.	Securities Type	Number of Securities	Interest Rate	Premium (In Rs.)	Amount (in Rs.)
1.	Equity Shares	1,330,000,000	N.A.	Nil	13,300,000,000
2.	11% Perpetual Non-Cumulative Preference Shares	200,000,000	11% per annum	N.A.	2,000,000,000
	Total	1,530,000,000			15,300,000,000

18. Transaction with related parties

The Company pursuant to the approval of the Audit Committee and the Board in their respective meetings held on July 29, 2016 and the approval of the Shareholders through a postal ballot on September 13, 2016 has transferred its business undertaking as a going concern by way of a slump sale to its wholly owned material subsidiary 'Ujjivan Small Finance Bank Limited' on February 01, 2017 for a lump sum consideration of Rs. 1,530 Crore without values being assigned to individual assets and liabilities.

M/s GRSM & Associates, Chartered Accountants, carried out an exercise for identifying various components of assets and liabilities of the Company as on January 31, 2017 and through its Asset Allocation Report dated February 06, 2017 had a consensus with a value of Rs. 1530 Crore of the Company which includes the goodwill value of Rs. 16 Crore.

The valuation for the slump sale transaction was done by M/s GRSM & Associates, Chartered Accountants. through their report dated February 06, 2017. The fair value per equity share of USFB as on January 31, 2017 was Rs 10 per equity share while the fair value of 11% Perpetual Non-Cumulative Preference Shares was Rs 10 per preference share as on January 31, 2017.

Information on transaction with related parties pursuant Particulars of contracts or arrangements with related parties referred to in Section 188(1) in the prescribed form AOC -2 is appended as "**Annexure 3**" to the Board's Report.

19. The state of the Company's affairs

The Company is registered with RBI as a NBFC-MFI and was one of the largest microfinance institutions in the country before it transferred its business undertaking to Ujjivan Small Finance Bank Limited.

The Reserve Bank of India has stipulated in its final licence that inter alia the Company (the promoting entity of USFB) shall be registered as a NBFC-Core Investment Company after the transfer of its business undertaking to USFB.

In compliance to the aforesaid condition, the Company subsequent to the transfer of its business undertaking to USFB on February 01, 2017 has made an application to the RBI for getting itself registered as a Core Investment Company ("CIC") and to comply with the conditions of the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016.

The Company will surrender its NBFC-MFI registration to the RBI prior to the receipt of its CIC registration certificate from the RBI.

Note on Demonetisation

Background

On November 8, 2016 the Government demonetized the existing 500 and 1000 rupee notes, effectively taking over 80% of cash out of circulation. The new bills were in short supply leading to restrictions on cash withdrawal and creating a cash crunch for the ensuing months. This had significant impact on the microfinance sector which deals with a borrower base that predominantly earn their wages/incomes in cash.

Impact on the MFI Industry

The first impact has been on the collections for the MFI Industry which is dipped to 86% from its standard collection rate of around 99%. Consequently the collection discipline has been derailed resulting in higher Par & Provisions. As MFI's were not allowed to collect the repayments through old notes and deposit the same in banks, this further impacted the collections. The RBI dispensation on classification of NPA (allowing a further 90 days over the 90 days overdue norm for classification as an NPA) has been misconstrued and deemed as repayment holidays, adding woes to the already affected situation. This has further been taken advantage of by Politicians in states of UP, Maharashtra, Uttarakhand, Karnataka. Since cash limits were common for financial institutions and retail, no cash disbursements were possible to a large section of MFI Borrowers, especially new borrowers, leading to a tremendous impact on business during the last two month

Impact on Ujjivan

Challenges faced: Demonetization led to a slow-down of business momentum in Q3 and Q4, political interference and rumors of loan waiver disturbed the credit discipline among our customers, affecting collections. Paucity of currency necessitated reduction in business volumes. New customer acquisition for both group lending and individual lending business was suspended during the period. The Company made cash disbursements to select repeat customers with good credit track record to smooth their cash flow. Our secured Housing business was affected due to a bearish real estate market. Challenges in income flow and property valuation & construction due to uncertainty also affected volumes. Business was suspended UP, NCR, select areas of Rajasthan. MSE business was affected due to suspension of business in UP, closure of markets in Delhi, TN, slowdown of customer sales and stocks in Gujarat, and non-disbursal of sanctioned cases due to deferral by customers. Key Challenges faced across regions are summarized below:

South:

- Local organizations interference in Karnataka
- Rumors of loan wave-off in most parts of North Karnataka
- Currency crunch in some parts of Kerala

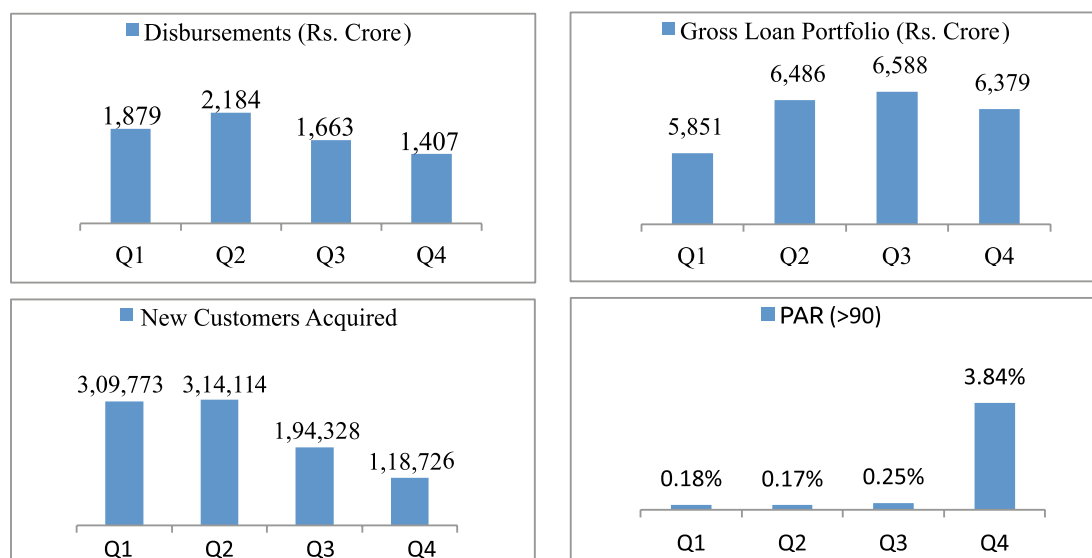
North

- Religious and Political interventions in most places in UP and Uttarakhand
- Minority concentrated area hit the most
- Small Businesses and Wage earners struggling to repay in Delhi, Punjab and Haryana

East

- Political interference in Assam and Jharkhand
- Small businesses and Laborer impacted due to cash crunch in Bihar, Jharkhand and West Bengal
- Loan waiver rumors in few areas of West Bengal

Impact on Business volumes



Impact on portfolio quality

Our NPA levels saw a significant rise due to demonetization related over dues. Collections saw a dip and over dues increased in November and December. Please refer the table below:

Particulars	Oct'16	Nov'16	Dec'16	Jan'17	Feb'17	Mar'17
Cumulative Repayment Rate	99.8%	98.7%	97.9%	97.3%	96.9%	96.7%
Monthly Repayment Rate	99.6%	90.7%	88.2%	87.2%	86.8%	88.5%
Total Delinquent Accounts	15,284	3,37,283	4,59,755	4,84,746	4,97,485	4,30,375
Incremental Over dues	1,322	3,20,824	2,33,319	1,11,167	87,502	26,782

Repayments were severely affected in 8 states – UP, UK, Karnataka, Maharashtra, New Delhi, Haryana, Rajasthan and Punjab in which the repayment rates fell to sub 90%

Estimated write offs and provisions in current year and hit to P&L

Incremental provisions were made in Q3 on account of demonetization, RBI dispensation on Asset Classification of overdues originating in Nov & Dec was considered in Q4 and provisions made accordingly. Excellent recovery efforts in Mar-17 led to lower provision on the account of over dues originated in Q4.

(Amount Rs. in Crore)

Credit Cost	Q1	Q2	Q3	Q4	FY2016-17
Credit Provisions	5.8	4.5	54.3	5.0	69.6
Write Off	0.4	2.4	0.5	2.2	5.5
Total Credit Cost	6.2	6.9	54.7	7.2	75.1

Overdues falling in November'16 and December'16 were named as "Special Mention Accounts (SMA) – Demonetization" and classified as standard asset for 90 additional days (Up to 180 days) as per RBI dispensation. Provisioning was made at 10% (Group loans) and for Individual loans at 20% across SMA-Demonetization over dues for affected states with < 90% collection efficiency. Existing standard asset provisioning norms of 0.65% on GL and 0.75% on IL for 180 days were adopted across non-affected states with >90% collection efficiency on Nov'16 and Dec'16 Incremental Overdue accounts.

Provisions were made on the monthly Incremental Overdues from Jan'17 onwards for the loan portfolio under the existing provision norms. No deviation from the existing policy. Cumulative Provisions as of March: Rs. 125 Crore on own assets.

Collections

Continuous improvement was observed in collection of demonetization dues for all states. Cumulative collections for demonetization related over dues originating in Nov 2016 stand at 97.7%.

Collection efficiency of severely affected states such as UK & UP have bounced back to 90% on November dues and 70% overall, a positive sign of progress. Collection efficiency is likely to improve gradually over the next few months since external interventions (especially in states where elections have concluded) have reduced & many customers have started making repayments with a lag of 2-4 months

Collateral Impact

Impact of Demonetization will spill over into the next financial year with increased credit costs. Ujjivan shall follow a cautious approach towards business in the stressed clusters to contain the credit quality for the first two quarters of the next year

Initiatives taken

- **Communication to staff and customers:** The Company has sensitized its staff on non-coercive collections and offered extended repayment time for customers, continuing a healthy relationship with them during such testing times. Ujjivan pamphlets were distributed to all customers and the Company offered continued service to good customers by providing them with repeat loans, largely in cash wherever possible, enabling them smoothen their cash flow
- **Focus on Collections:** The Collections Team focused on repayment collections across difficult areas, providing the much needed support to staff. The Company distributed a set of relevant documents with all Field staff to enable them to convince customers and family members about the false rumors and importance of repayment. Branch wise based Action plans were put in place, providing fulltime support for collections while mentoring of the branches. Pin Code wise enquiry was made for all the Over- due customers – to focus on collections with those regular in other MFI's if any.
- **Focus on Cashless collections:** The Company encouraged its customers to use the cashless payment options such as Cheque, POS and NEFT
- The Company enlisted Police support to curb third party interventions

20. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;

None

21. The conservation of energy, technology absorption, foreign exchange earnings and outgo, in the manner as prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014

Conservation of energy and technology absorption

Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption are not applicable.

The Foreign Exchange earnings and outgo

There was no Foreign Exchange inflow and outflow during the year except dividend payout to the foreign shareholders for the dividend declared in the FY 2015-16.

22. Development and implementation of risk management policy

Ujjivan's Risk Management Committee consists of well experienced Directors from diverse background who bring in the best risk practices to the organization. The Risk Management Committee, which meets at frequent intervals, comprises of four Directors including two Independent Directors.

The Committee reviews the risk management framework of the company and verifies adherence to various risk parameters and compliances. The Company's risk management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. During the year, the risk management committee reviewed various risks which the organization is exposed to including credit risk, interest rate risk, liquidity risk, operational risk and regulatory compliance issues. It also met to review and discuss on the impact due to the extraordinary situation of demonetization on the collection efficiency across states. The risk Committee approves and makes recommendations to the Board regarding all its risk-related responsibilities, including the review of major risk management and regulatory compliances.

The Company has in place an effective risk management policy which highlights the functions, implementation and the role of the committee and the board.

23. Corporate Social Responsibility

The Corporate Social Responsibility (CSR) programs were started by the Company in the year 2010. During the year, Ujjivan CSR Team has mainly focused on the Government of India "Swachh Bharat Abhiyan".

A brief outline of the company's CSR policy is disclosed on our website at the below link-

http://ujjivan.com/html/ujjivan_policies.php

The initiatives undertaken by the Company on CSR activities are out in **"Annexure 4"** of the Board's Report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of the Board's Report.

24. Board Evaluation

The board of directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations") and SEBI guidance note on Board Evaluation.

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination Committee of the Board at its meeting held on March 27, 2017. Evaluation formats and criteria of evaluation duly incorporated the criteria and other parameters as suggested by SEBI vide their guidance note on evaluation through their circular dated January 05, 2017.

The Board was evaluated comprehensively on the following broad categories:

- Structure of the Board - Competency, Experience and Qualifications of directors, Diversity in Board under various parameters, Appointment Process
- Meetings of the Board - Regularity of meetings and adequacy, discussions and recording of dissent, if any.
- Recording of minutes, dissemination of information
- Functions of the Board - Role and responsibilities of the Board
- Strategy and performance evaluation
- Evaluation of Risks
- Grievance redressal for Investors
- Management of Conflict of interest
- Stakeholder value and responsibility
- Corporate culture and values
- Facilitation of independent directors
- Evaluation of performance of the management and feedback
- Independence of the management from the Board
- Access of the management to the Board and Board access to the management

- Secretarial support and fund availability for conducting its meeting effectively
- Succession planning
- Professional development
- Board Candor, Collegiality, Transparency and Board Education
- Ethics & Compliance

The performance of the board was evaluated by the board after seeking inputs from all the directors on each of the above parameters of evaluation and the performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the above parameters of evaluation.

Performance Evaluation of the Directors

The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

Evaluation of the Board Committees

The Board evaluated the performance of each of the Board Committees on the following broad categories:

- Mandate and composition
- Effectiveness of the Committee
- Structure of the Committee, its functioning and attendance
- Discussion, quality of agenda and action taken report
- Independence of the Committee from the Board
- Contribution of the Committees to the decisions taken by the Board
- Functioning of the committee in accordance with the terms of reference

The Board opined that the Board Committees' composition, structure, processes and working procedures are well laid down and that the Board Committees members have adequate expertise drawn from diverse functions, industries and business and bring specific competencies relevant to the Company's business and operations.

Independent Directors' Evaluation of Non-Independent Directors

In a separate meeting of independent directors held on March 27, 2017, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of executive directors and non-executive directors. The Independent Directors also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board.

Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

25. Details as required under Rule 8 of the Companies (Accounts) Rules, 2014

(i) The financial summary or highlights:

(Amount Rs. in Crore)

Particulars	Standalone		Consolidated
	FY 2016-17*	FY 2015-16	FY 2016-17
Operating Income	1,145.53	1,007.25	1,349.37
Other Income	42.00	20.36	48.25
Total Income	1,187.53	1,027.61	1,397.62
Less: Operational Expenses			
Personnel Expenses	220.87	196.65	271.62
Administrative Expenses	134.85	102.17	173.80
Finance Charges	432.76	423.50	542.72
Depreciation	7.53	8.02	12.63
Provision For Doubtful Debts	70.68	25.27	75.12
Total Operational Expenses	866.68	755.62	1,075.89
Profit/(Loss) Before Tax	320.85	271.99	321.74
Less: Income tax	135.54	103.57	136.96
Less Deferred tax	(22.33)	(8.80)	(22.90)
Profit/(Loss) After Tax	207.64	177.22	207.67

* includes the numbers for both discontinued as well as continued operations.

- **Strategic Highlights:**
 - Receipt of final licence from the RBI to USFB to commence small finance bank business
 - The Company transferred its business undertaking to USFB on February 01, 2017
 - The wholly owned subsidiary commenced small finance bank operations on February 01, 2017
- **Consolidated Asset Business Performance**
 - 18% growth in Business volumes, slowdown of momentum post demonetization in Q3 and Q4
 - Lower NCA due to no new branches and suspension of NCA post demonetization
 - 16% growth in MFI vertical : GL business grew by 15% while Unsecured IL grew by 21% over PY
 - Swift scale up of MSE and Secured Housing vertical. New product variants launched in Housing while Unsecured MSE business was rolled out during the year
 - GL Business: 84.9% of the portfolio, Unsecured IL: 13.3%, Housing: 1.5%, MSE: 0.3%
 - Secured portfolio increased to Rs.117 Crore from Rs.27 Crore in March 2016; an increase of 333%
- **Deposit Business Performance of USFB**
 - The Deposit business stood at Rs.206 Crore spanning 13,293 accounts at the end of March 2017
 - CASA stood at Rs. 3.2 Crore, of which staff savings/salary accounts constituted Rs. 2.7 Crore
 - Time Deposits stood at Rs. 3.3 Crore while Recurring deposits stood at Rs.1Lakh
 - Institutional Deposits stood at Rs.199.8 Crore out of total deposits of Rs. 206 Crore
 - CASA ratio stood at 1.5%, Credit to Deposit Ratio stood at 2846%
- **Financial Performance:** PAT of Rs. 207.64 Crore in FY 2016-17 as against Rs.177.2 Crore in FY 2015-16, an increase of 17%. USFB breaks even in the first two months of operations with a PAT of Rs. 3.4 Lakh

Profitability: (Rs. in Crore)

Particulars (FY 2016-17)	Standalone	Consolidated
Pre-Tax Profits (PBT)	320.85	321.74
Profit after Tax (PAT)	207.64	207.67

- **Efficiency:**
 - Fresh GL TAT- 8.1 days against 8.5 in March 2016
 - Fresh IL TAT- 14.4 days against 12.2 in Mar 2016
 - SHL: 23 days against 30 days in March 2016
 - MSE: 13 days against 34 days in March 2016
- (ii) **highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period**

'Ujjivan Small Finance Bank Limited' ("USFB") is a wholly owned material subsidiary of the Company. USFB was incorporated on July 04, 2016 and commenced its operations as a small finance bank w.e.f. February 01, 2017.

The highlights of the financial performance of USFB are as under:

(Rs. in Crore)

Particulars	FY 2016-17
Operating Income	212.71
Other Income	13.39
Total Income	226.10
Less: Operational Expenses	55.57
Personnel Expenses	50.74
Finance Charges	109.36
Depreciation	5.10
Provision For Doubtful Debts	4.44
Total Operational Expenses	225.21
Profit/(Loss) Before Tax	0.89
Less: Income tax	1.42
Less Deferred tax	(0.57)
Profit/(Loss) After Tax	0.04
Transfer to Statutory Reserve	0.01
Balance carried over to Balance Sheet	0.03

Key Ratios:

Particulars	March 31, 2017
Interest income as a percentage to working funds	2.52%
Non-interest income as a percentage to working funds	0.16%
Operating profit as a percentage to working funds	0.06%
Business (deposits plus gross advances) per employee (Rs.)	5,914,099
Profit per employee	34

- Business Highlights:**

- Launch of Banking Operations on February 06 2017, 15 live branches were operational as of March 31, 2017.

Deposit Business Performance

- The Deposit business stood at Rs.206.41 Crore spanning 13,293 accounts at the end of March 2017
 - CASA stood at Rs. 3.23 Crore, of which staff savings/salary accounts constituted Rs. 2.7 Crore
 - Time Deposits stood at Rs. 3.3 Crore including Recurring deposits of Rs. 0.01 Crore
 - Institutional Deposits stood at Rs.199.8 Crore

Financial Performance:

- USFB has achieved breakeven in the first two months of operations with a PAT of Rs. 0.04 Crore
 - Higher cost to income ratio on account of transition, increased finance cost to meet regulatory compliances, one time write-off of goodwill has impacted the overall profitability of USFB
 - Treasury income of Rs. 19.72 Crore in first two months of operations

Credit Performance:

- Over all PAR at 10.2% in March 2017.
 - GL overall PAR: 10.2%, Unsecured IL PAR: 11.3%
 - GNPA (Par > 90 days) rose to 3.8% in March 2017 (0.28% with RBI dispensation)

Cost Efficiency: Cost to Income Ratio at 95.4%

Rating: USFB has received a credit rating of A+

Profitability: Pre-tax profits - Rs. 0.89 Crore and post- tax profits - Rs. 0.04 Crore for the period ended March 31, 2017

Please refer the section 'Consolidated Financial Statements' for further details on the contribution of USFB on the overall performance of the Company.

(iii) **The change in the nature of business, if any:**

The Company has floated a 100% subsidiary 'Ujjivan Small Finance Bank Limited' ("USFB").

The RBI vide its letter dated November 11, 2016 granted the final licence (licence number Mum-123) to USFB to carry on the business of a small finance bank in India subject to the terms and conditions mentioned therein.

The RBI has in the said letter stipulated inter alia that the promoting entity of the small finance bank shall be registered as an NBFC-Core-Investment Company ("CIC") after the transfer of its business to USFB.

The Company pursuant to the approval of the Audit Committee, Board and the Shareholders has executed an agreement with USFB on January 12, 2017 pursuant to which the business undertaking of the Company has been transferred to USFB as a going concern on a slump sale basis. The agreement to transfer is in line with the Company's restructuring plans submitted to the RBI and as disclosed by the Company in its prospectus dated May 03, 2016 filed with SEBI for its IPO.

The aforesaid transfer was done to ensure that USFB will undertake the small finance bank business and post transfer the Company registers itself as a CIC with DNBS, RBI Bangalore.

Subsequent to the execution of the agreement, the Company has transferred, conveyed, assigned and delivered all rights, title and interest in its Business Undertaking to USFB, and USFB has acquired the Business Undertaking of the Company. The Company has transferred its business undertaking to USFB as a going concern by way of a slump sale, as defined in Section 2(42C) of the Income Tax Act, 1961 for a lumpsum consideration of Rs. 1530 Crore.

The effective date of transfer of Company's business undertaking to USFB and commencement of business as a small finance bank by USFB was February 01, 2017.

The Company as on March 31, 2017 is registered with RBI as a NBFC-MFI; however the application for its registration as a NBFC-Core Investment Company is in process and the final approval and registration from the RBI is awaited. Once the CIC registration is received, the Company will surrender its NBFC-MFI registration certificate and then will be regulated as a NBFC-CIC with its primary business of making investments in its group companies.

Further, all the employees of the Company except few identified personnel have been transferred to USFB as part of the transfer of the business undertaking.

Transfer of Listed Non-Convertible Debentures through Novation to USFB

The Company pursuant to the receipt of consents of the Debenture Trustees (IDBI Trusteeship Services Limited and Catalyst Trusteeship Limited) has transferred (novation of all rights and obligations of the Company) the below 9 (Nine) listed NCDs from the Company to USFB through novation.

Sr. No	ISIN	Description of NCD	Maturity date	Amount (in Rs.)	Debenture Trustee
1.	INE334L07076	Secured Redeemable	30-Jul-19	400,000,000	IDBI Trusteeship
2.	INE334L07100	Secured Redeemable	28-May-19	600,000,000	IDBI Trusteeship
3.	INE334L07134	Secured Redeemable	20-Mar-17	187,500,000	Catalyst Trusteeship *
4.	INE334L07126	Secured Redeemable	26-Dec-17	250,000,000	Catalyst Trusteeship *
5.	INE334L07142	Secured Redeemable	12-May-17	1,000,000,000	Catalyst Trusteeship *
6.	INE334L07167	Secured Redeemable	5-Aug-21	1,000,000,000	Catalyst Trusteeship *
7.	INE334L07159	Secured Redeemable	23-Jun-17	1,000,000,000	Catalyst Trusteeship *
8.	INE334L08017	Unsecured Redeemable	7-Oct-18	1,750,000,000	Catalyst Trusteeship *
9.	INE334L08025	Unsecured Redeemable	16-Nov-18	2,250,000,000	Catalyst Trusteeship *
	Total			8,437,500,000	

* Formerly known as GDA Trusteeship Limited

Post the novation of the aforesaid NCDs by the Company to USFB, all references to the Company's payment obligations in the Debenture Documents shall be read as references to USFB to the extent legally applicable, and USFB is to be considered as the debtor in respect of the outstanding debt.

Further all the rights, obligations and liabilities of the Company in respect of the payment of the outstanding debt under the terms of the Debenture Documents has been assumed by USFB and any claims by the Debenture Trustee shall be made only against USFB and as per terms of the Debenture Documents.

The Company has received the approval from the BSE Limited for the novation of the above listed NCDs and the terms & conditions including description of security, date of allotment, date of maturity, coupon rate, and face value of the aforesaid NCDs remains intact and bears the same respective ISINs.

(iv) **The details of directors or key managerial personnel who were appointed or have resigned during the year;**

Sr. No.	Name	Designation	DIN	Date of Appointment/ Change/ Cessation	Reason
1	Mr. Samit Ghosh	MD & CEO (KMP)	00185369	January 31, 2017	Resignation
2	Mr. Sunil Patel	Independent Director	00050837	January 31, 2017	Resignation
3	Mr. Nandlal Sarda	Independent Director	00147782	January 31, 2017	Resignation
4	Mr. Anadi Charan Sahu	Nominee Director	06696504	January 31, 2017	Resignation
5	Ms. Sudha Suresh	CFO (KMP)	N.A.	January 31, 2017	Resignation
6	Ms. Sudha Suresh	MD & CEO (KMP)	06480567	February 01, 2017	Appointment
7	Mr. Hiren Shah	CFO (KMP)	N.A.	February 01, 2017	Appointment

(v) **the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;**

The Company incorporated its wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' on July 04, 2016.

(vi) **Deposits from public**

During the year, the Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

However, the subsidiary of the Company viz 'Ujjivan Small Finance Bank Limited' which is a Small Finance Bank and has been granted a licence (licence number MUM: 123) from the RBI to carry on small finance bank business in India, has mobilized a total deposit of Rs. 206 Crore as on March 31, 2017.

(vii) **The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;**

None

(viii) **The details in respect of adequacy of internal financial controls (IFC) with reference to the Financial Statements**

In respect of internal financial control, the Board has adopted the policies and procedures for ensuring the orderly and

efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the timely prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Further, the management regularly reviews the control for any possible changes and takes appropriate actions.

26. Other disclosures

(i) Details of equity shares with differential rights

The Company has not issued any equity shares with differential rights during the year

(ii) Details of sweat equity shares issued

The Company has not issued any sweat equity shares during the year

(iii) Details of employee stock option scheme

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010, MD-ESOP 2010 and ESOP 2015.

ESOP 2006

The Company pursuant to resolutions passed by the Board and Shareholders on March 29, 2006 and May 12, 2006, respectively, adopted the ESOP 2006. The ESOP 2006 was for a total of 64,000 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2006, each option on exercise would be eligible for one Equity Share on payment of exercise price. As on March 31, 2017, out of the 64,000 options granted, 28,629 options has been exercised and 35,371 options were lapsed

ESOP 2007

Pursuant to resolutions passed by the Board and Shareholders on June 9, 2007 and July 21, 2007, respectively, the Company instituted the ESOP 2007. The ESOP 2007 was for a total of 189,440 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2007, each option on exercise would be eligible for one Equity Share on payment of exercise price. As on March 31, 2017, out of the 189,400 options granted, 138,030 options has been exercised, 44,500 options lapsed and 6,910 valid options are left to be exercised.

ESOP 2008

Pursuant to resolutions passed by the Board and Shareholders on July 23, 2008 and August 18, 2008, respectively the Company approved the ESOP 2008. The ESOP 2008 was for a total of 396,680 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2008, each option on exercise would be eligible for one Equity Share on payment of exercise price. As on March 31, 2017, out of the 396,680 options granted, 200,130 options has been exercised, 153,290 options lapsed and 43,260 valid options are left to be exercised.

ESOP 2010 and MD-ESOP 2010

Pursuant to resolution passed by the Board and Shareholder resolutions dated May 17, 2010 and July 12, 2010, respectively, the Company approved the ESOP 2010 and MD ESOP 2010 and granted 3,384,300 options under ESOP 2010 and 871,060 options under MD-ESOP 2010. Further, pursuant to the Shareholders resolution dated July 12, 2010 the exercise period under the ESOP 2006, ESOP 2007 and ESOP 2008 was aligned with the exercise period time frame mentioned in ESOP 2010.

Pursuant to sub-division of the face value of the equity shares from face value of Rs. 100 each to Rs. 10 each on October 12, 2010 and in accordance with ESOP 2010, maximum number of shares available for being granted under ESOP 2010 stood modified and the cumulative face value prior to sub-division remained unchanged.

Pursuant to resolution passed by the Board on August 12, 2011, additional grants were approved under the MD-ESOP 2010 amounting to 378,112. Accordingly, the total options granted under MD-ESOP 2010 were increased to 1,249,172 options.

In accordance with the ESOP 2010 and MD-ESOP 2010, each option on exercise would be eligible for one Equity Share on payment of exercise price.

Thereafter, pursuant to resolution passed by the Board and Shareholders on August 8, 2012 and September 12, 2012, respectively, the Company approved creation of a pool of 1,243,233 options under the ESOP 2010 for the Financial Year 2011-12.

As on March 31, 2017, out of the 3,384,300 options granted under ESOP-2010, 1,065,710 options has been exercised, 1,553,653 options lapsed and 764,937 valid options are left to be exercised.

As on March 31, 2017, out of the 1,249,172 options granted under MD-ESOP 2010, 440,000 options has been exercised and 809,172 valid options are left to be exercised.

As on March 31, 2017, the Company has granted 5,283,592 options under ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010 and MD-ESOP 2010.

ESOP 2015

The Company, pursuant to resolutions passed by the Board and the Shareholders, dated September 29, 2015 and November 3, 2015, respectively has adopted ESOP 2015. The total employee stock option pool available under ESOP 2015 is 5,561,188 options.

In accordance with the ESOP 2015, each option on exercise would be eligible for one Equity Share on payment of the exercise price.

In compliance with Regulation 12 of Securities and Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Company got its ESOP Scheme 2015 ratified by its shareholders subsequent to the IPO in their AGM held on August 10, 2016. Subsequent to the ratification, the Company granted 1,696,850 options to its employees under the ESOP 2015 on September 14, 2016.

As on March 31, 2017, the Company has granted 3,166,650 options under the ESOP 2015 (including 1,696,850 options granted to eligible employees during the FY 2016-17 on September 14, 2016). Further, as on March 31, 2017 out of the 3,166,650 granted options under ESOP 2015, 458,918 options are vested, out of which 9,329 vested options has lapsed, 82,400 vested options were exercised and 367,189 valid vested options were left to be exercised. Further, 236,413 unvested options has lapsed and 2,480,648 valid options are unvested. Overall, 2,847,837 vested and unvested options are valid as on March 31, 2017.

The vesting period for the options granted under ESOP 2015 is for a period of three years as under:

Year	Options Granted	Year 1	Year 2	Year 3
ESOP 2015 (Tranche 1)	1,469,800	34%	33%	33%
ESOP 2015 (Tranche 2)	1,696,850	33%	33%	34%
Total	3,166,650			

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Companies Act, 2013, and is implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

Revisions in the ESOP Schemes during the Year

None

ESOP Schemes Compliance Status

ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010 and MD-ESOP 2010 were adopted prior to the commencement of the Companies Act, 2013.

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations) and the Companies Act, 2013.

The ESOP Schemes are implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

"The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortizing the stock compensation expense thereon over the vesting period, the reported profit for the year ended March 31, 2017 would have been lower by Rs.119,550,825/-and the basic and diluted EPS would have been revised to Rs.16.73/- and Rs.16.11/- respectively."

Administration of ESOP Schemes

The Governance, Nomination and Remuneration Committee of the Board administer the Employee Stock Option Schemes, formulated by the Company from time to time.

Mandatory ESOP Disclosures

Disclosures as required under Section 62 of the Companies Act, 2013 (to be read with Rule 12 of the Companies (Share Capital and Debenture) Rules, 2014, and SEBI ESOP Regulations:

Sr. No.	Particulars	March 31, 2017
1.	Number of options granted beginning of year (A)	4,264,392
2.	Number of options granted during the year (B)	1,696,850
3.	Number of options vested during the year	676,805
4.	Number of options exercised during the year	1,135,767
5.	Number of shares arising as a result of exercise of options (C)	1,135,767
6.	Money realized during the year by exercise of options (in Rs.)	56,248,163
7.	Number of options Forfeited/Expired during the year (D)	351,849
8.	The exercise price of the options (in Rs.)	10, 12.5, 28, 40, 47, 146.35 & 417.15
9.	Number of options granted and in force at the end of year = (A)+(B)-(C)-(D)	4,473,626
10.	Number of valid <u>vested</u> options exercisable at the year end	1,992,978
11.	Weighted average of remaining contractual life (years) at the year end	1.05
12.	Variation of terms of the options	None

Consolidated Summary of all ESOP Schemes as on March 31, 2017

Particulars	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD-ESOP 2010	ESOP 2015	Total
Options Granted (A)	64,000	189,440	396,680	3,384,300	1,249,172	3,166,650	8,450,242
Options Un-Granted	-	-	-	-	-	2,394,538	2,394,538
Total Options Exercised (B)	28,629	138,030	200,130	1,065,710	440,000	82,400	1,954,899
Options Lapsed (C)	35,371	44,500	153,290	1,553,653	-	236,413	2,023,227
Options Still Unexercised (D) = (A)-(B)-(C)	-	6,910	43,260	766,447	809,172	2,847,837	4,473,626

Options Granted to Key Managerial Personnel during the year

Employee Name	Designation	Options Granted	Exercise Price (in Rs.)
Ms. Sudha Suresh	MD & CEO (w.e.f. February 01, 2017; from April 01, 2016 till January 31, 2017 was the CFO)	13,710	417.15
Mr. Sanjeev Barnwal	Company Secretary and Compliance Officer	7,310	417.15
Mr. Hiren Shah	Chief Financial Officer	7,310	417.15

Any other employee who receives a grant of options in any one year of options amounting to five percent or more of options granted during that year –

- None

Identified employees who were granted options during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.

- None

27. Appointment of Independent Directors

The Company with the approval of the shareholders through a postal ballot on September 13, 2016 has approved the change in categorization of Mr. Abhijit Sen (00002593) as the Independent Director of the Company and appointed him for a period of five consecutive years from September 13, 2016 to September 12, 2021, and whose office shall not be liable to retire by rotation.

He has been appointed on the terms and conditions as mentioned in his appointment letter; the extracts of the terms & conditions of the appointment of the independent directors has been placed on the website of the Company.

28. Vigil Mechanism

The Company in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the company's Code of Conduct or Ethics Policy. The Company has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the whistle and ethics officer of the Company.

Name and Address of the Whistle and Ethics Officer

Mr. Sanjeev Barnwal – Company Secretary and Compliance Officer (w.e.f. April 27, 2017)

Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Bangalore – 560095, Karnataka
Email- sanjeev.barnwal@ujjivan.com

Protected Disclosure against the Whistle and Ethics Officer should be addressed to the CEO & MD of the Company and the Protected Disclosure against the CEO & MD of the Company should be addressed to the Chairman of the Audit Committee.

Name and Address of MD & CEO of the Company: (w.e.f. February 1, 2017)

Ms. Sudha Suresh

Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Bangalore - 560095, Karnataka
Email: sudha.suresh@ujjivan.com

Name and Address of the Chairman (Audit Committee):

Mr. K. R. Ramamoorthy

D - 302, Mantri Gardens, Jayanagar, 1st Block, Bangalore - 560011, Karnataka
Email: ram@bankconsult.co.in

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice
The whistle blower policy of the Company is disclosed on our website - http://ujjivan.com/html/ujjivan_policies.php

29. Remuneration details of Directors, KMPs, employees

Sr. No.	Particulars	Disclosures	
1.	The ratio of the remuneration of each Whole time director to the median remuneration of the employees of the company for the financial year	MD & CEO: 3.17x	
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	KMP	% increase in remuneration
		Mr. Samit Ghosh (MD & CEO – April 01, 2016 till January 31, 2017) Resigned w.e.f. January 31, 2017 (close of business hours)	26%
		Ms. Sudha Suresh CFO - April 01, 2016 till January 31, 2017)	24%
		MD & CEO – February 01, 2017 till March 31, 2017 (pending for shareholders ratification and approval)	25%
		Consolidated Salary increase during the FY 2016-17	55.3%
		Mr. Hiren Shah – CFO (appointed as a CFO w.e.f. February 01, 2017)	23.5%
		Mr. Sanjeev Barnwal - CS	50.7%
3.	The percentage increase in the median remuneration of employees in the financial year;	18.4% increase in the median remuneration of employees in the FY 2016-17. However, all the employees of the Company except 4 (four) employees has been transferred to USFB w.e.f. February 01, 2017.	
4.	The number of permanent employees on the rolls of company as on March 31, 2017	4	
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average increase in the salaries of employees was 18% and the average increase in the managerial remuneration was 31%	
6.	Affirmation that the remuneration is as per the remuneration policy of the company	Yes	

A statement showing the name of every employee of the company, who-

- if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;
 - None
- if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
 - None
- if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.
 - None

Information as per Rule 5(2) of Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The names of the top ten employees in terms of remuneration drawn:

The Company as on March 31, 2017 had only the following 4 (Four) employees:

Sr. No.	Particulars	Ms. Sudha Suresh	Mr. Sanjeev Barnwal	Mr. Hiren Shah	Ms. Mantasha Mizaj
1.	Designation	MD & CEO	Company Secretary and Compliance Officer	Chief Financial Officer	Assistant Manager – Investor Relations
2.	Remuneration received	8,202,497*	3,601,943*	3,311,395	769,801
3.	Nature of employment, whether contractual or otherwise;	Permanent	Permanent	Permanent	Permanent
4.	Qualifications and experience of the employee	CA, CS & CWA 20+ years' experience	CS, LLB, Diploma in Business Management 13+ years' experience	MBA 17 years' experience	MBA 2 years' experience
5.	Date of commencement of employment	November 03, 2008	August 12, 2014	August 17, 2015	May 19, 2015
6.	The age of such employee	53	36	37	24
7.	The last employment held by such employee before joining the company	Skyline Construction & Housing Private Limited	SMC Capitals Limited	Concept Public Relations India Limited	None
8.	The percentage of equity shares held by the employee in the company	0.02%	Nil	Nil	Nil
9.	Whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager	No	No	No	No

** including perquisite by way of exercise of vested equity options*

Compliance of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Green Initiatives

Electronic copies of the Annual Report for the FY 2016-17 and the Notice of the 13th AGM is being sent to all the members whose email addresses are registered with the Company / Depository Participants. For members who have not registered their email address, physical copies are sent in the permitted mode.

ACKNOWLEDGEMENT

Your Directors wishes to gratefully acknowledge the assistance and guidance received from the RBI, ROC, Investors, Banks, Auditors, Lawyers, Accountants, Suppliers, Partner NGOs, Institutions and Foundations, Police & Government Authorities, Advisors and all our well-wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff at all levels.

For and on behalf of the Board of Directors

K.R. Ramamoorthy
Chairperson
DIN: 00058467
Date: April 27, 2017
Place: Bangalore

Sudha Suresh
Managing Director & Chief Executive Officer
DIN: 06480567

"Annexure 1"

Extract of Annual Return in Form MGT-9 as on the Financial Year ended on March 31, 2017

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

I. Registration and other details:

i)	CIN	:	L65999KA2004PLC035329
ii)	Registration Date	:	December 28, 2004
iii)	Name of the Company	:	Ujjivan Financial Services Limited
iv)	Category / Sub-Category of the Company	:	NBFC-MFI*
v)	Address of the Registered Office and Contact Details	:	Grape Garden, No. 27, 3 rd A Cross, 18 th Main, 6 th Block, Koramangala, Bangalore – 560095, Karnataka
vi)	Whether Listed Company	:	Yes
vii)	Name, address and Contact Details Of Registrar And Transfer Agent, if any:	:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No 31&32 Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 008 P : +91 040 67161604 e-mail: mohsin.mohd@karvy.com Website: www.karvycomputershare.com

Principal Business Activities of the Company

Non-Banking Finance Company – MFI*

All the Business Activities Contributing 10% or More of the total turnover of the Company shall be stated:-

Sr No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Micro Finance Lending	64990	100%

* the Company as on March 31, 2017 is registered with RBI as a NBFC-MFI. The Company has made an application to the RBI for getting itself registered as a NBFC-Core Investment Company ("CIC") for which the RBI approval is awaited. The Company on receipt of the CIC registration from RBI will surrender its NBFC-MFI registration to the RBI. Once the CIC registration is received, the NIC Code of the Company will change.

III. Particulars of Holding, Subsidiary and Associate Companies -

Sr. No.	Name and Address of the Company	CIN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1.	Ujjivan Small Finance Bank Limited Registered Address: Plot No. 2364/8, Khampur Raya Village, Shadi Kampur, Main Patel Road, New Delhi, India, 110008	U65110D12016PLC302481	Wholly owned subsidiary	100%	2(87)(ii)

The Company does not have any other holding, subsidiary or any associate company

IV. Shareholding pattern (Equity Share Capital breakup as Percentage of Total Equity)

I) Category-Wise Share Holding

(i) Category wise Shareholding pattern (Equity Share Capital Break-up as percentage of total equity)

Category (I)	Category of Shareholder (II)	No. of Shares held at the beginning of the year (April 01, 2016)				No. of Shares held at the end of the year (March 31, 2017)				% Change during the year
		Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
(A)	Promoter and Promoter Group									
(1)	Indian									
(a)	Individuals/ HUF	-	-	-	-	-	-	-	-	-
(b)	Central Government	-	-	-	-	-	-	-	-	-
(c)	State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(e)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(f)	Any Other	-	-	-	-	-	-	-	-	-
	Sub Total (A) (1)	-	-	-	-	-	-	-	-	-

Category (I)	Category of Shareholder (II)	No. of Shares held at the beginning of the year (April 01, 2016)				No. of Shares held at the end of the year (March 31, 2017)				% Change during the year
		Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
(2)	Foreign									
(a)	NRIs - Individuals	-	-	-	-	-	-	-	-	-
(b)	Other Individuals	-	-	-	-	-	-	-	-	-
(c)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(d)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(e)	Any Other	-	-	-	-	-	-	-	-	-
	Sub Total (A) (2)	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	-	-	-	-	-	-	-	-	-
(B)	Public Shareholding									
(1)	Institutions									
(a)	Mutual Funds	2,361,400	-	2,361,400	2.33%	5,934,557	-	5,934,557	4.97%	2.64%
(b)	Banks / Financial Institutions	-	-	-	-	171,681	-	171,681	0.14%	0.14%
(c)	Central Government	-	-	-	-	-	-	-	-	-
(d)	State Government	-	-	-	-	-	-	-	-	-
(e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f)	Insurance Companies	7,318,535	-	7,318,535	7.23%	10,965,705	-	10,965,705	9.19%	1.95%
(g)	FIs / Foreign Portfolio Investors	-	-	-	-	7,356,039	-	7,356,039	6.16%	6.16%
(h)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(i)	Any Other (specify)									
	(i) Alternate Investment Funds	270,585	-	270,585	0.27%	886,320	-	886,320	0.74%	0.48%
	(ii) Private Trust	-	-	-	-	117,037	-	117,037	0.10%	0.10%
	Sub-Total (B)(1)	9,950,520	-	9,950,520	9.83%	25,431,339	-	25,431,339	21.30%	11.47%
(2)	Non-institutions									
(a)	Body Corporate									
	(i) Domestic Body Corporate	8,597,872	350,000	8,947,872	8.84%	15,870,327	-	15,870,327	13.29%	4.45%
	(ii) Foreign Body Corporate	71,790,883	4,597,569	76,388,452	75.49%	43,551,937	3,777,617	47,329,554	39.65%	-35.85%
(b)	Individuals									
(i)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	213,003	110,697	323,700	0.32%	15,190,402	40,703	15,231,105	12.76%	12.44%
(ii)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	1,883,122	1,064,962	2,948,084	2.91%	12,134,218	697,000	12,831,218	10.75%	7.83%
(c)	Others									
	(i) Directors*	1,004,100	-	1,004,100	0.99%	29,400	-	29,400	0.02%	-0.97%
	(ii) NRIs	923,200	700,100	1,623,300	1.60%	1,743,439	300,100	2,043,539	1.71%	0.11%
	(iii) NBFCs registered with RBI	-	-	-	-	67,060	-	67,060	0.06%	0.06%
	(iv) Clearing Members	-	-	-	-	543,530	-	543,530	0.46%	0.46%
	Sub-Total (B)(2)	84,412,180	6,823,328	91,235,508	90.17%	89,130,313	4,815,420	93,945,733	78.70%	-11.47%
	Total Public Shareholding (B)= (B) (1)+(B)(2)	94,362,700	6,823,328	101,186,028	100.00%	114,561,652	4,815,420	119,377,072	100.00%	-
(C)	Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
	Total (A) + (B) + (C)	94,362,700	6,823,328	101,186,028	100.00%	114,561,652	4,815,420	119,377,072	100.00%	-

* The change in director's shareholding % is on primarily on account of resignation of Mr. Samit Ghosh as the MD & CEO of the Company

(ii) **Shareholding of Promoters**

The Company does not have any identifiable promoter and is a professionally managed Company.

(iii) **Change in Promoters' Shareholding**

Not Applicable

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

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
(1)	CDC Group Plc				
	At the beginning of the year	10,932,696	10.80%	10,932,696	10.80%
May 06, 2016	On account of issue of new shares by the Company in its IPO during the year, the % shareholding has reduced			10,932,696	9.25%
	No increase / decrease in no. of shares held during the year; however allotment of fresh shares in the IPO and pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			10,932,696	9.16%
(2)	Alena Private Limited				
	At the beginning of the year	10,790,943	10.66%	10,790,943	10.66%
May 06, 2016	On account of issue of new shares by the Company in its IPO during the year, the % shareholding has reduced			10,790,943	9.13%
	No increase / decrease in no. of shares held during the year; however allotment of fresh shares in the IPO and pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			10,790,943	9.04%
(3)	International Finance Corporation (IFC)				
	At the beginning of the year	10,202,406	10.08%	10,202,406	10.08%
May 06, 2016	IFC sold 3,060,722 shares through an offer for sale and on account of issue of new shares by the Company in its IPO during the year; the % shareholding has reduced further.			7,141,684	6.04%
	No further increase / decrease in no. of shares held during the year; however, allotment of shares pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			7,141,684	5.98%
(4)	NewQuest Asia Investments II Limited				
	At the beginning of the year	8,199,522	8.10%	8,199,522	8.10%
May 06, 2016	On account of issue of new shares by the Company in its IPO during the year, the % shareholding has reduced			8,199,522	6.93%
Oct 04, 2016	NewQuest sold 1,171,500 shares through an off-market transfer to various domestic investors			7,028,022	5.93%
	No further increase / decrease in no. of shares held during the year; however allotment of fresh shares in the IPO and pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			7,028,022	5.89%
(5)	Bajaj Holdings and Investment Ltd				
	At the beginning of the year	5,124,702	5.06%	5,124,702	5.06%
May 06, 2016	On account of issue of new shares by the Company in its IPO during the year, the % shareholding has reduced			5,124,702	4.33%
	No increase / decrease in no. of shares held during the year; however allotment of fresh shares in the IPO and pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			5,124,702	4.29%
(6)	Sequoia Capital India Investments III				
	At the beginning of the year	4,201,276	4.15%	4,201,276	4.15%
May 06, 2016	On account of issue of new shares by the Company in its IPO during the year, the % shareholding has reduced			4,201,276	3.55%

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
	No increase / decrease in no. of shares held during the year; however allotment of fresh shares in the IPO and pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			4,201,276	3.52%
(7)	HDFC Standard Life Insurance Company Limited				
	At the beginning of the year	3,464,878	3.42%	3,464,878	3.42%
May 06, 2016	On account of issue of new shares by the Company in its IPO during the year, the % shareholding has reduced			3,464,878	2.93%
	No increase / decrease in no. of shares held during the year; however allotment of fresh shares in the IPO and pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			3,464,878	2.90%
(8)	Cinnamon Capital Limited				
	At the beginning of the year	Nil	-	Nil	-
	Bought a net 3,076,820 shares of the Company during the FY 2016-17				
	At the end of the year			3,076,820	2.58%
(9)	Elevar Equity Mauritius				
	At the beginning of the year	6,355,684	6.28%	6,355,684	6.28%
	Elevar sold 3,495,626 shares through an offer for sale and on account of issue of new shares by the Company in its IPO during the year; the % shareholding has reduced further.			2,860,058	2.42%
	No further increase / decrease in no. of shares held during the year; however on account of issue of new shares by the Company during the year, the shareholding % has marginally reduced				
	At the end of the year			2,860,058	2.40%
(10)	CX Partners Fund 1 Limited				
	At the beginning of the year	2,604,342	2.57%	2,604,342	2.57%
	On account of issue of new shares by the Company in its IPO during the year, the % shareholding has reduced			2,604,342	2.20%
	No increase / decrease in no. of shares held during the year; however allotment of fresh shares in the IPO and pursuant to the exercise of vested options under ESOP Schemes has resulted in a reduction in the % shareholding				
	At the end of the year			2,604,342	2.18%

(v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Mr. K.R. Ramamoorthy*	1,000	Negligible	1,000	Negligible
2.	Ms. Sudha Suresh	35,675	0.04%	28,400	0.02%

* Jointly held with Ms. Vasantha Ramamoorthy

(vi) Indebtedness

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

(Rs. in Crore)

Indebtedness	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01-04-2016)				
i) Principal Amount	4,288.00	50.00	-	4,338.00
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	43.01	0.45	-	43.46
Total (I + ii + iii)	4,331.01	50.45	-	4,381.46

Changes in Indebtedness during the financial year				
Addition	3,817.25	1,969.00		5,786.25
Reduction	8,148.26	2,019.45		10,167.71
Net Change	(4,331.01)	(50.45)		(4,381.46)
Indebtedness at the end of the financial year (31-03-2017)				
i) Principal Amount	-	-	-	-
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (I + ii + iii)	-	-	-	-

Note: the Company has transferred / novated all its outstanding loans to Ujjivan Small Finance Bank Limited. As on March 31, 2017, the Company does not have any outstanding loans in its books.

(vii) Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole Time Directors and / or Manager:

Sr. No.	Particulars of Remuneration	Name of Managing Director	Total Amount (in Rs.)	Name of Managing Director	Total Amount (in Rs.)
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	Mr. Samit Ghosh (April 01, 2017 till January 31, 2017)	7,989,116	Ms. Sudha Suresh (February 01, 2017 till March 31, 2017)	1,273,000
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961		-		-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961		-		-
2.	Stock Option		106,777,400		-
3.	Sweat Equity		-		-
4.	Commission - As % of profit - Other, specify		- -		- -
	Total (A)		114,766,516		1,273,000
	Ceiling as per the Act (@ 5% of profits calculated under section 198 of the Companies Act, 2013	Remuneration within the ceiling prescribed under Section 198 and Schedule V of the Companies Act, 2013			

B. Remuneration to other directors:

(in Rs.)

Particulars of Remuneration	Name of Directors					Total Amount
1) Independent Directors	Mr. K.R. Ramamoorthy	Mr. Sunil* Patel	Mr. Abhijit Sen	Ms. Vandana Viswanathan	Mr. Nandlal Sarda*	
• Fees for attending board and board committee meetings	1,497,250	1,324,700	1,298,000	1,142,000	737,925	5,999,875
• Commission						
• Other, please specify	-	-	-	-	-	-
	-	-	-	-	-	-
Total (A)	1,497,250	1,324,700	1,298,000	1,142,000	737,925	5,999,875

2) Other Non-Executive Directors	Mr. Venkatesh Natarajan	Mr. Jayanta Basu	Mr. Amit Gupta	Mr. Anadi Charan Sahu* (Paid to SIDBI)	Total Amount
• Fees for attending board and board committee meetings	985,350	215,500	204,725	344,625	1,750,200
• Commission					
Other, please specify	-	-	-	-	-
	-	-	-	-	-
Total (B)	985,350	215,500	204,725	344,625	1,750,200
Total Managerial Remuneration (A) + (B)					7,750,075
Overall ceiling as per the Act (sitting fees not to exceed Rs. 1,00,000 per meeting)	The Company is paying only sitting fees to Non-Executive Directors which is below the ceiling of Rs. 1,00,000/- per meeting as prescribed under the Companies Act, 2013.				

* ceased to be a director of the Company w.e.f. January 31, 2017 (close of business hours)

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTd:

Sr. No.	Particulars of Remuneration	Ms. Sudha Suresh CFO (April 01, 2016 - January 31, 2017)	Mr. Sanjeev Barnwal Company Secretary	Mr. Hiren Shah CFO (February 01, 2017 - March 31, 2017)	Total Amount (in Rs.)
1.	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	5,327,250	3,325,643	545,735	8,817,253
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961	-	-	-	-
2.	Stock Option	1,602,247	276,300	-	276,300
3.	Sweat Equity	-	-	-	-
4.	Commission - As % of profit - Other, specify	- -	- -	- -	- -
	Total (A)	6,929,497	3,601,943	545,735	4,147,678

VII. Penalties / Punishment / Compounding of Offences:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2017

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

**The Members,
UJJIVAN FINANCIAL SERVICES LIMITED
CIN: L65999KA2004PLC035329
Grape Garden, No.27, 3rd 'A' Cross 18th Main,
6th Block, Koramangala,
Bangalore – 560 095**

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UJJIVAN FINANCIAL SERVICES LIMITED (formerly UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED) having CIN: L65999KA2004PLC035329** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 according to the provisions of:

- (i) The Companies Act, 2013 ('the Act') and the Rules made there under and the relevant provisions of The Companies Act, 1956;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (e) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (f) The SEBI (listing obligations and disclosure requirements) Regulations, 2015;
 - (g) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.
- (vi) Following laws, Norms and Directions as applicable specifically to Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI):
 - (a) Reserve Bank of India Act, 1934;
 - (b) Non-Banking Financial Company – Micro Finance Institutions (Reserve Bank) Directions, 2011;
 - (c) Non-Banking Financial Company-Micro Finance Institutions' (NBFC-MFIs) - Directions, 2011;
 - (d) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 and Modifications thereof;
 - (e) Core Investment Companies (Reserve Bank) Directions, 2011;
 - (f) Master Circular– Regulatory Framework for Core Investment Companies (CICs).

I have also examined compliance with the applicable clauses of the following:

- (i) The Listing Agreement for debt securities entered into by the Company with Bombay Stock Exchange;
- (ii) The Listing Agreement entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange Limited;
- (iii) Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the applicable provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above and labour laws.

I further report that:

Based on the information provided by the Company, its officers and authorized representatives, during the conduct of the audit and also on the review of the details, records, documents and papers provided, in my opinion, adequate systems and processes and control mechanism exist in the Company to monitor and to ensure compliance with applicable general laws like labour laws, competition law and environmental law.

The compliance of applicable financial laws, like direct and indirect tax laws, have not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and at least one independent director was present wherein the Board meetings were held at a shorter notice to transact urgent matters and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions were carried unanimously and there were no dissenting views.

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. The Company has made an Initial Public Offering (IPO) by way of fresh issue of 1,70,55,277 Equity Shares and an Offer for Sale of 24,968,332 Equity shares by selling shareholders at an offer price of Rs. 210/- per Equity Shares including a premium of Rs. 200/- per Equity Share.
2. The Company has listed 11,82,41,305 Equity Shares of Rs. 10/- each pursuant to the IPO on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on 10th May, 2016.
3. The Company has issued and allotted 11,35,767 Equity shares during the financial year under ESOP schemes.
4. The Company has issued and allotted 4000 unsecured rated listed redeemable non-convertible debentures of face value of Rs. 10,00,000/- (Rupees Ten Lakhs only) during the period on Private placement basis as per Section 42 Companies Act, 2013.
5. The Company has redeemed secured, redeemable and non-convertible debentures during the financial year.
6. The Company has obtained approvals from the members as per the applicable provisions of Section 180 of Companies Act, 2013 to borrow up to Rs. 7,000 Crore and to create charge on assets of the Company up to Rs. 7500 Crore.
7. The Company has formed UJJIVAN SMALL FINANCE BANK LIMITED (CIN: U65110DL2016PLC302481), as wholly owned subsidiary company on 04th July, 2016.
8. The Company has transferred the business undertaking as a going concern basis, by way of slump sale to UJJIVAN SMALL FINANCE BANK LIMITED (CIN: U65110DL2016PLC302481), a wholly owned subsidiary of the Company under an agreement to transfer business undertaking and has obtained necessary approvals under the provisions of Section 180, 186 and 188 of the Companies Act, 2013.
9. The Company with the approval of the Shareholders has altered its "Main Objects clause" and "Objects Incidental and Ancillary to the Attainment of Main Objects" clause of Memorandum of Association to carry on the business as Core investment Company (CIC) with the objects changes effective from the date of commencement of operations of the Company subsequent to its categorization as a Core Investment Company (CIC) pursuant to the receipt of necessary approvals from Reserve Bank of India, DNBS, Regional Office, Bangalore (RBI). The Company has made the application to the RBI and the final approval and registration as a CIC is awaited.

Date: April 27, 2017
Place: Bangalore

K. Jayachandran
ACS No: 11309
CP No: 4031

Annexure A

To,

**The Members,
UJJIVAN FINANCIAL SERVICES LIMITED
CIN: L65999KA2004PLC035329
Grape Garden, No.27, 3rd 'A' Cross 18th Main,
6th Block, Koramangala,
Bangalore – 560 095**

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**Date: April 27, 2017
Place: Bangalore**

**K. Jayachandran
ACS No: 11309
CP No: 4031**

"Annexure 3"

AOC-2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2017, which were not at arm's length basis.

2. Details of contracts or arrangements or transactions at arm's length basis:

a)	Name of the related party and nature of relationship	Ujjivan Small Finance Bank Limited (USFB), the material wholly owned subsidiary of the Company
b)	The nature, duration of the contract and particulars of the contract or arrangement	The Company executed an agreement dated January 12, 2017 with USFB to transfer its business undertaking to USFB. The Company transferred its business undertaking to USFB as a going concern on a slump sale basis. The Company executed an addendum agreement to the agreement to transfer business undertaking on February 09, 2017 which included the purchase price of Rs. 1530 Crore and mode of discharge of consideration by USFB being the allotment of shares by USFB of Rs. 1530 Crore to the Company. (Please refer to Notes below)
c)	The material terms of the contract or arrangement including the value, if any	The Company transferred, conveyed, assigned and delivered all rights, title and interest in the Business undertaking to Ujjivan Small Finance Bank Limited.
d)	The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract	The Business has been transferred to USFB as a going concern by way of a slump sale, within the meaning of Section 2(42C) of the Income Tax Act, 1961 for a consideration of Rs. 1530 Crore as mutually agreed between the Company and USFB without values being assigned to the individual assets and liabilities, and has been discharged in a mutually agreed manner wherein USFB allotted shares of Rs. 1530 Crore to the Company. (Please refer to Notes below)
e)	Date(s) of approval by the Board	July 29, 2016
f)	Amount paid as advances, if any	Nil
g)	Any other information relevant or important for the Board to take a decision on the proposed transaction	In line with the Company's restructuring plans submitted to the RBI and as disclosed by the Company in the prospectus filed for its IPO.

Note 1

The Company executed an agreement dated January 12, 2017 with USFB to transfer its business undertaking to USFB. The Company transferred its business undertaking to USFB as a going concern on a slump sale basis on February 01, 2017. The Company executed an addendum agreement to the agreement to transfer business undertaking on February 09, 2017 which included the purchase price of Rs. 1530 Crore and mode of discharge of consideration by USFB being the allotment of USFB shares of Rs. 1530 Crore to the Company. This transaction was necessitated to fulfill the conditions of the licence granted to the Company to set up a SFB and was in line with the restructuring plan submitted to the RBI and as disclosed by the Company in its prospectus dated May 03, 2016.

Note 2

On February 10, 2017, USFB has allotted the below securities to the Company in discharge of the consideration for the acquisition of business undertaking of the Company by USFB. This transaction was necessitated to fulfil the conditions of the licence granted to the Company to set up a SFB and was pursuant to the transaction described above.

Sr. No.	Securities Type	Number of Securities	Interest Rate	Premium (in Rs.)	Amount (in Rs.)
1.	Equity Shares	1,330,000,000	N.A.	Nil	13,300,000,000
2.	11% Perpetual Non-Cumulative Preference Shares	200,000,000	11% per annum	N.A.	2,000,000,000
	Total	1,530,000,000			15,300,000,000

Note 3

On March 31, 2017, a term deposits of Rs. 100 Crore placed was by the Company in USFB at the prevailing market interest rate of 6.5% for relevant tenor.

Note 4

Various employees of USFB who were erstwhile employees of UFSB are holding vested and unvested stock options under various ESOP Schemes of the Company. Such employees now may transact sales of these shares arising out of the exercise of their vested options in compliance to their grant conditions. These are sold on the exchange at prevalent market price. The Company will track this and report it annually as a deemed RPT.

Your Directors draw attention of the members to Note 27.3 to the Financial Statements which sets out other related party disclosures

Annual Report on CSR Activities

1. A brief outline of the Company's CSR Policy, including overview of the projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

CSR KEY INITIATIVES: FY 2016-17

Ujjivan has conducted self-sustained Corporate Social responsibility (CSR) programs along with staff, customers and the communities. Ujjivan CSR Programs has mainly focused on the Government of India dream project "Swachh Bharat Abhiyan" by carrying out the following activities during the year:

- Supporting educational institutions and Improved sanitation facilities in Girls school in the working areas which immediately benefited thousands of Girls Students.
- Providing safe drinking water facilities and renovation of basic facilities at Government Schools and Primary Health care centers
- Providing public facilities like police barricades, road, bridge, safe grills/ protection wall for old wells, staircase, street solar lights etc.
- Providing basic amenities and infrastructure for orphanages, old-age homes and people with disability

As part of Swachh Bharat Campaign, Ujjivan CSR team helped the school students with proper toilets, sanitation and water facilities in 324 Government Schools across India and approximately 144,360 student beneficiaries are using the facilities. 62% of CSR programs of Ujjivan in FY 2016-17 are towards the Swachh Bharat Abhiyan.

2. The Composition of the CSR Committee

The Company has a CSR committee of Directors comprising of Ms. Vandana Viswanathan (Chairman of the Committee), Ms. Sudha Suresh and Mr. Venkatesh Natarajan. For further details, please refer to the Corporate Governance Section.

3. Average Net Profit of the Company for the last three financial years for the purpose of computation of CSR:

(Rs. in Lakh)

Financial Year	2013-14	2014-15	2015-16
Profit before Tax	8,384.10	11,451.33	27,198.86
Average Profit before Tax	15,678.08		

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above): Rs. 313.56 Lacs

5. Details of CSR spent during the financial year

- Total amount to be spent for the financial year: Rs. 313.56 Lakh
- Amount Spent: Rs. 268.31 Lakh
- Amount unspent if any: Rs. 45.25 Lakh
- Manner in which the amount has been spent during the financial year: Attached

6. In case the Company has failed to spend the two percent, of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

The Company has been spending on the CSR programs even before it was made mandatory under the Companies Act, 2013. Due to lack of quality projects available, there was a shortfall of Rs. 45.25 Lakh which the Company could not spend in the FY 2016-17.

The Board had a consensus that the unspent portion of Rs. 45.25 Lakh be carried forward and be spent in the FY 2017-18 in addition to the CSR requirements for the FY 2017-18.

7. A responsibility statement of the CSR Committee that the implementation and monitoring of CSR policy is in compliance with CSR objectives of and policy of the Company.

We hereby declare that implementation of the CSR policy are in compliance with CSR objective and policy of the Company.

Ms. Vandana Viswanathan
Chairman, Corporate Social Responsibility Committee
DIN: 05192578

During the FY 2016-17, 438 projects were carried out, benefitting over 242,000 beneficiaries.

CSR Projects or Activity Identified	Sector in which the project is covered	Geographical areas where project was implemented (No. of Projects / Programs)						Amount Outlay (budget) project or programmes wise (Rs. in Lakh)	Amount spent on the projects or programmes (1) Direct Expenditure (2) Overhead (Rs. in Lakh)	Mode of implementation (direct or through implementing agencies)
		East	North	South	West	Grand Total	% of total			
Toilet Construction/ Renovation	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	37	10	32	24	103	24%	313.56	47.71	Direct
Drinking water facility	-do-	66	27	33	23	149	34%		67.54	Direct
Facilities for Schools	Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;	11	78	11	32	132	30%		57.76	Direct
Public facilities (Street Lighting/public safety etc)	Rural development projects. Street lighting and providing barricades and traffic signal facilities to improve public safety	6		8	1	15	3%		7.23	Direct
Healthcare	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	2	5	10	3	20	5%		9.30	Direct

CSR Projects or Activity Identified	Sector in which the project is covered	Geographical areas where project was implemented (No. of Projects / Programs)						Amount Outlay (budget) project or programmes wise (Rs. in Lakh)	Amount spent on the projects or programmes (1) Direct Expenditure (2) Overhead (Rs. in Lakh)	Mode of implementation (direct or through implementing agencies)
		East	North	South	West	Grand Total	% of total			
Environmental Projects	Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;	3		5		8	2%		3.91	Direct
Busstand construction/ renovation	Rural development projects.	2	3			5	1%		2.43	Direct
Social Welfare of orphans/ disabled etc.	Eradicating hunger, poverty and malnutrition, promoting healthcare including preventive health care and sanitation and including contribution to the Swachh Bharat Kosh Set up by the Central Government for the promotion of sanitation and making available safe drinking water;	1	1	1	3	6	1%		2.43	Direct
Total Program/ Branches		128	124	100	86	438	100%			
Beneficiaries		90141	46379	63562	42679	242761				
Contribution to Parinaam Foundation to execute the CSR activities (Educational Programmes) on behalf of the Company									50.00	Indirect – through Parinaam foundation which is a not-for-profit Section 8 Company.
Contribution to Prime Minister's National Relief Fund									20.00	Indirect
Overheads										
Total CSR Spend									268.31	

Corporate Governance Report

1. Company's Philosophy on Corporate Governance

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

In pursuing its Mission of "providing a full range of financial services to the economically active poor, to build a better life", Ujjivan has been balancing its dual objectives of "social" and "financial goals since its inception. "Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and the Investors.

2. Board of Directors'

The Company is in compliance with the corporate governance provisions, as contained under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and the Companies Act, 2013, in connection with the following:

- a. the Board of Directors (the "**Board**");
 - b. the independent directors on the Board;
 - c. the Audit Committee;
 - d. the Stakeholders Relationship Committee;
 - e. the Governance, Nomination and Remuneration Committee; and
 - f. the Corporate Social Responsibility Committee.
- i. As on March 31, 2017, the Board of Directors of the Company consists of 7 (seven) director out of which 1 is an executive director (Managing Director & CEO), 3 Non Executive, Non-Independent Directors and 3 are Independent Directors. Out of the total 7 directors, 3 are Independent Directors as per the requirement of the SEBI LODR Regulations and the Companies Act, 2013. The Board of Directors of the Company has one woman director, Ms. Vandana Viswanathan;
 - ii. During the Financial Year 2016-17, our Board has met 12 (twelve) times and the meetings of our Board of Directors were held on April 13, 2016, May 03, 2016, May 25, 2016, July 05, 2016, July 29, 2016, November 09, 2016, December 08, 2016, January 10, 2017, January 19, 2017, February 06, 2017, February 10, 2017 and March 27, 2017. There has not been a time gap of more than 120 days between any two meetings of the Board;
 - iii. No Director is related to each other;
 - iv. Not less than one-half of the board of directors of the Company comprise of non-executive directors;
 - v. Every director has duly informed the Company about the committee positions he/she occupies in other Companies;
 - vi. None of the directors of the Company, is a member of more than ten committees, across all public limited companies in which he/she is a director; and
 - vii. None of the directors of the Company is a chairman of more than five committees across all public limited companies in which he/she is a director.
 - viii. During the year, a separate meeting of independent directors was held on March 27, 2017. The Independent Directors *inter alia*, reviewed the performance of non-independent directors, Chairman and the Board as a whole.
 - ix. The terms and conditions of appointment of Independent Directors are disclosed on the website of the Company.
 - x. The details of the familiarisation programme of the Independent Directors are available on the website of the Company (http://ujjivan.com/html/ujjivan_policies.php)
 - xi. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on March 31, 2017 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013. Chairmanships/ Memberships of Board Committees shall include Audit Committee and Stakeholders Committee only.

Name of the Director	Category	Number of Board Meetings during the Year 2016-17		Whether attended last AGM held on August 10, 2016	Number of Directorships in other Public Companies		No of Committee positions held in other Public Companies	
		Held during their tenure	Attended		Chairman	Member	Chairman	Member
Mr. K.R. Ramamoorthy DIN: 00058467	Non-Executive Chairman and Independent Director	12	11	Yes	-	3	2	1
Mr. Abhijit Sen DIN: 00002593	Non-Executive Independent Director^	12	10	No	-	4	3	2
Ms. Vandana Viswanathan DIN: 05192578	Non-Executive Independent Director	12	9	No	-	-	-	-
Mr. Venkatesh Natarajan DIN: 02453219	Non-Executive Director	12	9	No	-	1	-	-
Mr. Jayanta Basu DIN: 01268046	Non-Executive Director	12	4	No	-	2	-	2
Mr. Amit Gupta DIN: 02282600	Non-Executive Director	12	5	No	-	1	-	1
Ms. Sudha Suresh# DIN: 06480567	Managing Director and Chief Executive Officer	3	3	Yes but in capacity of the CFO	-	-	-	-
Mr. Samit Ghosh* DIN: 00185369	Managing Director and Chief Executive Officer	9	8	Yes	Not applicable			
Mr. Sunil Patel* DIN: 00050837	Non-Executive Independent Director	9	8	Yes	Not applicable			
Mr. Nandlal Sarda* DIN: 00147782	Non-Executive Independent Director	9	7	No	Not applicable			
Mr. Anadi Charan Sahu* DIN: 06696504	Non-Executive, Nominee Director	9	7	Yes	Not applicable			

*Mr. Samit Ghosh, Mr. Sunil Patel, Mr. Nandlal Sarda and Mr. Anadi Charan Sahu resigned w.e.f. January 31, 2017 (close of business hours)

^ Mr. Abhijit Sen's categorization was changed from Non-Executive Director to Independent Director of the Company w.e.f. September 13, 2016

Ms. Sudha Suresh appointed w.e.f. February 01, 2017

xii. Details of equity shares of the Company held by the Directors as on March 31, 2017 are given below:

Name	Category	No. of Equity Shares
Mr. K.R. Ramamoorthy*	Independent, Non-Executive	1,000
Ms. Sudha Suresh	Managing Director & CEO	28,400

* jointly held with Ms. Vasantha Ramamoorthy

3. Committees of the Board

A. Audit Committee

- The Audit Committee of the Company is constituted in line with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI LODR Regulations.
- The composition of the Audit Committee and the details of meetings attended by its members are given below:

S r . No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Mr. K.R. Ramamoorthy	Chairman (Independent Director)	8	8
2.	Mr. Abhijit Sen	Independent Director	8	8
3.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	8	5
	Ms. Vandana Viswanathan@	Independent Director	7	6
	Mr. Sunil Patel*	Independent Director	7	7
	Mr. Nandlal Sarda*	Independent Director	7	7

@ Ms. Vandana Viswanathan ceased to be member of the Committee w.e.f. February 01, 2017

* Mr. Sunil Patel and Mr. Nandlal Sarda resigned w.e.f. January 31, 2017 (close of business hours) and hence ceased to be a member of the Audit Committee w.e.f. February 01, 2017

Of the above, all the members of Audit Committee are financially literate, as defined in the SEBI LODR Regulations; all the members have accounting or related financial management expertise.

iii. The Audit Committee has met 8 (eight) times during the year and the gap between two meetings did not exceed one hundred and twenty days. The Audit Committee meetings were held on May 25, 2016, July 05, 2016, July 29, 2016, November 08, 2016, December 08, 2016, January 10, 2017, January 18, 2017 and February 06, 2017.

iv. The terms of powers, role and terms of reference of the Audit Committee are in accordance with the Companies Act, 2013 and the SEBI LODR Regulations.

The scopes of the Audit Committee are:

- oversight of the listed company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- recommendation for appointment, remuneration and terms of appointment of auditors of the listed entity;
- approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - changes, if any, in accounting policies and practices and reasons for the same;
 - major accounting entries involving estimates based on the exercise of judgment by management;
 - significant adjustments made in the financial statements arising out of audit findings;
 - compliance with listing and other legal requirements relating to financial statements;
 - disclosure of any related party transactions;
 - modified opinion(s) in the draft audit report;
- reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- approval or any subsequent modification of transactions of the listed company's with related parties;
- scrutiny of inter-corporate loans and investments;
- valuation of undertakings or assets of the listed entity, wherever it is necessary;
- evaluation of internal financial controls and risk management systems;
- reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

- (14) discussion with internal auditors of any significant findings and follow up there on;
- (15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (18) to review the functioning of the whistle blower mechanism;
- (19) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- (20) The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Company.
- (21) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The audit committee shall mandatorily review the following information:

- (1) management discussion and analysis of financial condition and results of operations;
- (2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
- (3) management letters / letters of internal control weaknesses issued by the statutory auditors;
- (4) internal audit reports relating to internal control weaknesses; and
- (5) the appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the audit committee.
- (6) statement of deviations:
 - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI (LODR) Regulations, 2015.
 - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of SEBI (LODR) Regulations, 2015.

B. Governance, Nomination and Remuneration Committee (Nomination Committee)

- i. For the remuneration of Directors, key managerial personnel and other employees, the Company has constituted a Governance, Nomination and Remuneration Committee as per the requirements of Section 178 of the Companies Act, 2013 and Regulation 19 of the SEBI LODR Regulations. The Nomination Committee has powers of formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy relating to the remuneration for the directors, key managerial personnel and other employees as per the requirements of Regulation 20 of the SEBI LODR Regulations.
- ii. The composition of the Governance, Nomination and Remuneration Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Mr. Abhijit Sen*	Chairman (Independent Director)	1	1
2.	Mr. K.R. Ramamoorthy	Independent Director	6	6
3.	Mr. Amit Gupta	Non-Independent, Non-Executive	6	2
	Mr. Sunil Patel**	Independent Director	5	5
	Ms. Vandana Viswanathan***	Non-Independent, Non-Executive	5	4

* Mr. Abhijit Sen was inducted as the member and Chairman of the Nomination Committee w.e.f. February 01, 2017

** Mr. Sunil Patel ceased to be a Director w.e.f. January 31, 2017 (close of business hours) and a member of the Nomination Committee w.e.f. February 01, 2017

*** Ms. Vandana Viswanathan ceased to be member of the Committee w.e.f. February 01, 2017

- iii. All of the members of the Nomination Committee are non-executive directors, and at least half of the members of the Governance, Nomination and Remuneration Committee are independent directors
- iv. The chairman of the Governance, Nomination and Remuneration Committee is an independent director.
- v. The Nomination Committee has met 6 (six) times during the year on May 20, 2016, July 05, 2016, September 14, 2016, November 08, 2016, January 18, 2017 and March 27, 2017.
- vi. The scope of the Governance, Nomination and Remuneration Committee are:
 - (a) To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
 - (b) To ensure 'fit and proper' status of proposed/ existing Directors

- (c) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- (d) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- (e) To recommend to the Board the appointment and removal of Senior Management
- (f) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
- (g) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
- (h) To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- (i) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
- (j) To devise a policy on Board diversity;
- (k) To develop a succession plan for the Board and to regularly review the plan;
- (l) To also act as the ESOP committee for the purposes of SEBI (Share Based Employee Benefits) Regulations 2014 and administer and manage the ESOP Schemes

C. Stakeholders Relationship Committee

- i. For redressing the grievances of the stakeholders, the Company has formed Stakeholders Relationship Committee as per the requirements of Section 178 of the Companies Act, 2013 and Regulation 20 of the SEBI LODR Regulations.
- ii. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Mr. K.R. Ramamoorthy	Chairman (Independent Director)	6	4
2.	Ms. Vandana Viswanathan*	Independent Director	1	0
3.	Ms. Sudha Suresh**	MD & CEO	1	1
	Mr. Sunil Patel***	Chairman (Independent Director)	5	5
	Mr. Samit Ghosh***	Non-Independent, Executive	5	3

* Ms. Vandana Viswanathan was inducted as a member of the Stakeholders Relationship Committee w.e.f. February 01, 2017

** Ms. Sudha Suresh was appointed as a Director and was inducted as the member of the Stakeholders Relationship Committee w.e.f. February 01, 2017

*** Mr. Sunil Patel and Mr. Samit Ghosh ceased to be a Director w.e.f. January 31, 2017 (close of business hours) and a member of the Stakeholders Relationship Committee w.e.f. February 01, 2017

- iii. The chairman of the Stakeholders Relationship Committee is a non-executive director of the Company.
- iv. The Stakeholders Relationship Committee has met 6 (six) times during the year on September 01, 2016, October 07, 2016, November 16, 2016, December 20, 2016, January 23, 2017 and March 03, 2017.
- v. The scope of the Stakeholders Relationship Committee are:
 - a. To approve/refuse/reject registration of transfer/transmission of Shares in a timely manner;
 - b. To authorise the issue, printing, signing of Share Certificates and Common Seal thereon post authorization from the Board of Directors of the Company, issue of Duplicate Share Certificates and Share Certificates after Split / Consolidation / Rematerialization and in Replacement of those which are defaced, mutilated, torn or old, decrepit, worn out or where the pages on reverse for recording transfers have been utilized ;
 - c. To authorise to sign and endorse the Share Transfers on behalf of the Company;
 - d. Allotment of shares to the employees or ex-employees on exercise of stock options granted and vested under the various Employees Stock Option Schemes
 - e. To monitor redressal of stakeholder's complaints/grievances including relating to non-receipt of allotment / refund, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
 - f. To oversee the performance of the Register and Transfer Agents and to recommend measures for overall improvement in the quality of investor services.
 - g. To perform all functions relating to the interests of security holders (shareholders and debenture holders) of the Company and as assigned by the Board, as may be required by the provisions of the Companies Act, 2013 and Rules made thereunder, Listing Agreements with the Stock Exchanges and guidelines issued by the SEBI or any other regulatory authority.

D. Corporate Social Responsibility Committee (CSR Committee)

- i. The Company has constituted a Corporate Social Responsibility Committee as per the requirements of Section 135 of the Companies Act, 2013.
- ii. The Corporate Social Responsibility Committee has been constituted to formulate and recommend to the Board of Directors, a corporate social responsibility policy which shall indicate the activities to be undertaken by the company, recommend the amount of expenditure to be incurred on such activities and monitor the corporate social responsibility policy of the company from time to time. The Corporate Social Responsibility Committee consists of the following Directors.
- iii. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held	Attended
1.	Ms. Sudha Suresh*	MD & CEO	1	1
2.	Ms. Vandana Viswanathan	Independent Director	1	1
3.	Mr. Venkatesh Natarajan	Non-Independent, Non-executive	1	1

* Ms. Sudha Suresh was appointed as a Director and was inducted as the member of the CSR Committee w.e.f. February 01, 2017

- iv. The CSR Committee met once during the year on March 27, 2017
- v. The scope of the Corporate Social Responsibility Committee are:
 - a) To formulate and recommend to the board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;
 - b) To recommend the amount of expenditure to be incurred on the activities;
 - c) To Monitor the Corporate Social Responsibility Policy of the company from time to time; and
 - d) To do such other acts, deeds and things as may be directed by the board and required to comply with the applicable laws.
- vi. One of the members of the Corporate Social Responsibility Committee is an independent director;
- vii. The Company has formulated a corporate social responsibility policy indicating the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013.

E. Risk Management Committee

- i. The Company has in place the Risk Management Committee in accordance with RBI guidelines on Corporate Governance.
- ii. The following are the main terms of reference of the Committee:
 - To monitor and review the risk management plan;
 - To review operational risk (including sub risk for operational risk), information technology risk and integrity risk;
 - To take strategic actions to mitigate the risk associated with the nature of the business;
 - To appraise the Board of Directors at regular intervals regarding the process of putting in place a progressive risk management system, risk management policy and strategy;
 - To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws;
 - To lay down procedure to inform Board members about the risk assessment and minimization procedures.
- iii. The Risk Management Committee has met 3 (three) times during the year on May 24, 2016, November 08, 2016 and January 18, 2017.
- iv. The composition of the Risk Management Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Mr. K.R. Ramamoorthy	Independent Director	3	3
2.	Mr. Abhijit Sen	Independent Director	3	3
3.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	3	3
4.	Ms. Sudha Suresh*	Non-Independent, Executive	0	0
	Mr. Samit Ghosh **	Non-Independent, Non-Executive	3	3

* Ms. Sudha Suresh was inducted as the Director and the member of the Risk Management Committee w.e.f. February 01, 2017

** Mr. Samit Ghosh ceased to be a director w.e.f. January 31, 2017 (close of business hours) and a member of Risk Management Committee w.e.f. February 01, 2017

F. Asset Liability Management Committee (ALCO)

- i. The Company has in place the ALCO Committee in accordance with RBI guidelines on Corporate Governance.
- ii. The following are the main terms of reference of the Committee:
 - Addressing concerns regarding asset liability mismatches;
 - Achieving optimal return on capital employed while maintaining acceptable levels of risk relating to liquidity;
 - Addressing concerns regarding interest rate risk exposure; and
 - To do such other acts, deeds and things as may be directed by the Board and required to comply with the applicable laws.
- iii. The ALCO Committee has met 3 (three) times during the year on May 24, 2016, November 08, 2016 and January 18, 2017.
- iv. The composition of the ALCO Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Mr. K.R. Ramamoorthy	Independent Director	3	3
2.	Mr. Abhijit Sen	Independent Director	3	3
3.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	3	3
4.	Ms. Sudha Suresh*	Non-Independent, Executive	0	0
	Mr. Samit Ghosh **	Non-Independent, Non-Executive	3	3

* Ms. Sudha Suresh was inducted as the Director and the member of the Risk Management Committee w.e.f. February 01, 2017

** Mr. Samit Ghosh ceased to be a director w.e.f. January 31, 2017 (close of business hours) and a member of Risk Management Committee w.e.f. February 01, 2017

G. Investment Committee

- i. The Investment Committee of the Board was constituted by our Board of Directors on January 19, 2017.
- ii. The terms of reference of the Investment Committee is to decide on the investment of the funds of the Company in Subsidiaries or otherwise.
- iii. The Investment Committee had no meeting during the FY 2016-17
- iv. The composition of the Investment Committee is given below:

Sr. No.	Directors	Designation
1.	Mr. K.R. Ramamoorthy	Independent Director
2.	Mr. Abhijit Sen	Independent Director
3.	Ms. Sudha Suresh	Non-Independent, Executive

H. Human Resource & Compensation Committee (HR Committee)

- i. The Company had in place Human Resource and Compensation Committee which was dissolved w.e.f. February 01, 2017.
- ii. The HR Committee has met 3 (three) times during the year on May 19, 2016, November 08, 2016 and January 18, 2017
- iii. The composition of the HR Committee and the details of meetings attended by its members before its dissolution are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Ms. Vandana Viswanathan.	Independent Director	3	3
2.	Mr. Sunil Patel*	Independent Director	2	2
3.	Mr. Samit Ghosh	Non-Independent, Executive	3	3
4.	Mr. Jayanta Basu**	Non-Independent, Non-Executive	1	0

* Mr. Sunil Patel was inducted as a member of HR Committee w.e.f. May 25, 2016; however he has resigned from the Board w.e.f. January 31, 2017 (close of business hours) and further HR Committee was dissolved w.e.f. February 01, 2017

**Mr. Jayanta Basu ceased to be a member of HR Committee w.e.f. May 25, 2016

I. Small Finance Bank Transition Committee (SFB Committee)

- The Small Finance Bank Transition Committee which was constituted by the Board of Directors at their meeting held on March 25, 2015 and was functioning for most of the FY 2016-17 was dissolved w.e.f. February 01, 2017.
- The SFB Committee has met 4 (Four) times during the year on May 24, 2016, September 30, 2016, November 08, 2016 and January 18, 2017.
- The composition of the SFB Committee and the details of meetings attended by its members before its dissolution are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held	Attended
1.	Mr. Samit Ghosh	Non-Independent, Executive	4	4
2.	Mr. Venkatesh Natarajan	Non-Independent, Non-Executive	4	3
3.	Mr. Abhijit Sen	Non-Independent, Non-Executive	4	4
4.	Mr. Nandlal Sarda*	Non-Independent, Executive	3	2
5.	Ms. Vandana Viswanathan	Independent Director	4	3

* Mr. Nandlal Sarda was inducted as the member of the SFB Committee w.e.f. May 25, 2016; however he has resigned from the Board w.e.f. January 31, 2017 (close of business hours) and further SFB Committee was dissolved w.e.f. February 01, 2017

J. IPO Committee

- The IPO Committee which was constituted by our Board of Directors on September 29, 2015 was dissolved w.e.f. February 01, 2017.
- The IPO Committee has met 4 (Four) times during the year on April 16, 2016, April 19, 2016, April 27, 2016 and May 06, 2016.
- The composition of the IPO Committee and the details of meetings attended by its members before its dissolution are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held	Attended
1.	Mr. Sunil Patel	Non-Independent, Non-Executive	4	4
2.	Mr. Jayanta Basu	Non-Independent, Non-Executive	4	0
3.	Mr. Samit Ghosh	Non-Independent, Executive	4	4
4.	Mr. Amit Gupta	Non-Independent, Non-Executive	4	0

K. Independent Director's Meeting

In compliance with Schedule IV to the Companies Act, 2013 and regulation 25(3) of the SEBI Listing Regulations, 2015, the independent directors held their separate meeting on March 27, 2017, in full attendance, without the attendance of non-independent directors and members of Management, inter alia, to discuss the following:

- review the performance of non-independent directors and the Board as a whole;
- review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;
- assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties;

4. Remuneration of Directors

The Board of Directors of the Company are comprised of various professionals from diverse backgrounds in the field of finance, banking, HR, management etc. which brings to the table different dimensions for its effective functioning. Considering the time and efforts made by the Non-Executive Directors, it is necessary that appropriate sitting fees are paid to the Non-Executive Directors for attending the meetings of the Board and its Committees.

The Company is paying only the sitting fees to all the Non-Executive Directors within the ceiling of Rs. 1,00,000 per meeting as prescribed under the Companies Act, 2013. The Non-Executive Directors are paid Rs. 50,000 for attending every Board Meeting and Rs. 40,000 for attending every Committee Meeting. In addition, the Non-Executive Directors will be paid travelling expenses including airfare, hotel stay and car on rental basis for attending the meetings of the Board and such other expenses as are incurred by the Non-Executive Directors and allowed to be reimbursed as per the provisions of the Companies Act, 2013.

Please refer to the Board's Report for disclosures with respect to remuneration of MD & CEO.

5. General Body Meetings of Shareholders

- i. Location and time where last three Annual General Meetings (AGMs) held and the Special resolutions passed in the AGMs

For the FY	Venue	Day & Date	Time	Special Resolution Passed
2015-16	Annex II, No. 23-26, Grape Garden, No. 17 th Main, 6 th Block, Koramangala, Bangalore-560 095	Wednesday August 10, 2016	02:30 PM IST	Ratification of Employee Stock Option Scheme 2015.
2014-15	Grape Garden, No. 27, 3rd A Cross, 18th Main, Koramangala 6th Block, Bengaluru 560 095	Wednesday August 26, 2015	4:00 PM IST	No Special business
2013-14	93, Jakkasandra Extension, Sarjapur Main Cross Road, 1 st Block, Koramangala, Bangalore 560034	Friday July 25, 2014	10:00 AM IST	i. Alteration of Articles of Association ii. Appointment of Managing Director

Postal Ballot

- i. During the FY 2016-17, the Company approached the shareholders twice through postal ballots, in August 2016 and January 2017. A snapshot of the voting results of the above mentioned postal ballots are as under:

1) July-August 2016

Date of Postal Ballot Notice : July 29, 2016

Voting Period : August 11, 2016 to September 10, 2016

Date of Declaration of Result and Date of Approval : September 13, 2016

Res. No.	Resolution	Type of Resolution	E-Voting		Postal Ballot		Total		Result
			For	Against	For	Against	For	Against	
1	Authorization to Transfer Business to Ujjivan Small Finance Bank Limited	Special	48,300,891	841	200,307	0	48,501,198	841	Passed with requisite majority
2	Authorization to enter into the related party transaction with Ujjivan Small Finance Bank Limited	Ordinary	48,300,851	881	200,237	0	48,501,088	881	Passed with requisite majority
3	Alteration of the Object Clause of Memorandum of Association of the Company	Special	48,314,055	892	200,167	70	48,514,222	962	Passed with requisite majority
4	Issue of Secured or Unsecured Rated, Listed and Redeemable Non-Convertible Debentures (The Debentures) on a Private Placement Basis	Special	48,312,618	2,439	200,237	0	48,512,855	2439	Passed with requisite majority
5	Appointment of Mr. Abhijit Sen (DIN: 00002583), present Non-Executive Director, as the Independent Director of the Company	Ordinary	47,582,518	442	200,237	0	47,782,755	442	Passed with requisite majority

2) December 2016 – January 2017

Date of Postal Ballot Notice

: December 08, 2016

Voting Period

: December 16, 2016 to January 16, 2017

Date of Declaration of Result and Date of Approval

: January 17, 2017

Res. No.	Resolution	Type of Resolution	E-Voting		Postal Ballot		Total		Result
			For	Against	For	Against	For	Against	
1	Amendment of Objects Clause of Memorandum of Association	Special	54,840,144	1,126	27,538	98	54,867,682	1,224	Passed with requisite majority
2	Increasing the borrowing powers of the Company from the present outstanding borrowing limit of Rs. 6,000 Crore to Rs. 7,000 Crore	Special	54,841,143	271	27,429	200	54,868,572	471	Passed with requisite majority
3	Creation of charge over the receivables of the Company for a value not exceeding Rs. 7,500 Crore.	Special	54,839,218	1,646	27,408	218	54,866,626	1,864	Passed with requisite majority

6. Means of Communication

The Company has an operational website www.ujjivan.com wherein *inter alia* our half yearly and annual financials are placed.

7. Managing Director and Chief Financial Officer Certification

As required under Regulation 17 read with Part B of Schedule II of the Listing Regulations, the MD and CFO certification on the Financial Statements, the Cash Flow Statements and the internal financial reporting has been obtained from Ms. Sudha Suresh, Managing Director and Mr. Hiren Shah, Chief Financial Officer. The said certificate is a part of this Annual Report.

8. Code of Conduct as prescribed under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

In accordance with the requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, the Company has instituted a comprehensive code of conduct to regulate, monitor and report trading by its employees and other connected persons.

9. Ujjivan Code of Conduct

The Company has adopted its Code of Conduct which is applicable for all its Directors (including independent directors) and employees. The key objectives of the Code of Conduct are to establish professional business standards and ensure adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships, to provide full, fair and accurate disclosures in the periodic reports required to be filed by the Company with its stakeholders and to ensure compliance with applicable laws, rules and regulations.

Ujjivan Code of Conduct is available on the website of the Company www.ujjivan.com. Pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, a confirmation from the Managing Director & CEO regarding compliance with the Code by all the Directors and senior management forms part of the Annual Report.

10. Material Subsidiaries

In accordance with the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company has formulated a Policy for determining Material Subsidiaries and the same can be accessed from the website of the Company from the link given below: http://www.ujjivan.com/html/ujjivan_policies.php

11. Familiarization Programme for independent Directors

The Independent Directors of the Company are familiarized with their roles, rights and responsibilities in the Company as well as with the nature of industry and business model of the Company through induction programmes at the time of their appointment as Directors. The details of the familiarization programmes have been hosted on the website of the Company and can be accessed from the link below:

http://www.ujjivan.com/html/ujjivan_policies.php

12. General Shareholder Information

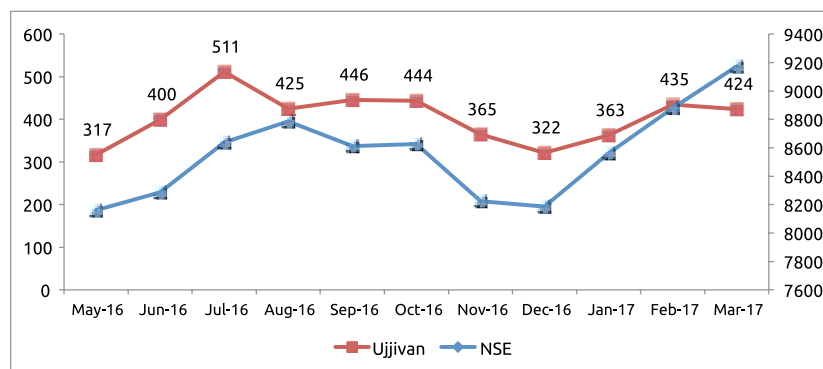
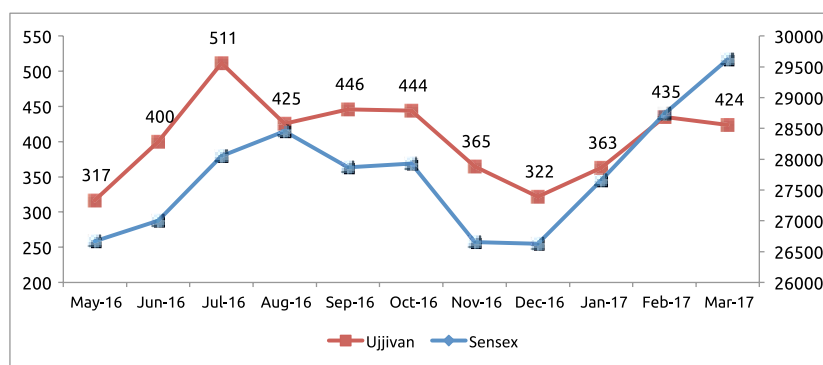
Sr.	Particulars		Details																														
1.	Annual General Meeting for FY 2016-17 (Date, time and venue)	:	August 04, 2017 03:30 P.M. Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India																														
2.	Financial Year	:	April 01 till March 31																														
3.	Dividend Payment date	:	The dividend, if declared, shall be paid / credited within 30 days after the AGM																														
4.	Date of Book Closure	:	Book Closures Dates: July 29, 2017 to August 04, 2017 (Both Days Inclusive) The members whose names appear on the register of members as on July 28, 2017 will be entitled for the dividend if declared at the AGM.																														
5.	Listing on Stock Exchanges and Stock Code	:	The Company's equity shares got listed on May 10, 2016 at both NSE and BSE; Stock Code / Symbol: NSE: UJJIVAN BSE: 539874																														
6.	Payment of Listing fees	:	The Company has paid all listing fees as applicable																														
7.	Registrar and Transfer Agent and Address for correspondence	:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad 500 032 Telangana, India P : +91 040 6716 1562 www.karvycomputershare.com																														
8.	Share Transfer System	:	The investor's services like share transfer, demat or remat of shares and other services are handled by the RTA of the Company. As on March 31, 2017, 95.96% of the equity share capital of the Company, are in dematerialized form and its transfer are done directly through the depositories. Transfer of physical shares is completed within 10-15 working days from the date of receipt of complete documentation.																														
9.	Dematerialization of shares and liquidity	:	<div>The Company's Equity Shares are in compulsory demat segment and are available for trading under dematerialized form with both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).</div> <table><tr><th colspan="5">CONTROL REPORT AS ON 31/03/2017</th></tr><tr><th>Sr.</th><th>Description</th><th>No of Holders</th><th>Shares</th><th>% To Equity</th></tr><tr><td>1</td><td>Physical</td><td>70</td><td>4,815,420</td><td>4.03</td></tr><tr><td>2</td><td>NSDL</td><td>41,302</td><td>72,718,237</td><td>60.91</td></tr><tr><td>3</td><td>CDSL</td><td>24,255</td><td>41,843,415</td><td>35.05</td></tr><tr><td></td><td>Total:</td><td>65,627</td><td>119,377,072</td><td>100.00</td></tr></table> <div>As on March 31, 2017, 114,561,652 equity shares of the Company, forming 95.96% of the equity share capital of the Company, were in dematerialized form and 4,815,420 equity shares were in physical form. The ISIN of the Company is INE334L01012 with NSDL and CDSL) and the equity shares of the Company are frequently traded on both BSE and NSE.</div>	CONTROL REPORT AS ON 31/03/2017					Sr.	Description	No of Holders	Shares	% To Equity	1	Physical	70	4,815,420	4.03	2	NSDL	41,302	72,718,237	60.91	3	CDSL	24,255	41,843,415	35.05		Total:	65,627	119,377,072	100.00
CONTROL REPORT AS ON 31/03/2017																																	
Sr.	Description	No of Holders	Shares	% To Equity																													
1	Physical	70	4,815,420	4.03																													
2	NSDL	41,302	72,718,237	60.91																													
3	CDSL	24,255	41,843,415	35.05																													
	Total:	65,627	119,377,072	100.00																													
10.	Outstanding GDRs/ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity.	:	The Company does not have any outstanding GDRs/ADRs/Warrants or any convertible instruments other than outstanding ESOPs granted to employees.																														
11.	Plant Locations	:	As the Company is engaged in the business of NBFC, there is no plant location.																														
12.	Address of the Compliance Officer	:	Sanjeev Barnwal, Company Secretary and Compliance Officer; Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru 560 095, Karnataka, India Tel: +91 80 4071 2121; Fax: +91 80 4146 8700 E-mail: compliance@ujjivan.com																														

(B) Market price data- high, low during each month in last financial year;

Month	BSE			NSE		
	High Price	Low Price	Volume (No. of Shares Traded)	High Price	Low Price	Volume (No. of Shares Traded)
May-16	322	217	21,787,669	322	217	101,489,126
Jun-16	415	312	20,711,925	415	312	92,101,104
Jul-16	547	394	9,479,286	548	394	43,413,504
Aug-16	530	417	7,549,913	530	417	34,634,221
Sep-16	465	397	6,092,816	465	399	28,417,073
Oct-16	484	433	2,631,528	485	434	12,936,343
Nov-16	472	311	5,743,531	472	312	26,121,563
Dec-16	368	285	3,238,567	368	285	18,800,003
Jan-17	375	323	4,014,284	375	322	22,323,238
Feb-17	452	357	4,624,621	452	358	21,968,206
Mar-17	465	415	3,180,690	464	415	17,501,922

Performance in comparison to broad-based indices such as BSE Sensex, Nifty

Comparative chart of Ujjivan Financial Services Limited Scrip with BSE Sensex and Nifty 50



Distribution of Shareholding as on March 31, 2017

Distribution Schedule - Consolidated as on 31-03-2017					
Category (Amount)	No. of Cases	% of Cases	Total Shares	Amount	% of Amount
1-5000	58,908	89.761836	5,424,293	54,242,930	4.54
5001- 10000	2,879	4.386914	2,248,606	22,486,060	1.88
10001- 20000	1,685	2.567541	2,510,233	25,102,330	2.10
20001- 30000	621	0.946257	1,580,901	15,809,010	1.32
30001- 40000	332	0.505889	1,179,790	11,797,900	0.98
40001- 50000	228	0.347418	1,058,058	10,580,580	0.89
50001- 100000	434	0.661313	3,140,708	31,407,080	2.63
100001& Above	540	0.822832	102,234,483	1,022,344,830	85.64
Total	65,627	100.00	119,377,072	1,193,770,720	100.00

13. Investor Education and Protection Fund - Unclaimed Dividend

Pursuant to section 125 of the Companies Act, 2013, all unpaid and unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government after the completion of seven years. The unclaimed dividend declared by the Company for the FY 2015-16 is Rs. 42,288 as on April 31, 2017 and the same will be transferred by the Company to IEPF on the completion of seven years, if remained unclaimed. The details of the unclaimed dividend can be accessed from the website of the Company from the link below:

http://www.ujjivan.com/pdf/Unclaimed_Dividend_FY_Ending_2016.pdf

14. Equity Shares in the demat suspense account / unclaimed suspense account

As on March 31, 2017 there are no shares in the demat suspense account / unclaimed suspense account.

15. Other Disclosures

i. Related Party Transactions

The Company has entered into material related party transactions with its wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' for which all the requisite approvals from the Audit Committee, Board and the Shareholders were duly taken. Other related party transactions were approved by the Audit Committee and the Board. The Company has a policy on materiality and on dealing with related party transactions which has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

ii. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;

- Nil

iii. The Company in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the company's Code of Conduct or Ethics Policy. No person has been denied access to the Audit Committee. The Whistle Blower policy has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

iv. The Company has adopted Policy for Determination of Materiality of Events / Information for Disclosures, Policy on Preservation of Document and Archival Policy. The policies has been uploaded on our website at the link http://ujjivan.com/html/ujjivan_policies.php

v. The Company has adopted the below discretionary requirements as specified in Part E of Schedule II of SEBI Listing Regulations:

a. Separate posts of chairperson and chief executive officer

b. Reporting of internal auditor directly to the audit committee

v. The Company is in compliance with the corporate governance requirements specified in regulation 17 to 27 of SEBI Listing Regulations and has an operational website www.ujjivan.com wherein the information as required under Regulation 46 of the SEBI Listing Regulations has been disseminated.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

This is to confirm that the Company has adopted a Code of Conduct for its employees including the Managing Director. In addition, the Company has adopted a Code of Conduct for its Non-Executive Directors and Independent Directors. The code is available on the Company's Website www.ujjivan.com.

I confirm that the Company has in respect of the year ended March 31, 2017, received from the Senior Management Team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

For the purpose of this declaration, Senior Management Team means the Chief Financial Officer and the Company Secretary as on March 31, 2017.

Date: April 27, 2017
Place: Bangalore

Sudha Suresh
Managing Director and Chief Executive Officer
DIN: 06480567

CEO / CFO CERTIFICATION

To,

The Board of Directors

Ujjivan Financial Services Limited

Subject: Compliance Certificate as required under Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We hereby certify that:

- A. We have reviewed financial statements and the cash flow statement for the financial year 2015-16 and that to the best of our knowledge and belief:
 - (1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- C. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D. We have indicated to the auditors and the Audit committee
 - (1) significant changes in internal control over financial reporting during the year;
 - (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sudha Suresh
Managing Director & CEO
DIN: 06480567

Hiren Shah
Chief Financial Officer

Date: April 27, 2017

Place: Bangalore

INDEPENDENT PRACTICING COMPANY SECRETARY CERTIFICATE ON CORPORATE GOVERNANCE

TO THE MEMBERS OF UJJIVAN FINANCIAL SERVICES LIMITED

1. We have examined the compliance of conditions of Corporate Governance by “UJJIVAN FINANCIAL SERVICES LIMITED” (“the Company”), for the year ended on March 31, 2017, as stipulated in:
 - The Companies Act, 2013 in respect of compliance of conditions of the Corporate Governance provisions relating to composition of Board of Directors and constitution of Board Committees including the constitution of the Audit & Risk Management Committee, Stakeholder Relationship Committee, Nomination, Remuneration & Governance Committee and Corporate Social Responsibility Committee.
 - The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the Listing Regulations), as amended (the “SEBI LODR Regulations”) in relation to
 - Regulations 17 to 27 of SEBI LODR Regulations as on March 31, 2017 and
 - clauses (b) to (i) of sub-regulation (2) of regulation 46
2. The Initial Public Offer of the Company was concluded on May 02, 2016 and the Company’s Equity Shares were listed on NSE and BSE on May 10, 2016 and accordingly the requirements as per Regulation 27(2) on filing of quarterly compliance report on Corporate Governance with the Stock exchanges, Regulation 46(2) on disseminating of specified information on Website and Regulation 47 on publication of quarterly results in Newspapers, were applicable to the Company subsequent to its listing date.
3. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
4. We have examined the relevant records of the Company in accordance with the Generally Accepted Auditing Standards in India, to the extent relevant, and as per the Guidance Note on Certification of Corporate Governance issued by the Institute of the Chartered Accountants of India.
5. In our opinion and to the best of our information and according to our examination of the relevant records and the explanations given to us and the representations made by the Directors and the Management, and read together with paragraph 2 above, we certify that the Company has complied with the conditions of Corporate Governance as stipulated under paragraph 1 above, as of March 31, 2017.
6. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Date: April 27, 2017
Place: Bangalore

K. Jayachandran
ACS No.: 11309
CP No.: 4031

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UJJIVAN FINANCIAL SERVICES LIMITED

(Formerly UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Ujjivan Financial Services Limited (hereinafter referred to as "the Holding Company") and its subsidiary (the Holding Company and its subsidiary together referred to as "the Group") comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated 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 the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraphs (a) and (b) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of the subsidiary referred to in the Other Matters paragraph below, the aforesaid consolidated 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 consolidated state of affairs of the Group, as at 31st March, 2017, and their consolidated profit/loss and their consolidated cash flows for the year ended on that date.

Other Matters

- (a) We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of Rs. 84,516,794,697 as at 31st March, 2017, total revenues of Rs. 2,261,126,450 and net cash inflows/ (outflows) amounting to Rs. 6,865,121,743 for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, our report in terms of subsection (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of other auditors and the financial statements certified by the Management.



Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of the report of the branch auditors and other auditors on separate financial statements and the other financial information of jointly controlled operations, subsidiaries, associates and jointly controlled entities, referred in the Other Matters paragraph above we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books, returns and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards prescribed under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2017 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company incorporated in India, none of the directors of the Group companies, is disqualified as on 31st March, 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 and the operating effectiveness of such controls, refer to our separate Report in "Annexure A", which is based on the auditors' reports of the Holding company, subsidiary companies, associate companies and jointly controlled companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Holding company's/ subsidiary companies internal financial controls over financial reporting.
- (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 Auditor's) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
 - ii. The Group, did not have any material foreseeable losses on long-term contracts including derivative contracts.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company, and its subsidiary company incorporated in India.
 - iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016. However we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management (refer Note 29 of Financial Statements).

For DELOITTE HASKINS & SELLS

Chartered Accountants
(Firm's Registration No 008072S)



S.Sundaresan
Partner

(Membership No. 25776)

Place: Bengaluru

Date: April 27, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of Ujjivan Financial Services Limited (hereinafter referred to as "the Holding Company") and its subsidiary company as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Holding Company, its subsidiary company 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 and other auditor of the subsidiary company, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Holding Company and its subsidiary company.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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

Opinion

In our opinion to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors referred to in the Other Matters paragraph below, the Holding Company and its subsidiary company have, 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 respective companies 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".



Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to, one subsidiary company is based solely on the corresponding reports of the auditors of such companies incorporated in India.

Our opinion is not modified in respect of the above matters.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm's Registration No. 008072S)



S.Sundaresan

Partner

(Membership No. 25776)

Place: BENGALURU

Date: April 27, 2017

UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2017

(Amount in Rupees)

Particulars	Note No.	As at March 31, 2017	
I. EQUITY AND LIABILITIES			
(1) Shareholder's Funds:			
(a) Share Capital	3	1,193,770,720	
(b) Reserves and Surplus	4	16,358,817,799	17,552,588,519
(1.2) Share application money pending allotment:	31		5,287,610
(2) Non-Current Liabilities			
(a) Long-term borrowings	5	28,450,520,082	
(b) Long-term provisions	6	370,024,723	28,820,544,805
(3) Current Liabilities			
(a) Short-term borrowings	7	1,004,354,013	
(b) Trade payables			
(i) Total outstanding dues of micro enterprises and small enterprises	8	-	
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	8	285,823,390	
(c) Other current liabilities	9	36,013,487,185	
(d) Short-term provisions	10	1,103,824,529	38,407,489,117
Total			84,785,910,051
II. Assets			
(1) Non-Current Assets			
(a) Fixed assets			
(i) Tangible assets	11A	721,873,075	
(ii) Intangible assets	11B	644,162,507	
(iii) Assets under development		31,650,176	1,397,685,758
(b) Non-current investments	12	3,572,719,451	
(c) Deferred tax assets (net)	27.6	469,696,697	
(d) Long-term loans and advances	13	219,837,054	
(e) Other non-current assets	14	14,304,189,766	18,566,442,968




Particulars	Note No.	As at March 31, 2017	
(2) Current Assets			
(a) Current investments	15	10,894,061,037	
(b) Receivables under financing activity	16	44,810,963,243	
(c) Cash and Bank balances	17	7,600,750,600	
(d) Short-term loans and advances	18	839,327,925	
(e) Other current assets	19	676,678,520	64,821,781,325
Total			84,785,910,051
See accompanying notes forming part of the financial statements	1-33		

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants



S Sundaresan

Partner

For and on behalf of the Board of Directors



K.R. Ramamoorthy

Chairman



Sudha Suresh

Managing Director



Sanjeev Barnwal

Company Secretary



Hiren Shah

Chief Financial Officer

Place: Bengaluru

Date: April 27, 2017



UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

(Amount in Rupees)

Particulars	Note No.	For the year ended March 31, 2017
A. INCOME		
(a) Income from operations	20	13,493,734,980
(b) Other income	21	482,504,268
Total Income (A)		13,976,239,248
B. EXPENDITURE		
(a) Employee benefits expenses	22	2,716,155,981
(b) Administrative and other expenses	23	1,738,003,190
(c) Finance cost	24	5,427,222,013
(d) Depreciation and amortisation expenses	11	126,310,464
(e) Provision / write off for receivables under financing activity	25	751,161,879
Total Expenditure (B)		10,758,853,527
Profit Before Tax (A - B)		3,217,385,721
Tax expenses		
(a) Current tax expenses		1,369,914,949
(b) Provision for tax of earlier year		(289,868)
(c) Deferred tax	27.6	(228,950,518)
Total tax expenses		1,140,674,563
Profit for the year		2,076,711,158
Earnings per Equity Share: face value Rs. 10 each	27.5	
(a) Basic		17.76
(b) Diluted		17.10
See accompanying notes forming part of the financial statements	1-33	

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants



S Sundaresan

Partner

For and on behalf of the Board of Directors



K.R. Ramamoorthy

Chairman



Sudha Suresh

Managing Director



Sanjeev Barnwal

Company Secretary



Hiren Shah

Chief Financial Officer

Place: Bengaluru

Date: April 27, 2017








UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)
CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(Amount in Rupees)

Particulars	For the year ended March 31, 2017
Cash Flows from operating activities	
Profit before tax	3,217,385,721
Adjustments for:	
Depreciation and amortisation expenses	126,310,464
Profit on sale of current investments	(146,699,747)
Bad debts written off -provision reversed	(36,483,640)
Deferred Stock Compensation expenses	15,480,461
Provision for Receivables under Financing Activities	732,867,044
Provision for advances	2,884,146
Claims written off (net)	5,239,502
Fixed assets written off	2,584,990
Interest on fixed deposits	(136,826,508)
Loss /(Profit) on sale of Fixed Assets	(21,223)
Marked to Market provision	41,966,250
Operating Profit before Working capital changes	3,824,687,460
Changes in working capital:	
(Increase) / Decrease in Receivables under Financing Activity	(8,067,723,966)
(Increase) / Decrease in Loans and advances	(641,806,963)
(Increase) / Decrease in Other assets	(209,461,967)
Increase / (Decrease) in Trade payables	133,947,227
Increase / (Decrease) in Other current liabilities	484,210,539
Increase / (Decrease) in Short-term provisions	(29,749,755)
Cash flow from operations	(4,505,897,425)
Net Tax paid/Refunds	(1,320,175,342)
Net Cash from operating activities (A)	(5,826,072,767)
Cash flows from Investing activities	
Investments in Central government securities and T-Bills	(14,507,736,738)
Purchase of Mutual funds	(62,109,600,021)
Sale of Mutual funds	62,254,146,313
Purchase of T-bill	(2,921,290,362)
Sale of T-bill	2,923,443,800
Purchase of Fixed Assets	(1,419,339,950)
Proceeds from Sale of Fixed Assets	161,597,339
Interest on fixed deposits	27,017,261
Net Cash from investing activities (B)	(15,591,762,358)



Particulars	For the year ended March 31, 2017
Cash flows from financing activities	
Proceeds from issue of share capital & securities premium (net)	3,482,822,618
Borrowings from banks / others	56,562,500,000
Repayment of Borrowings from banks / others	(37,028,420,214)
Deposits from customers	1,064,117,905
Share application money pending allotment	5,287,610
Net Cash from financing activities (C)	24,086,307,919
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	2,668,472,793
Cash and cash equivalents at the beginning of the period	4,467,377,978
Cash and cash equivalents at the end of the period	7,135,850,772
<p>Notes :</p> <p>1. The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow State-ments.</p> <p>2. Cash & cash equivalents at period end includes Rs.13,548,822/- in balance with banks, which is to be used only for repayment of securi-ty deposit of customer.</p> <p>3. Refer note 17 for items included in cash and cash equivalents.</p>	
For Deloitte Haskins & Sells	For and on behalf of the Board of Directors
Chartered Accountants	
	
S Sundaresan	K.R. Ramamoorthy
Partner	Chairman
	
	Sudha Suresh
	Managing Director
	
	Sanjeev Barnwal
	Company Secretary
	
	Hiren Shah
	Chief Financial Officer
Place: Bengaluru	
Date: April 27, 2017	



Notes to Consolidated Financial Statements for the year ended March 31, 2017

1 GROUP INFORMATION

Group domiciled in India and incorporated under the provisions of the Companies Act, 1956. The company is a Microfinance institution serving the economically active poor in urban and semi-urban areas. The Company received approval from Reserve Bank of India ("RBI") to setup a Small Finance Bank. Pursuant to the same, the company executed an agreement to transfer its Business undertaking to its wholly owned subsidiary Ujjivan Small Finance Bank Limited ("the Bank"). The bank commenced operations w.e.f 1st February 2017, on which date the Company seized to operate as a Micro finance company. Pursuant to this change, the Company has sought to surrender its NBFC - MFI license and has applied for registration as a NBFC- Core Investment Company ("CIC") with RBI and the approval from RBI is awaited.

Basis of Consolidation

1.1 The Consolidated Financial Statements of the Company and its subsidiary have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention.

1.2 The Consolidated Financial Statements relate to Ujjivan Financial Services Limited and its subsidiary, the details of which are given below:

Name of the Subsidiary : Ujjivan Small Finance Bank Limited

Country of Incorporation : India

Group interest : 100%

1.3 The financial statements of the parent company and its subsidiary has been prepared based on a line by line Consolidation by adding together like items of assets and liabilities, revenue and expenses as per the respective financial statements. Intra group balances, intra group transactions have been eliminated. The financial statements of the subsidiary company used in the consolidation are drawn upto the same reporting date as that of the Company i.e., March 31, 2017.

1.4 As far as possible, the Consolidated Financial Statements are prepared using uniform accounting policies for similar material transactions and other events in similar circumstances otherwise as stated elsewhere.

1.5 The financial statements of the Ujjivan Small Finance Bank the Subsidiary has been consolidated as per Accounting Standard 21 on 'Consolidated Financial Statements' as specified under Section 133 of the Companies Act, 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Use of estimates

The presentation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the year. The management believes that the estimate used in preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the period in which the results are known/material.

3. Cash flow statement

The Cash Flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from operating, investing and financing activities of the company are segregated based on available information. Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises of Cash on hand, balances with RBI, balances with other banks and money at Call and Short notice. Cash equivalents are short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

4. Tangible and Intangible assets

Fixed assets are stated at cost, net of accumulated depreciation. The cost of an asset comprises its purchase price (net of capital grants) and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. An asset's recoverable amount is the higher of an asset's net selling price and its value in use, if such assets are considered to be impaired, the impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

5. Depreciation and amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortised over the duration of the lease. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.



Notes to Consolidated financial Statements for the year ended March 31, 2017

The useful life being followed by the company as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

Assets purchased/sold during the year are depreciated on a pro-rata basis for the actual number of days the asset has been put to use.

Assets costing less than Rs.5,000/- are fully depreciated in the year of purchase.

The salvage value considered for computing depreciation is as per Schedule II of Companies Act, 2013 (i.e. 5% of Cost) except for Software and Lease hold assets.

6. Investments

Investments are classified into current investments and Non-current investments. Current investments are carried at lower of cost or fair value. Non-Current investments are carried individually at cost less provision made to recognize any decline, other than temporary, in the value of such investments. Cost of investments include acquisition charges such as brokerage, fees and duties.

7. Receivables under Financing Activity

Loans are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

A general provision on standard assets is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

Advances exclude derecognised securitised advances.

Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account.

Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

The securitization transactions are without recourse to the Subsidiary. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Subsidiary surrenders the rights to the benefits specified in the loan contracts.

8. Revenue Recognition

Revenue from Interest on loans financed by the Company is recognized on accrual basis, considering the directions issued by the Reserve Bank of India from time to time in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. Loans are classified into 'Performing and Non-Performing' assets in terms of the said Directions. Loans in respect of which interest/principal have remained overdue for a period of 90 days or more are considered as Non Performing Assets.

Revenues from loan documentation charges are recognized as income on accrual basis.

Revenue from interest income on fixed deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Profit / premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the statement of profit and loss account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

9. Employee benefits

Employee benefits includes Provident Fund, Employee State Insurance scheme, Gratuity fund and compensated absences.

a) Short term employee benefits including salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits for current employees are estimated and measured on an undiscounted basis.

b) Defined Contribution Plan

Company's contributions to Provident Fund, Pension fund and employee state insurance scheme are considered as defined contribution plan and are charged as expense based on amount of contribution required to be made and when services are rendered by the employees.



Notes to Consolidated Financial Statements for the year ended March 31, 2017

c) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by the Life Insurance Corporation of India, are determined by Actuarial Valuation on Projected Unit Credit Method made at the end of each balance sheet date. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

d) Long term employee benefits

Liability for compensated absences is provided based on actuarial valuation carried out at the end of the financial period using Projected Unit Credit Method and is not funded but provided for. Past service cost is recognized immediately to the extent that the benefits are already used and otherwise is amortised on straight line base over the average period until the benefits become vested. The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefits obligation as adjusted for unrecognised past service cost, as redeemed by the fair value of scheme assets.

Compensated absences which are not expected to occur within 12 months after the end of period in which the employee rendered the related services are recognised as a liability at the present value of the defined benefit obligations as at the balance sheet date.

Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

10. Lease

Lease rentals under operating lease are charged to the Statement of Profit and Loss on straight line basis over the lease term.

Assets leased by the company in its capacity as a lessee in which substantially all the risk and rewards of ownership vest in the Company are classified as finance leases. Lease arrangements where risk and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases.

11. Earnings per share

In determining the earnings per share, the Company considers the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be diluted only if their conversion to equity share would decrease the net profit per share from continuing ordinary operations. Diluted potential equity shares are determined independently for the each period presented.

12. Borrowing costs

Borrowing costs attributable to qualifying assets as per Accounting Standard 16 (assets which require substantial period of time to get ready for their intended use) are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

13. Taxes

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each balance sheet date for their realisability.

14. Provisions and Contingent Liabilities

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

Contingent liabilities are disclosed in notes. Contingent assets are not recognised in the financial statements

15. Employee Stock Option Plan

The Company has Employee Stock Option Plans for the benefit of its employees. Options granted in terms of the Stock option plans on or after April 1, 2005 are accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI). The difference between the intrinsic value of the stock option granted on or after April 1, 2005 and exercise price, if any, is expensed as "Employee Compensation" over the period of vesting.

16. Operating Cycle

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash and cash equivalents, the Company has determined operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non current.



Notes forming part of Consolidated financial statements

Note 3 - Share Capital

(Amount in Rupees)

Particulars	As at March 31, 2017
Authorised 125,000,000 Equity Shares of Rs.10/- each	1,250,000,000
Issued 119,377,072 Equity Shares of Rs.10/- each	1,250,000,000 1,193,770,720
Subscribed & fully Paid up 119,377,072 Equity Shares of Rs.10/- each	1,193,770,720 1,193,770,720
Total	1,193,770,720

i) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year

	Number of shares March 31, 2017
Number of shares outstanding at the beginning of the year	101,186,028
Add: shares issued during the year - Stock options	1,135,767
Add: shares issued during the year - Institutions/Others	17,055,277
Number of shares outstanding at the end of the year	119,377,072

ii) Reconciliation of equity share capital outstanding at the beginning and at the end of the year

	Amount in Rs. March 31, 2017
Share capital outstanding at the beginning of the year	1,011,860,280
Add: shares issued during the year - Stock options	11,357,670
Add: shares issued during the year - Institutions/Others	170,552,770
Share capital outstanding at the end of the year	1,193,770,720

iii) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:

Class of shares / Name of the shareholder	Number of shares as at March 31, 2017	%
Equity Shares:		
CDC Group Plc	10,932,696	9.16%
Alena Private Limited	10,790,943	9.04%
International Finance Corporation	7,141,684	5.98%
NewQuest Asia Investments II Limited	7,028,022	5.89%

iv) The company has only one class of equity shares with voting rights (one vote per share). The distribution of dividend is in proportion to the number of equity shares held by the shareholders.



Notes forming part of Consolidated financial statements
Note 4 - Reserves & Surplus

(Amount in Rupees)

Particulars	As at March 31, 2017
a. Securities premium account	
Opening balance	7,574,238,496
Add : Premium on shares issued during the year on stock options	48,206,272
Add : Premium on shares issued during the year on Institutions/Others	3,411,055,400
Less : Utilised during the year for writing off share issue expenses	155,033,718
Closing balance	10,878,466,450
b. Other reserves - Statutory reserve *	
Opening balance	729,321,561
Add: Additions during the year	415,359,770
Closing balance	1,144,681,331
c. Other reserves - Employee loan grant	1,300,000
d. Share options outstanding account	
Opening balance	57,133,959
Add: Amounts recorded on grants during the year	-
Less: Grants forfeited during the year	4,216,468
Less: Grants exercised during the year	3,315,776
	49,601,715
Less: Deferred stock compensation expense	31,407,158
Closing balance	18,194,557
e. Surplus in Statement of Profit and Loss	
Opening balance	2,654,824,072
Add: Profit for the year	2,076,711,159
Less: Transferred to statutory reserve	415,359,770
Closing balance	4,316,175,461
Total	16,358,817,799

* Transfer of profit after Tax to the statutory reserves in accordance with the provisions of Reserve Bank of India Act, 1934.

Note: The Board has recommended a dividend at the rate of 8% i.e. Rs. 0.80 per equity share for the FY 2016-17 subject to the approval of the shareholders at the ensuing 13th Annual General Meeting (AGM).



Note 5 - Long-term borrowings

(Amount in Rupees)

Particulars	As at March 31, 2017
(A) Non Convertible Debentures	
Secured	
600, 12.60% Secured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 5 years from the date of allotment July 01, 2014 (Refer Note (i) below)	600,000,000
1,000, 12.35% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par by August 5, 2021 with put/call option August 5, 2018 from the date of allotment August 5, 2015 (Refer Note (i) below)	1,000,000,000
40, 10.75% Secured Redeemable Non Convertible Debentures of Rs.10,000,000/- each redeemable at par at the end of 6 years from the date of allotment July 31, 2013 (Refer Note (i) below)	400,000,000
Unsecured	
1750, 9.74% Unsecured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment October 7, 2016	1,750,000,000
2250, 9.65% Unsecured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment November 16, 2016	2,250,000,000
Total - (A)	6,000,000,000
(B) Term loans	
Secured	
from Banks (Refer Note (ii)(a) below)	9,045,278,189
from NBFCs (Refer Note (ii)(b) below)	1,705,452,447
from other parties (Refer Note (ii)(c) below)	5,864,666,670
	16,615,397,306
Unsecured	
from Banks (Refer Note (ii)(d) below)	2,857,137,784
from NBFCs (Refer Note (ii)(e) below)	2,418,221,100
from other parties (Refer Note (ii)(f) below)	500,000,000
	5,775,358,884
Total - (B)	22,390,756,190
(C) Deposits	
-Term deposits	59,763,892
Total - (A) + (B) + (C)	28,450,520,082

i) Debentures are secured by hypothecation of book debts.



Notes forming part of Consolidated financial statements

(ii) Terms of repayment for borrowings including current maturities :

Secured

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from Banks - (a)				
Repayable in Monthly Installments				
Base Rate + 0.35%	< 1 Year	12	1,000,000,000	-
Base Rate + 0.40%	< 1 Year	47	852,272,727	-
Base Rate + 0.45%	< 1 Year 2 Year	12 5	1,165,714,286	485,714,286
Base Rate + 0.75%	< 1 Year	31	438,095,238	-
Base Rate + 0.80%	< 1 Year	12	571,428,571	-
Base Rate + 1.00%	< 1 Year	4	83,333,333	-
Base Rate + 1.15%	< 1 Year	7	49,551,859	-
Base Rate + 1.25%	< 1 Year	11	261,904,762	-
Base Rate + 1.50%	< 1 Year	6	187,500,000	-
Base Rate + 1.55%	< 1 Year	8	83,333,328	-
Base Rate + 1.60%	< 1 Year	12	62,485,911	-
Base Rate + 1.75%	< 1 Year	64	1,120,841,249	-
Base Rate + 1.80%	< 1 Year	5	119,047,619	-
Base Rate + 1.95%	< 1 Year	8	166,385,136	-
Base Rate + 2.00%	< 1 Year	10	180,518,541	-
Base Rate + 2.25%	< 1 Year	6	45,416,747	-
Base Rate + 2.40%	< 1 Year	21	523,333,333	-
Base Rate + 2.50%	< 1 Year	8	108,883,823	-
At MCLR	< 1 Year 2 Year	36 28	1,667,500,004	1,327,674,951
MCLR + 0.05%	< 1 Year 2 Year	12 10	1,650,000,000	1,375,000,000
MCLR + 0.10%	< 1 Year 2 Year	24 18	217,200,000	162,800,000



Notes forming part of Consolidated financial statements

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
MCLR + 0.15%	< 1 Year	12	1,090,909,091	
	2 Year	9		818,181,818
MCLR + 0.25%	< 1 Year	12	500,000,000	
	2 Year	9		375,000,000
MCLR + 0.30%	< 1 Year	4	750,000,000	
	2 Year	3		562,500,000
MCLR + 0.40%	< 1 Year	12	285,720,000	
	2 Year	7		166,660,000
MCLR + 0.55%	< 1 Year	20	750,000,000	
	2 Year	20		187,500,000
MCLR + 0.65%	< 1 Year	11	137,500,000	
	2 Year	12		149,965,548
MCLR + 0.80%	< 1 Year	24	1,000,000,000	
	2 Year	8		333,333,333

Repayable in Quarterly Installments				
At Base Rate	< 1 Year	4	750,000,000	
Base Rate + 0.15%	< 1 Year	4	285,699,609	
Base Rate + 0.20%	< 1 Year	4	160,000,000	
	2 Year	2		80,000,000
Base Rate + 0.25%	< 1 Year	4	857,140,664	
Base Rate + 0.40%	< 1 Year	4	149,986,210	
Base Rate + 0.80%	< 1 Year	4	185,714,286	
Base Rate + 0.95%	< 1 Year	12	462,478,706	
Base Rate + 1.00%	< 1 Year	4	80,000,000	
		3		59,977,303
Base Rate + 1.10%	< 1 Year	2	75,000,000	
Base Rate + 1.25%	< 1 Year	12	166,638,575	
	2 Year	9		124,822,866
Base Rate + 1.40%	< 1 Year	5	421,393,811	
Base Rate + 1.50%	< 1 Year	2	187,200,000	
Base Rate + 2.05%	< 1 Year	7	176,799,021	
Base Rate + 2.30%	< 1 Year	4	79,959,242	
MCLR + 0.05%	< 1 Year	8	666,666,667	
		8		665,912,025
MCLR + 0.10%	< 1 Year	4	1,142,857,140	



Notes forming part of Consolidated financial statements

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
		2		571,040,119
MCLR + 0.25%	< 1 Year	3	175,200,000	
	2 Year	3		174,800,000
MCLR + 0.65%	< 1 Year	6	165,555,556	
	2 Year	8		171,111,111
	3 Year	15		123,284,828

Repayable in annually

At Base Rate	< 1 Year	1	125,000,000	
--------------	----------	---	-------------	--

Repayable in Bullet

At Base rate	< 1 Year			
	2 Year	1		1,130,000,000
Total			21,382,165,044	9,045,278,189

Borrowings from NBFCs - (b)

Repayable in Monthly Installments

Interest Rate - 9.45%	< 1 Year	11	733,700,000	
	2 Year	12		800,400,000
	3 Year	7		465,900,000
Interest Rate - 10.00%	< 1 Year	12	360,000,000	
	2 Year	7		220,000,000
Interest Rate - 10.15%	< 1 Year	12	19,292,501	
	2 Year	12		21,344,397
	3 Year	28		58,560,293
Interest Rate - 10.90%	< 1 Year	12	8,862,328	
	2 Year	12		9,878,069
	3 Year	24		23,308,570
Interest Rate - 11.30%	< 1 Year	12	181,818,182	
	2 Year	7		106,061,118
Interest Rate - 12.50%	< 1 Year	12	109,404,887	
Total			1,413,077,898	1,705,452,447

Borrowings from Others - (c)

Repayable in Monthly Installments

Interest Rate - 10.75%	< 1 Year	10	1,000,000,000	
	2 Year	12		1,200,000,000
	3 Year	8		800,000,000
Interest Rate - 11.75%	< 1 Year	12	600,000,000	
	2 Year	9		450,000,000
Total			1,600,000,000	2,450,000,000



Notes forming part of Consolidated financial statements

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
Bullet				
Interest Rate - 10.25%	< 1 Year	2	333,332,500	
Interest Rate - 10.75%	< 1 Year	4	1,157,999,998	1,157,999,998
	2 Year	4		1,265,000,005
	3 Year	13		
Interest Rate - 11.00%	< 1 Year	2	333,333,333	
	2 Year	1		166,666,667
Interest Rate - 11.50%	< 1 Year	2	450,000,000	
	2 Year	2		450,000,000
	3 Year	5		375,000,000
Total			2,274,665,831	3,414,666,670
Grand Total			3,874,665,831	5,864,666,670

Unsecured				
Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2017	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from Banks - (d)				
Repayable in Quarterly Installments				
At MCLR	< 1 Year	6	1,285,714,286	
	2 Year	8		1,714,282,149
MCLR + 0.70%	< 1 Year	3	857,142,857	
	2 Year	4		1,142,855,635
Repayable in Bullet				
At Base rate	< 1 Year	1	600,000,000	
Total			2,742,857,143	2,857,137,784

Borrowings from NBFCs - (e)

Repayable in Monthly Installments

Interest Rate - 9.50%	< 1 Year	7	621,162,206	
Interest Rate - 9.60%	< 1 Year			
	2 Year	4		500,000,000
Interest Rate - 9.75%	< 1 Year	12	254,545,453	
	2 Year	12		254,545,454
	3 Year	7		148,484,851

Repayable in Quarterly Installments

Interest Rate - 9.75%	< 1 Year	9	1,984,808,439	
	2 Year	8		1,515,190,795
Total			2,860,516,098	2,418,221,100

Borrowings from Others - (f)

Repayable in Bullet

Interest rate - 15.00%	3 Year	6		500,000,000
Total			-	500,000,000



Notes forming part of Consolidated financial statements

Note 6 - Long-term provisions

<i>(Amount in Rupees)</i>	
Particulars	As at March 31, 2017
(a) Provision - Others	
(i) Provision for receivables under financing activity	
Provision for standard assets	261,683,006
Provision for non performing assets	4,180,486
(ii) Compensated absences (Refer Note 27.1)	104,161,231
Total	370,024,723

Note 7 - Short-term borrowings

<i>(Amount in Rupees)</i>	
Particulars	As at March 31, 2017
Deposits	
-Term deposits	971,881,282
-Demand deposits	32,472,731
Total	1,004,354,013

Note 8 - Trade payables

<i>(Amount in Rupees)</i>	
Particulars	As at March 31, 2017
(i) Total outstanding dues of micro enterprises and small enterprises (Refer Note 26.2)	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	285,823,390
Total	285,823,390



Notes forming part of Consolidated financial statements

Note- 9 Other current liabilities

(Amount in Rupees)

Particulars	As at March 31, 2017
(a) Current maturities of non convertible debentures (Refer Note (i) below)	2,250,000,000
(b) Provision for gratuity (Refer Note 27.1)	33,568,742
(c) Current maturities of long-term debt (Refer Note (i) below)	32,273,282,014
(d) Interest accrued but not due on borrowings	599,981,768
(e) Other payables	
(i) Statutory remittances	86,829,517
(ii) Security deposits from customers	1,262,378
(iii) Unclaimed security deposits from customers	13,091,724
(iv) Deposit from vendors	50,000
(v) Other payables	755,421,042
Total	36,013,487,185

Note (i) :Current maturities of long term debts

Particulars	As at March 31, 2017
(a) Non Convertible Debentures *	
<u>Secured</u>	
250, 13.25% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par Rs. 25 Crs by December 26, 2017 from the date of allotment December 26, 2014 *	250,000,000
1,000, 12.15% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/-each redeemable at par by May 12, 2017 from the date of allotment May 12, 2015 *	1,000,000,000
1,000, 12.15% Secured Redeemable Non Convertible Debentures of Rs. 10,00,000/-each redeemable at par by June 23, 2017 from the date of allotment June 23, 2015 *	1,000,000,000
Total	2,250,000,000
(b) Term loans	
From banks	
-Secured (Refer Note 5 (ii)(a))	21,382,165,044
-Unsecured (Refer Note 5 (ii)(d))	2,742,857,143



Notes forming part of Consolidated financial statements

(Amount in Rupees)

Particulars	As at March 31, 2017
From Non Banking Financial Companies	
-Secured (Refer Note 5 (ii)(b))	1,413,077,898
-Unsecured (Refer Note 5 (ii)(e))	2,860,516,098
From other parties	
-Secured (Refer Note 5 (ii)(c))	3,874,665,831
Total	32,273,282,014

*Debentures are secured by hypothecation of book debts.

Note -10 Short-term provisions

(Amount in Rupees)

Particulars	As at March 31, 2017
(a) Provision for employee benefits	
(i) Compensated absences	25,418,966
(b) Provision - Others	
(i) Provision for tax (net of advance tax Rs.2,805,849,765/-)	72,065,184
(ii) Provision for receivables under financing activity	
Provision for standard assets	864,497,608
Provision for non performing assets	141,842,771
Total	1,103,824,529



Note 11 - Fixed assets

(Amount in Rupees)

	Fixed Assets	Gross Block				Accumulated Depreciation & amortisation				Net Block	
		Balance as at April 1, 2016	Additions	Disposals	Balance as at March 31, 2017	Balance as at April 1, 2016	Depreciation / amortisation expense for the year	On disposals	Balance as at March 31, 2017	Balance as at March 31, 2017	
A	Tangible Assets										
	Computers	168,257,373	582,083,804	5,389,345	744,951,832 *	91,443,599	63,521,384	5,153,257	149,811,726	595,140,106	
	Leasehold improvements	47,684,436	29,694,157	1,442,399	75,936,194	28,075,182	9,464,316	1,378,364	36,161,134	39,775,060	
	Furniture and Fixtures	64,239,557	22,950,251	6,258,837	80,930,971	36,533,605	7,255,547	3,004,029	40,785,123	40,145,848	
	Vehicles	8,604,699	1,042,769	540,075	9,107,393 *	1,863,107	1,076,224	288,391	2,650,940	6,456,453	
	Office equipments	75,819,809	18,704,191	3,063,634	91,460,366 *	39,479,539	14,334,361	2,709,143	51,104,758	40,355,608	
	Total (A)	364,605,874	654,475,172	16,694,290	1,002,386,756	197,395,032	95,651,832	12,533,184	280,513,681	721,873,075	
B	Intangible Assets- others										
	Computer software	119,280,154	600,239,163	-	719,519,317	44,698,178	30,658,632	-	75,356,810	644,162,507	
	Goodwill	-	160,000,000	160,000,000	-	-	-	-	-	-	
	Total (B)	119,280,154	760,239,163	160,000,000	719,519,317	44,698,178	30,658,632	-	75,356,810	644,162,507	
	Total (A) + (B)	483,886,028	1,414,714,335	176,694,290	1,721,906,073	242,093,210	126,310,464	12,533,184	355,870,491	1,366,035,582	

1. All the tangible assets/ intangible assets are owned by the Company and are not on lease

Notes forming part of Consolidated financial statements

Note 12 - Non-current investments

(Amount in Rupees)

Particulars	As at March 31, 2017
Investment in equity instruments	
Alpha Micro Finance Consultants Pvt Ltd, 100,000 Equity shares of Rs.10/- each fully paid up	1,000,000
Ujjivan Social Services Foundation 1,000 Equity shares (P.Y. 1,000) of Rs.10/- each at cost fully paid up	10,000
Investment in Government securities	3,571,709,451
Total	3,572,719,451
Aggregate amount of unquoted investments	1,010,000

Note 13 Long-term loans and advances

(Unsecured, considered good unless otherwise stated)

(Amount in Rupees)

Particulars	As at March 31, 2017
(a) Capital advances	30,944,584
(b) Security deposits	169,475,361
(c) Loans and advances	18,589,612
(d) Prepaid expenses	827,497
Total	219,837,054

Note 14 Other non current assets

(Unsecured, considered good unless otherwise stated)

(Amount in Rupees)

Particulars	As at March 31, 2017
(a) Receivable under financing activity (long-term) unsecured	
Considered good	13,726,762,681
Considered doubtful	173,877,670
(b) Interest accrued on long term deposits	105,356,896
(c) Term deposits (more than 12 months maturity) *	298,192,519
Total	14,304,189,766

* Under lien against loans availed by the Company.



Notes forming part of Consolidated financial statements

Note 15 Current Investments

(Amount in Rupees)

Particulars	As at March 31, 2017
Trade investments (quoted)	
Government securities and Treasury bills	10,894,061,037
Net Current investments	10,894,061,037

Note 16 Trade receivables under financing activity

(Amount in Rupees)

Particulars	As at March 31, 2017
Receivables outstanding for a period exceeding six months from the date they were due for payment	
Secured, considered good	-
Unsecured, considered good	-
Doubtful	43,650,995
	43,650,995
Other trade receivables	
Secured, considered good	-
Unsecured, considered good	42,820,868,013
Doubtful	1,946,444,235
	44,767,312,248
Total	44,810,963,243

i) Assets derecognised on account of securitization of receivables is Rs.5,083,297,487/-

Note 17 Cash and Bank balances

(Amount in Rupees)

Particulars	As at March 31, 2017
I. Cash & cash equivalents	
a) Cash in hand	402,018,352
II. Balance with Reserve Bank of India	
(i) In Current account	2,207,274,052
II. Balance with Banks	
(i) In Current account (Refer Note i below)	376,558,368
(ii) In deposit accounts with original maturity less than 3 months	-
(ii) Money at Call and Short Notice	4,150,000,000
	7,135,850,772
II. Other bank balances	
a) In earmarked deposits (Refer Note ii below)	464,899,828
	464,899,828
Total	7,600,750,600

Note

(i) Balance with banks of Rs.13,548,937/- is to be used only for repayment of Security deposit of customers.

(ii) Under lien against loans availed by the Company.



Notes forming part of Consolidated financial statements
Note 18 Short-term loans and advances

(Amount in Rupees)

Particulars	As at March 31, 2017
(a) Deposits - Unsecured, considered good	7,686,251
(b) Loans and advances	
Unsecured, considered good	29,577,731
Unsecured, considered doubtful	3,980,292
	33,558,023
Less: Provision for doubtful loans and advances	3,980,292
	29,577,731
(c) Prepaid expenses	56,640,817
(d) Other advances *	
Unsecured, considered good	745,423,126
Unsecured, considered doubtful	-
	745,423,126
Less: Provision for doubtful advances	-
	745,423,126
Total	839,327,925

* Includes advance for expenses and amounts towards collateral for securitisation of receivables.

Note 19 Other current assets

(Amount in Rupees)

Particulars	As at March 31, 2017
Interest accrued on	
(i) Fixed deposits	24,203,689
(ii) Receivables under financing activity	652,474,831
Total	676,678,520



Notes forming part of Consolidated financial statements

Note 20 Income from Operations

(Amount in Rupees)

Particulars	For the year ended March 31, 2017
Interest on loans	12,257,962,185
Loan processing fees	776,147,086
Other financial services	459,625,709
Total	13,493,734,980

Note 21 Other Income

(Amount in Rupees)

Particulars	For the year ended March 31, 2017
Interest on fixed deposits	136,826,508
Interest on other investments	150,538,700
Profit on sale of current investments	146,699,747
Fee income, other than financing activity	1,801,748
Profit on sales of fixed assets	21,223
Miscellaneous income	46,616,342
Total	482,504,268

Note 22 Employee benefits expense

(Amount in Rupees)

Particulars	For the year ended March 31, 2017
Salaries and wages (net)	2,337,803,973
Expenses on employee stock option	15,480,461
Contributions to provident and other funds	202,407,114
Staff welfare expenses	160,464,433
Total	2,716,155,981



Notes forming part of Consolidated financial statements

Note 23 Administrative and Other expenses

(Amount in Rupees)

Particulars	For the year ended March 31, 2017
Electricity and water charges	26,455,525
Rent	180,736,213
Repairs and maintenance	
Buildings	2,801,080
Others	119,468,521
Security and house keeping expenses	81,309,332
Office maintenance	20,268,183
Insurance	11,463,345
Rates and taxes	82,247,904
Audit fees (Refer Note (i) below)	4,532,875
Professional charges	462,938,533
Sitting fee	9,737,808
Postage and courier	39,232,440
Printing and stationery	62,498,153
Recruitment expenses	32,692,379
Telephone charges	88,772,357
Training and conference charges	110,672,778
Travelling and conveyance expenses	287,774,563
Expenditure on Corporate social responsibility	26,831,588
Claims written off	5,239,502
Fixed Assets Written off	2,584,990
Loss on sale of fixed assets	97,367
Provision for other advances	2,884,146
Miscellaneous expenses	76,763,608
Total	1,738,003,190

Note (i)

(Amount in Rupees)

Particulars	For the year ended March 31, 2017
(i) Payments to the auditors comprises (net of service tax input credit)	
Audit services (includes subsidiary company's audit services)	3,500,000
Tax audit	300,000
Other attest services	516,313
Reimbursement of expenses and levies	216,562
Total	4,532,875



Notes forming part of Consolidated financial statements

Note 24 Finance costs

(Amount in Rupees)

Particulars	For year ended March 31, 2017
(a) Interest expense on	
(i) Borrowings	5,289,339,957
(ii) Others	1,808,397
(b) Loan processing fees, bank charges and other related costs	136,073,659
Total	5,427,222,013

Note 25 Provision / write off for receivables under financing activity

(Amount in Rupees)

Particulars	For year ended March 31, 2017
Bad debts written off	54,778,475
Less: Provision reversed	(36,483,640)
Provision for receivables under financing activities	18,294,835
Total	732,867,044
	751,161,879

26 Additional information to the financial statements

During the year, pursuant to the approval of the Shareholders and Reserve Bank of India, the Company has transferred the business to Ujjivan Small Finance Bank on a slump sale basis with effect from February 01, 2017 for a consideration of Rs.1,530,000,000/-.

26.1 Contingent liabilities and commitments (to the extent not provided for)

(Amount in Rupees)

Particulars	As at March 31, 2017
(i) Contingent liabilities	
(a) Disputed taxes – Service tax	4,226,041
(b) Claims against the company- not acknowledged as debt	325,035
(ii) Commitments	
Estimated amount of contracts remaining to be executed on capital account and not provided for:	
Tangible assets	100,064,155
Intangible assets	178,744,887

The Company had received demand order from service tax authorities against show cause notices received in earlier years. The Order pertains to applicability of service tax on securitisation. The amount of service tax demand aggregated to Rs. 4,226,041/- (plus penalty and interest, as applicable). The Company had filed appeal against the demand order with The Commissioner of Service Tax (Appeals) and has deposited Rs. 3,16,953/- (amounting to 7.5% of the demand) as pre deposit against demand. Based on the merits of the case, the Company and its tax advisors believe that its position is likely to be upheld in the appellate process for the above matters. Accordingly, no provision has been made for the amounts mentioned above as at March 31, 2017.

26.2 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.



Note 27 Disclosures under Accounting Standards

27.1 Employee Benefits:

The details of employee benefits are as given below:

I Defined Contribution Plans

During the year, the Group has recognized the following amounts in the statement of profit and loss

(Amount in Rupees)	
Particulars	For the year ended March 31, 2017
Employers' Contribution to Provident & Pension Fund	118,664,171
Employers' Contribution to ESI	28,650,538

II Defined Benefit Plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

Particulars	For the year ended March 31, 2017
Components of employer expense	
Current Service cost	23,528,857
Interest cost	9,719,089
Expected return on plan assets	(8,147,436)
Actuarial Losses/(Gains)	30,033,680
Total expense/(income) recognized in the Statement of Profit & Loss	55,134,190
Actual Contribution and Benefit Payments for the year ended	
Actual benefit payments	(7,042,025)
Actual Contributions	62,084,457
Change in Defined Benefit Obligation (DBO) during the year ended	
Present Value of DBO at the beginning of the year	125,240,090
Current service cost	23,528,857
Interest cost	9,719,089
Actuarial (gains)/losses	28,463,103
Actual return on plan assets	-
Benefits paid	(7,042,025)
Acquisitions/Divestures/Transfers	-
Present Value of DBO at the end of the year	179,909,114

Particulars	As at March 31, 2017
Net asset/(liability) recognized in balance sheet as at	
Fair value of plan assets	146,340,372
Present Value of Defined Benefit Obligation	(179,909,114)
Excess of plan assets over present value of obligation	-
Net (liability) recognized in balance sheet	(33,568,742)
Present Value of DBO at the end of the year	
Current Liability	(33,568,742)
Non current liability	-



Notes forming part of Consolidated financial statements

Note 27 Disclosures under Accounting Standards

Particulars	For the year ended March 31, 2017
Change in Fair Value of Assets during the year ended	
Plan assets at the beginning of the year	84,721,081
Expected return on plan assets	8,147,436
Actuarial gain/(loss)	(1,570,577)
Actual Company Contributions	62,084,457
Benefit Paid	(7,042,025)
Acquisitions/Divestures/Transfers	-
Plan assets at the end of the year	146,340,372
Actuarial Assumptions	
Discount Rate	6.83%/7.37%
Expected Return on plan assets	6.83%/7.37%
Rate of increase in compensation	9.00%
Attrition rate	16.40%/0%
Retirement age	60

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market. Information of investment details of plan assets are not available hence not disclosed.

Details relating to experience adjustment and expected future cash flow is given below

(Amount in Rupees)	
Particulars	March 31, 2017
Defined Benefit Obligation at end of the year	179,909,114
Plan Assets at end of the year	146,340,372
Funded Status - Assets/ (Liabilities)	(33,568,742)
Experience (Gain)/Loss adjustments on plan liabilities	47,192,653
Experience (Gain)/Loss adjustments on plan Assets	(1,570,577)
Actuarial (Gain)/Loss due to change on assumptions	-

III Other Long term employee benefits – Compensated absences

(Amount in Rupees)	
Particulars	For the year ended March 31, 2017
Charge in statement of Profit & Loss	55,928,935
Liability as at the year end	129,580,197
Actuarial Assumptions	
Discount Rate	6.83%/7.37%
Rate of increase in compensation	9.00%
Attrition rate	16.40%
Retirement age	60



Notes forming part of Consolidated financial statements

Note 27 Disclosures under Accounting Standards

27.2 Segment Reporting

The Group's business segment is primarily in Micro and Retail Financing. The principal geographical segment is in India.

(Amount in Rupees)

SR.NO	Business Segments → Particulars ↓	Treasury March 31, 2017	Micro and Retail financing March 31, 2017	Total March 31, 2017
1	Revenue	197,191,994	13,541,993,471	13,739,185,465
2	Un allocated Revenue	-	-	237,053,783
3	(less) Inter segment revenue	-	-	-
4	Total Income (1+2-3)	197,191,994	13,541,993,471	13,976,239,248
5	Result	197,191,994	2,924,885,973	3,122,077,967
6	Unallocated result	-	-	237,053,783
7	Unallocated expenses	-	-	141,746,029
8	Operating profit	-	-	3,217,385,721
9	Tax expenses (including deferred tax)	-	-	1,140,674,563
10	Extraordinary profit/ loss	-	-	-
11	Net profit (5-6-8-9)	-	-	2,076,711,158
	Other information:			
12	Segment assets	21,684,079,687	61,202,428,706	82,886,508,393
13	Unallocated assets	-	-	2,899,564,398
14	Total assets	-	-	85,786,072,791
15	Segment liabilities	-	67,949,179,418	67,949,179,418
16	Unallocated liabilities	-	-	284,304,854
17	Total liabilities	-	-	68,233,484,272

Tax paid in advance / tax deducted at source (net of provisions), others which cannot be allocated to any segments, have been classified as unallocated assets; Depreciation on Fixed Assets has been classified as unallocated expenses. Inter-company balances are eliminated from Segment balances.



Notes forming part of Consolidated financial statements

27.3 Related Party Disclosure

A. List of Related Parties are Given below:

Key Management Personnel of Holding Company and Wholly owned subsidiary:	Mr. Samit Ghosh (upto February 1, 2017) Mrs. Sudha Suresh Mr. Hiren Shah (from February 1, 2017) Mr. Sanjeev Barnwal
Enterprises over which Key Management Personnel is able to exercise significant influence	Parinaam Foundation (upto January 31, 2017) Ujjivan Social Services Foundation

B. Transactions with Related Parties during the year

(Amount in Rupees)	
Particulars	March 31, 2017
Remuneration:	
Mr. Samit Ghosh	
- Salary	7,989,116
- Perquisite - ESOP	106,777,400
Mrs. Sudha Suresh	
- Salary	6,600,250
- Perquisite - ESOP	1,602,247
Mr. Hiren Shah	
- Salary	545,735
Mr. Sanjeev Barnwal	
- Salary	3,325,643
- Perquisite - ESOP	276,300
Parinaam Foundation:	
Amount received	1,069,243

(Amount in Rupees)	
	As at March 31, 2017
Outstanding Balance with enterprise in which relative of Key Managerial Person are Members	
Parinaam Foundation	108,390

Ujjivan Small Finance Bank Limited (USFB) is a wholly owned subsidiary of Ujjivan Financial Services Limited (UFSL). During the period assets amounting to Rs.8,610 Crore and liabilities amounting to Rs.7,096 Crore were transferred by UFSL to USFB via slump sale and the amount of purchase consideration was discharged by issue of Equity shares amounting to Rs.1,330 Crore and 11% Perpetual Preference shares amounting to Rs 200 Crore.



Notes forming part of Consolidated financial statements

27.4 Details of leasing arrangements

The Group has taken on operating lease certain facilities and office premises for a period ranging from 11 months to 120 months which are non-cancellable for the period as reflected in the respective agreements. These lease agreements provide for increase in the lease payments by 10% to 15% over the period as mentioned in the agreements. The total minimum lease payments for the current year, in respect of operating leases, included under rent, aggregates to Rs.180,736,213/-

The future lease payments in respect of the above are as follows:

<i>(Amount in Rupees)</i>	
Particulars	Year ended March 31, 2017
Not later than one year	136,888,602
Later than one year but not later than five years	265,345,796
Later than 5 years	-

27.5 Earnings per share

Particulars	Year ended March 31, 2017
Net profit / (loss) after tax (Rs.)	2,076,711,158
Weighted average shares outstanding – Basic (Nos.)	116,964,519
Weighted average shares outstanding – Diluted (Nos.)	121,438,145
Earnings / (loss) per share – Basic (Rs.)	17.76
Earnings / (loss) per share – Diluted (Rs.)	17.10

27.6 Deferred Tax

In accordance with Accounting Standard -22 "Accounting for Taxes on Income", the Group has recognized Rs.228,950,518/- as deferred tax credit as detailed below:

<i>(Amount in Rupees)</i>			
Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2016	Current Year (credit) / charge *	Deferred Tax (Assets) / Liabilities as on March 31, 2017
Difference between book and tax depreciation	4,975,194	33,042,127	38,017,321
Provision for Employee benefits	(44,537,981)	(36,809,839)	(81,347,820)
Provision for doubtful assets/standard assets	(201,183,392)	(215,748,615)	(416,932,007)
Others	-	(9,434,191)	(9,434,191)
Net Deferred Tax (Asset) / Liability	(240,746,179)	(228,950,518)	(469,696,697)

27.7 Initial Public Offer/Listing

The Group has issued and allotted 17,055,277 shares at Rs.10 each at a premium of Rs.200 per share subsequent to the year end by way of Initial Public Offer(IPO). The shares have been listed in National Stock Exchange and Bombay Stock Exchange subsequent to the IPO.



Note 28 Employee Stock Option Plan

The Group has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010 and ESOP 2015.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, the reported profit for the half year ended March 31, 2017 would have been lower by Rs.119,550,825/-and the basic and diluted EPS would have been revised to Rs.16.73/- and Rs.16.12/- respectively.

Option activity under the plans is as given as below:

(Number)

March 31, 2017

Particulars	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD ESOP 2010	ESOP 2015	Total
Options granted, beginning of year	4,120	69,770	172,340	1,434,160	1,164,172	1,419,830	4,264,392
Granted during the year	-	-	-	-	-	1,696,850	1,696,850
Exercised during the year	4,120	55,090	100,540	538,617	355,000	82,400	1,135,767
Forfeited/Expired during the year	-	7,770	28,540	129,096	-	186,443	351,849
Options granted, as of March 31, 2017	-	6,910	43,260	766,447	809,172	2,847,837	4,473,626
Option exercisable at the year end	-	6,910	43,260	766,447	809,172	367,189	1,992,978
Weighted average of remaining contractual life (years) at the year end							1.05



Note 29 Disclosure on Specified Bank Notes ("SBN"):

(Amount in Rupees)

Particulars	SBNs	Other Denomination	Total
	Total	Total	
Closing Balance as at November 8, 2016	73,089,000	22,776,159	95,865,159
Transactions between November 9, 2016 and December 30, 2016			-
Add: Withdrawal from Bank accounts		1,093,417,200	1,093,417,200
Add: Receipts for permitted transactions		-	-
Add: Collection from customers from November 9, 2016 and December 30, 2016 (Refer Note (ii))	23,558,000	10,957,938,491	10,981,496,491
Add : Receipts for non-permitted transactions (if any)			-
Less : Paid for permitted transactions			-
Less : Paid for non-permitted transactions (if any)			-
Less : Cash Disbursements (Refer Note (ii))		6,400,707,757	6,400,707,757
Less: Deposited in bank accounts		5,235,089,822	5,235,089,822
Denomination as per authorisation letter	22,530,000		22,530,000
Denomination as per Bank challan	29,523,500		29,523,500
Customer directly deposited (Refer Note (iii))	23,558,000		23,558,000
No denomination (Refer Note (iv))	21,035,500		21,035,500
			-
Less : Petty cash expenditure (Refer Note (ii))		68,650,224	68,650,224
Closing balance as at December 30, 2016			369,684,048

The Company confirms that the above information is given as per the records available with the Company. The Company has complied with the relevant regulations in this regard.

Note (i): SBN shall have the same meaning as provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8th November, 2016.

Note (ii): Our accounting system does not capture the denomination-wise details of disbursements, collections and expenditure.

Note (iii): This represents installments deposited by the customers directly to Company bank accounts as per representation given by the management.

Note (iv): Bank deposit slips do not contain denomination details of amount deposited. The company is in process of obtaining the same.



Notes forming part of Consolidated financial statements

Note 30 Corporate Social Responsibility

a) Gross amount required to be spent by the Group during the year ended March 31, 2017 Rs. 31,356,180/-

b) Amount spent during the year on: (Amount in Rupees)

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	18,728,705	-	18,728,705
On purposes other than above	8,102,883	-	8,102,883

- 31** As at 31st March 2017, the Company has received an amount of Rs. 5,287,610/- share application money (including a premium of Rs. 4,464,158) towards the exercise of 82,345 vested options by eligible employees under various ESOP Schemes of the Company. The Company has sufficient authorised capital to cover the allotment of these shares and pending allotment of shares, the amounts are maintained in a designated bank account and are not available for use by the Company. The Company has completed the allotment of shares on April 13, 2017 for the aforesaid options.
- 32** The Company received approval from Reserve Bank of India ("RBI") to setup a Small Finance Bank. Pursuant to the same, the company executed an agreement to transfer its Business undertaking to its wholly owned subsidiary Ujjivan Small Finance Bank Limited ("the Bank"). The bank commenced operations w.e.f 1st February 2017, on which date the Company seized to operate as a Micro finance company. Pursuant to this change, the Company has sought to surrender its NBFC - MFI license and has applied for registration as a NBFC- Core Investment Company ("CIC") with RBI and the approval from RBI is awaited.
- 33** The Group has prepared its Consolidated Financial Statements for the first time and hence, Corresponding (Comparative) figures for the previous year have not been given.

For and on behalf of the Board of Directors



K.R. Ramamoorthy

Chairman



Sudha Suresh

Managing Director



Sanjeev Barnwal

Company Secretary



Hiren Shah

Chief Financial Officer

Place: Bengaluru

Date: April 27, 2017





Standalone **Financials &** **Independent** **Auditors** **Report**

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UJJIVAN FINANCIAL SERVICES LIMITED

(Formerly Ujjivan Financial Services Private Limited)

Report on the Standalone Financial Statements

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

Management's Responsibility for the Standalone 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 standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone 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 standalone financial statements based on our audit.

In conducting 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 of the standalone financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone 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 standalone 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 the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 31st March, 2017, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143 (3) of the Act, based on our audit we report, to the extent applicable that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit other than the matters referred to in para 1(g) (iv) below.
 - 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, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards prescribed under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31st March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.



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:

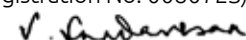
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
- iv. The Company has provided requisite disclosures in the financial statements as regards its holding and dealings in Specified Bank Notes as defined in the Notification S.O. 3407(E) dated the 8th November, 2016 of the Ministry of Finance, during the period from 8th November 2016 to 30th December 2016. However we are unable to obtain sufficient and appropriate audit evidence to report on whether the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management (refer Note 26 of Financial Statements).

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

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm's Registration No. 008072S)



S.Sundaresan

Partner

(Membership No.25776)

Place: BENGALURU

Date: April 27, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls Over Financial Reporting 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 Ujjivan Financial Services Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India". 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, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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.

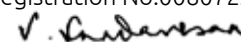
Opinion

In our opinion, to the best of our information and according to the explanations given to us, 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.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm's Registration No.008072S)



S.Sundaresan

Partner

(Membership No.25776)

Place: BENGALURU

Date: April 27, 2017

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets were physically verified during the year by the management in accordance with a regular program of verification which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The company does not have any immovable properties of freehold land and buildings. In respect of leasehold improvements made on land and buildings taken on lease, lease agreements are in the name of the Company.
- (ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 is not applicable.
- (iii) 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 Companies Act, 2013.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of, making investments.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. In respect of unclaimed deposits, the Company has complied with the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013
- (vi) Having regard to the nature of the Company's business / activities, reporting under clause (vi) of CARO 2016 is not applicable.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
 - (a) The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Cess and other material statutory dues applicable to it to the appropriate authorities.
 - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Service Tax, Cess and other material statutory dues in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.
 - (c) There are no dues of Income-tax and Service Tax as on March 31, 2017 on account of disputes.
- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions and banks and governments and dues to debenture holders.
- (ix) The Company has raised moneys by way of initial public offer and the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.
- (x) To the best of our knowledge and according to the information and explanations given to us, the management has identified fraud relating to misappropriation of funds by certain employees which is estimated to be Rs.32, 36,237 of which Rs. 16, 41,024 has been recovered as of the balance sheet date and no fraud by the Company has been noticed or reported during the year.
- (xi) In our opinion the Company has and according to the information and explanation given to us the Company has paid or provided the managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with schedule V of the Companies Act 2013.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013 for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) According to the information and explanation given to us the Company has made private placement of debentures during the year under review.

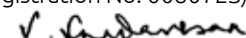
In respect of the above issue, we further report that:

 - a) the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and
 - b) the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised, other than temporary deployment pending application.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For DELOITTE HASKINS & SELLS

Chartered Accountants

(Firm's Registration No. 008072S)



S.Sundaresan

Partner

(Membership No.25776)

Place: BENGALURU

Date: April 27, 2017

UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

STANDALONE BALANCE SHEET AS AT MARCH 31, 2017

(Amount in Rupees)

Particulars	Note No.	As at March 31, 2017		As at March 31, 2016	
I. EQUITY AND LIABILITIES					
(1) Shareholder's Funds:					
(a) Share Capital	3	1,193,770,720		1,011,860,280	
(b) Reserves and Surplus	4	16,358,467,035	17,552,237,755	10,965,714,000	11,977,574,280
(1.2) Share application money pending allotment:	28		5,287,610		
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	-		17,731,603,052	
(b) Long-term provisions	6	-	-	130,888,443	17,862,491,495
(3) Current Liabilities					
(a) Short-term borrowings	7	-		10,404,739	
(b) Trade payables					
(i) Total outstanding dues of micro enterprises and small enterprises	8	-		-	
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	8	25,482,348		151,876,163	
(c) Other current liabilities	9	24,128,601		26,643,945,280	
(d) Short-term provisions	10	66,978,314	116,589,263	626,877,421	27,433,103,603
Total			17,674,114,628		57,273,169,378
II. Assets					
(1) Non-Current Assets					
(a) Fixed assets					
(i) Tangible assets	11A	-		167,210,842	
(ii) Intangible assets	11B	-		74,581,976	
(iii) Assets under development		-	-	-	241,792,818
(b) Non-current investments	12	16,400,378,000		1,010,000	
(c) Deferred tax assets (net)	23.7	355,515		240,746,179	
(d) Long-term loans and advances	13	316,953		155,705,706	
(e) Other non-current assets	14	-	16,401,050,468	13,041,538,714	13,439,000,599



Particulars	Note No.	As at March 31, 2017		As at March 31, 2016	
(2) Current Assets					
(a) Receivables under financing activity	15	-		37,793,436,164	
(b) Cash and Bank balances	16	1,270,729,029		4,912,658,243	
(c) Short-term loans and advances	17	2,172,391		296,800,519	
(d) Other current assets	18	162,740	1,273,064,160	589,481,035	43,592,375,961
Total			17,674,114,628		57,273,169,378
See accompanying notes forming part of the financial statements	1-29				

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants

V. Sundaresan

S Sundaresan

Partner

For and on behalf of the Board of Directors

K.R. Ramamoorthy

K.R. Ramamoorthy

Chairman

Sudha Suresh

Sudha Suresh

Managing Director

Sanjeev Barnwal

Sanjeev Barnwal

Company Secretary

Hiren Shah

Hiren Shah

Chief Financial Officer

Place: Bengaluru

Date: April 27, 2017



UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

STATEMENT OF STANDALONE PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2017

Particulars	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
I. CONTINUING OPERATIONS			
A. INCOME			
(a) Other income	19	237,053,783	175,924,704
Total Income (A)		237,053,783	175,924,704
B. EXPENDITURE			
(a) Employee benefits expenses	20	13,985,489	9,329,650
(b) Administrative and other expenses	21	1,450,076	1,450,076
Total Expenditure (B)		15,435,565	10,779,726
Profit Before Tax from continuing operations (A) - (B)		221,618,218	165,144,978
Tax expenses			
(a) Current tax expenses		76,600,000	57,156,677
(b) Deferred tax	24.7	(355,515)	-
Profit after tax from continuing operations (i)		145,373,733	107,988,301
II. DISCONTINUED OPERATIONS			
Profit Before Gain on transfer of business attributable to the discontinued operations	22.1	2,826,856,758	2,554,741,140
Gain on transfer of business attributable to the discontinued operations	22.1	160,000,000	-
Profit Before Tax from discontinued operations	22.1	2,986,856,758	2,554,741,140
Tax expenses			
(a) Current tax expenses on discontinued operations		1,242,184,800	980,843,323
(b) Current tax expenses on transfer of business		36,915,200	-
(c) Provision for tax of earlier year		(289,868)	(2,339,755)
(d) Deferred tax	23.7	(222,940,037)	(87,961,905)
Profit after tax from discontinued operations (ii)		1,930,986,663	1,664,199,477
Profit for the year for Total operations (i) + (ii)		2,076,360,396	1,772,187,778




Particulars	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
Earnings per Equity Share: face value Rs. 10 each			
(a) Basic			
(i) Continuing operations		1.24	1.23
(ii) Total operations	23.5	17.75	20.12
(b) Diluted			
(i) Continuing operations		1.20	1.17
(ii) Total operations	23.5	17.10	19.19
See accompanying notes forming part of the financial statements	1-29		

In terms of our report attached

For Deloitte Haskins & Sells

Chartered Accountants



S Sundaresan

Partner

For and on behalf of the Board of Directors



K.R. Ramamoorthy

Chairman



Sudha Suresh

Managing Director



Sanjeev Barnwal

Company Secretary



Hiren Shah

Chief Financial Officer

Place: Bengaluru

Date: April 27, 2017



UJJIVAN FINANCIAL SERVICES LIMITED
(Formerly Ujjivan Financial Services Private Limited)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2017

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Cash Flows from operating activities		
Profit before tax	3,208,474,976	2,719,886,118
Adjustments for		
Depreciation and amortisation expenses	75,269,334	80,245,509
Gain on transfer of business attributable to the discontinued operations	(160,000,000)	-
Profit on Sale of mutual funds	(144,546,312)	(87,318,455)
Bad debts written off -provision reversed	(36,483,640)	(14,100,092)
Deferred Stock Compensation expenses	12,164,686	6,029,871
Provision for Receivables under Financing Activities	699,130,642	233,767,169
Provision for advances	2,557,263	664,584
Claims written off (net)	4,781,694	8,563,690
Fixed assets written off	19,685	87,407
Interest on fixed deposits	(92,507,471)	(88,606,249)
Loss /(Profit) on sale of Fixed Assets	(21,223)	(545,209)
Operating Profit before Working capital changes	3,568,839,634	2,858,674,343
Changes in working capital:		
(Increase) / Decrease in Receivables under Financing Activity	(8,256,188,109)	(11,494,485,577)
(Increase) / Decrease in Loans and advances	(23,976,338,852)	(133,264,291)
(Increase) / Decrease in Other assets	360,544,069	(7,602,039,130)
Increase / (Decrease) in Trade payables	910,819,225	34,037,689
Increase / (Decrease) in Other current liabilities	(587,701,556)	428,212,771
Increase / (Decrease) in Short-term provisions	757,499,830	180,480,281
(Increase) / Decrease in Long-term provisions	(793,535,445)	(148,267,937)
Cash flow from operations	(28,016,061,204)	(15,876,651,851)
Net Tax paid/Refunds	(1,312,074,525)	(1,033,844,314)
Net Cash from operating activities (A)	(29,328,135,729)	(16,910,496,165)
Cash flows from Investing activities		
Purchase of Investments	(1,100,368,000)	-
Purchase of Mutual funds	(62,109,600,001)	(33,540,325,076)
Sale of Mutual funds	62,254,146,313	33,627,643,526
Purchase of Fixed Assets	(952,475,188)	(197,297,900)
Proceeds from Sale of Fixed Assets	1,279,718	1,791,706
Interest on fixed deposits	112,096,069	91,811,804
Net Cash from investing activities (B)	(1,794,921,089)	(16,375,940)



Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Cash flows from financing activities		
Proceeds from issue of share capital & securities premium (net)	3,486,138,393	2,906,013,046
Share application money pending allotment	5,287,610	-
Dividend and Dividend Tax Paid	-	(51,833,808)
Borrowings from banks / others	56,562,500,000	33,930,000,000
Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Repayment of Borrowings from banks / others	(31,783,030,889)	(21,767,765,366)
Net Cash from financing activities (C)	28,270,895,114	15,016,413,871
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	(2,852,161,704)	(1,910,458,234)
Cash and cash equivalents at the beginning of the year	4,467,377,978	6,377,836,212
Less: Cash transferred on account of business transfer (Refer Note 4)	(344,487,245)	-
Cash and cash equivalents at the end of the year	1,270,729,029	4,467,377,978

Notes :

1. The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statements.
2. Cash & cash equivalents at period end includes Rs.13,548,822/- (P.Y. Rs.13,548,822/-) in balance with banks, which is to be used only for repayment of security deposit of customer.
3. Refer note 16 for items included in Cash and Cash equivalents.
4. Pursuant to the Business Transfer Agreement dated January 12, 2017 the company has transferred the assets/liabilities to Ujjivan Small Finance Bank Limited which is a Non-cash transaction except transfer of Cash and Cash equivalents. (Refer Note 22.1)

For Deloitte Haskins & Sells

Chartered Accountants

S. Sundaresan

S Sundaresan

Partner

Place: Bengaluru

Date: April 27, 2017

For and on behalf of the Board of Directors

K.R. Ramamoorthy

K.R. Ramamoorthy

Chairman

Sudha Suresh

Sudha Suresh

Managing Director

Sanjeev Barnwal

Sanjeev Barnwal

Company Secretary

Hiren Shah

Hiren Shah

Chief Financial Officer



Notes to Standalone Financial Statements for the year ended March 31, 2017

1 CORPORATE INFORMATION

Ujjivan Financial Services Limited is a Limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The Company was as registered NBFC-MFI under Non-Banking Financial Company Micro Finance Institutions (NBFC - MFIs) directions on September 5, 2013. Pursuant to agreement executed between the Company and Ujjivan Small Finance Bank Limited ("USFB") dated January 12, 2017, business undertaking of the Company has been transferred to USFB with effect from February 1, 2017. The Company has applied for registration as a NBFC- Core Investment Company ("CIC") with the Reserve Bank of India ("RBI") and the approval from RBI is awaited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The Financial Statements of the company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) to comply with accounting standard specified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act 2013 ('the 2013 Act') / Companies Act 1956 ('the 1956 Act') as applicable. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year. The financial statements have been prepared on an accrual basis under the historical cost convention and considering the directions issued by the Reserve Bank of India (RBI) to the extent applicable to the Company.

2. Use of estimates

The presentation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the year. The management believes that the estimate used in preparation of financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the period in which the results are known/material.

3. Cash flow statement

The Cash Flows are reported using the indirect method, whereby profit / (loss) before tax is adjusted for the effects of transactions of non cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flow from operating, investing and financing activities of the company are segregated based on available information.

Cash and cash equivalents (for the purpose of cash flow statement)

Cash comprises of cash on hand and demand deposits with bank. Cash equivalents are short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

4. Tangible and Intangible assets

Fixed assets are stated at cost, net of accumulated depreciation. The cost of an asset comprises its purchase price (net of capital grants) and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance

5. Depreciation and amortization

Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortised over the duration of the lease. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any. The useful life being followed by the company as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

6. Investments

Investments are classified into current investments and non-current investments. Current investments are carried at lower of cost or fair value. Non-Current investments are carried individually at cost less provision made to recognize any decline, other than temporary, in the value of such investments. Cost of investments include acquisition charges such as brokerage, fees and duties.



Notes to Standalone Financial Statements for the year ended March 31, 2017

7. Receivables under Financing Activity

Loans are classified into 'Performing and Non-Performing' assets in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 and NBFC, MFI directions (as applicable) issued by the Reserve Bank of India as amended from time to time.

8. Revenue Recognition

Revenue from Interest on loans financed by the Company is recognized on accrual basis, considering the directions issued by the Reserve Bank of India from time to time in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. Loans are classified into 'Performing and Non-Performing' assets in terms of the said Directions. Loans in respect of which interest/principal have remained overdue for a period of 90 days or more are considered as Non Performing Assets.

Revenues from loan documentation charges are recognized as income on accrual basis.

Revenue from interest income on fixed deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Profit / premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising there from is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the statement of profit and loss account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

9. Grants

Grants received towards acquisition of tangible and intangible assets are adjusted against the cost of the assets. Grants related to revenue are deducted from the related expenses. Grants against employee loans are included in Reserves and Surplus.

10. Employee benefits

Employee benefits includes Provident Fund, Employee State Insurance scheme, Gratuity fund and compensated absences.

a) Short term employee benefits including salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits for current employees are estimated and measured on an undiscounted basis.

b) Defined Contribution Plan

Company's contributions to Provident Fund, Pension fund and employee state insurance scheme are considered as defined contribution plan and are charged as expense based on amount of contribution required to be made and when services are rendered by the employees.

c) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by the Life Insurance Corporation of India, are determined by Actuarial Valuation on Projected Unit Credit Method made at the end of each balance sheet date. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

d) Long term employee benefits

Liability for compensated absences is provided based on actuarial valuation carried out at the end of the financial period using Projected Unit Credit Method and is not funded but provided for. Past service cost is recognized immediately to the extent that the benefits are already used and otherwise is amortised on straight line base over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefits obligation as adjusted for unrecognised past service cost, as redeemed by the fair value of scheme assets.

Compensated absences which are not expected to occur within 12 months after the end of period in which the employee rendered the related services are recognised as a liability at the present value of the defined benefit obligations as at the Balance Sheet date.

Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognised in the Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the schemes.

11. Lease

Lease rentals under operating lease are charged to the Statement of Profit and Loss on straight line basis over the lease term.



Notes to Standalone Financial Statements for the year ended March 31, 2017

Assets leased by the company in its capacity as a lessee in which substantially all the risk and rewards of owner ship vest in the Company are classified as finance leases. Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

12. Earnings per share

In determining the earnings per share, the Company considers the net profit / (loss) after tax. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the year. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be diluted only if their conversion to equity share would decrease the net profit per share from continuing ordinary operations. Diluted potential equity shares are determined independently for the each period presented.

13. Borrowing costs

Borrowing costs attributable to qualifying assets as per Accounting Standard 16 (assets which require substantial period of time to get ready for their intended use) are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

14. Taxes

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable tax laws.

Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets are recognised for timing differences of items other than unabsorbed depreciation and carry forward losses only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. However, if there are unabsorbed depreciation and carry forward of losses and items relating to capital losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that there will be sufficient future taxable income available to realise the assets. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability.

15. Provisions and Contingent Liabilities

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

Contingent liabilities are disclosed in notes. Contingent assets are not recognised in the financial statements.

16. Employee Stock Option Plan

The Company has Employee Stock Option Plans for the benefit of its employees. Options granted in terms of the Stock option plans on or after April 1, 2005 are accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI). The difference between the intrinsic value of the stock option granted on or after April 1, 2005 and exercise price, if any, is expensed as "Employee Compensation" over the period of vesting.

17. Operating Cycle

Based on the nature of activities of the Company and the normal time between acquisition of assets and their realisation in cash and cash equivalents, the Company has determined operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non current.



Note 3 - Share Capital

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Authorised		
125,000,000 Equity Shares of Rs.10/- each (P.Y.125,000,000 Equity Shares of Rs.10/- each)	1,250,000,000	1,250,000,000
	1,250,000,000	1,250,000,000
Issued		
119,377,072 Equity Shares of Rs.10/- each (P.Y.101,186,028 Equity Shares of Rs.10/- each)	1,193,770,720	1,011,860,280
	1,193,770,720	1,011,860,280
Subscribed & fully Paid up		
119,377,072 Equity Shares of Rs.10/- each (P.Y.101,186,028 Equity Shares of Rs.10/- each)	1,193,770,720	1,011,860,280
	1,193,770,720	1,011,860,280
Total	1,193,770,720	1,011,860,280

i) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the year

	Number of shares March 31, 2017	Number of shares March 31, 2016
Number of shares outstanding at the beginning of the year	101,186,028	86,132,969
Add: shares issued during the year - Stock options	1,135,767	817,002
Add: shares issued during the year - Institutions/Others	17,055,277	14,236,057
Number of shares outstanding at the end of the year	119,377,072	101,186,028

ii) Reconciliation of equity share capital outstanding at the beginning and at the end of the year

	Amount in Rs. March 31, 2017	Amount in Rs. March 31, 2016
Share capital outstanding at the beginning of the year	1,011,860,280	861,329,690
Add: shares issued during the year - Stock options	11,357,670	8,170,020
Add: shares issued during the year - Institutions/Others	170,552,770	142,360,570
Share capital outstanding at the end of the year	1,193,770,720	1,011,860,280



Notes forming part of standalone financial statements

iii) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:

Class of shares / Name of the shareholder	Number of shares as at March 31, 2017	%	Number of shares as at March 31, 2016	%
Equity Shares:				
CDC Group Plc.	10,932,696	9.16%	10,932,696	10.80%
Alena Private Limited	10,790,943	9.04%	10,790,943	10.66%
International Finance Corporation	7,141,684	5.98%	10,202,406	10.08%
NewQuest Asia Investments II Limited	7,028,022	5.89%	8,199,522	8.10%
Elevar Equity Mauritius	-	-	6,355,684	6.28%
Sarva Capital LLC	-	-	5,870,426	5.80%
WWB Capital Partners.L.P. (formerly known as WWB ISIS Fund Limited Partnership)	-	-	5,406,628	5.34%
Bajaj Holdings & Investment Limited	-	-	5,124,702	5.06%

iv) The company has only one class of equity shares with voting rights (one vote per share). The distribution of dividend is in proportion to the number of equity shares held by the shareholders.



Note 4 - Reserves and Surplus

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
a. Securities premium account		
Opening balance	7,574,238,496	4,818,756,040
Add : Premium on shares issued during the year on stock options	48,206,271	22,645,860
Add : Premium on shares issued during the year on Institutions/Others	3,411,055,400	2,776,031,115
Less : Utilised during the year for writing off share issue expenses	155,033,718	43,194,519
Closing balance	10,878,466,449	7,574,238,496
b. Other reserves - Statutory reserve *		
Opening balance	729,321,561	374,884,005
Add: Additions during the year	415,272,079	354,437,556
Closing balance	1,144,593,640	729,321,561
c. Other reserves - Employee loan grant	1,300,000	1,300,000
d. Share options outstanding account		
Opening balance	57,133,959	-
Add: Amounts recorded on grants during the year	-	59,144,752
Less: Grants forfeited during the year	4,216,468	2,010,793
Less: Grants exercised during the year	3,315,776	-
	49,601,715	57,133,959
Less: Deferred stock compensation expense	31,407,158	51,104,088
Closing balance	18,194,557	6,029,871
e. Surplus in Statement of Profit and Loss		
Opening balance	2,654,824,072	1,308,230,077
Add: Profit for the year	2,076,360,396	1,772,187,778
Less: Dividends proposed to be distributed#	-	59,120,653
Less: Tax on proposed dividend	-	12,035,574
Less: Transferred to statutory reserve	415,272,079	354,437,556
Closing balance	4,315,912,389	2,654,824,072
Total	16,358,467,035	10,965,714,000

* Transfer of 20% of the profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

#The Board has recommended a dividend at the rate of 8% i.e. Rs. 0.80 per equity share for the FY 2016-17 subject to the approval of the shareholders at the ensuing 13th Annual General Meeting (AGM).



Notes forming part of standalone financial statements

Note 5 - Long-term borrowings

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Non Convertible Debentures		
Secured		
NIL (PY. 600) 12.60% Secured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 5 years from the date of allotment July 01, 2014 (Refer Note (i) below)	-	600,000,000
NIL (PY.250) 13.25% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par Rs. 25 Crs by December 26, 2017 from the date of allotment December 26, 2014 (Refer Note (i) below)	-	250,000,000
NIL (PY.250) 13.00% Secured Redeemable Non Convertible Debentures of Rs. 750,000/- each Rs. 18.75 Crs by March 20, 2017 from the date of allotment March 20, 2015 (Refer Note (i) below)	-	187,500,000
NIL (PY.1000) 12.15% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par by May 12, 2017 from the date of allotment May 12, 2015 (Refer Note (i) below)	-	1,000,000,000
NIL (PY.1000) 12.15% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par by June 23, 2017 from the date of allotment June 23, 2015 (Refer Note (i) below)	-	1,000,000,000
NIL (PY.1000) 12.35% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par by August 5, 2021 with put/call option August 5, 2018 from the date of allotment August 5, 2015 (Refer Note (i) below)	-	1,000,000,000
NIL (PY. 40) 10.75% Secured Redeemable Non Convertible Debentures of Rs.10,000,000/- each redeemable at par at the end of 6 years from the date of allotment July 31, 2013 (Refer Note (i) below)	-	400,000,000
Total - (A)	-	4,437,500,000
(b) Term loans		
Secured		
from Banks (Refer Note (iii)(a) below)	-	9,891,437,910
from NBFCs (Refer Note (iii)(b) below)	-	1,019,332,642
from other parties (Refer Note (iii)(c) below)	-	1,883,332,500
	-	12,794,103,052
Unsecured		
from other parties (Refer Note (iii)(d) below)	-	500,000,000
	-	500,000,000
Total - (B)	-	13,294,103,052
Total - (A) + (B)	-	17,731,603,052

i) Debentures are secured by hypothecation of book debts.

ii) Pursuant to the Business Transfer Agreement dated January 12, 2017 the company has transferred Long-term borrowings to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)



Notes forming part of financial statements

(iii) Terms of repayment for borrowings including current maturities :

Secured

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2016	
Rate of Interest	Maturity	Installments	Current	Non Current
Repayable in Monthly Installments - (a)				
At Base Rate	< 1 Year	9	400,000,000	-
Base Rate + 0.35%	< 1 Year	12	1,000,000,000	-
	2 Year	12	-	1,000,000,000
Base Rate + 0.40%	< 1 Year	60	1,090,908,658	-
	2 Year	48	-	863,636,364
Base Rate + 0.75%	< 1 Year	31	450,000,000	-
	2 Year	32	-	450,000,000
Base Rate + 0.80%	< 1 Year	9	428,571,429	-
	2 Year	12	-	571,428,571
Base Rate + 1.00%	< 1 Year	24	500,000,000	-
	2 Year	4	-	83,333,333
Base Rate + 1.15%	< 1 Year	12	84,999,996	-
	2 Year	7	-	49,583,339
Base Rate + 1.25%	< 1 Year	20	288,095,238	-
	2 Year	11	-	261,904,762
Base Rate + 1.50%	< 1 Year	17	483,695,694	-
	2 Year	6	-	187,500,000
Base Rate + 1.55%	< 1 Year	12	125,000,004	-
	2 Year	8	-	83,333,328
Base Rate + 1.65%	< 1 Year	5	27,083,331	-
Base Rate + 1.75%	< 1 Year	95	1,840,416,269	-
	2 Year	64	-	1,141,667,208
Base Rate + 1.80%	< 1 Year	12	285,714,286	-
	2 Year	5	-	119,047,619
Base Rate + 1.85%	< 1 Year	35	354,166,663	-
	2 Year	21	-	249,997,031
Base Rate + 2.00%	< 1 Year	12	166,666,667	-
	2 Year	4	-	55,555,555
Base Rate + 2.05%	< 1 Year	14	211,111,111	-
Base Rate + 2.20%	< 1 Year	12	249,999,996	-
	2 Year	6	-	124,980,137
Base Rate + 2.25%	< 1 Year	47	1,182,552,000	-
	2 Year	6	-	45,428,654
Base Rate + 2.35%	< 1 Year	10	199,898,869	-
Base Rate + 2.40%	< 1 Year	36	897,142,857	-
	2 Year	21	-	523,333,333
Base Rate + 2.50%	< 1 Year	65	988,266,680	-
	2 Year	8	-	108,900,000
Base Rate + 2.60%	< 1 Year	3	22,500,000	-
Base Rate + 3.70%	< 1 Year	22	699,999,998	-



Notes forming part of standalone financial statements

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2016	
Rate of Interest	Maturity	Installments	Current	Non Current
Repayable in Quarterly Installments				
Base Rate + 0.15%	< 1 Year 2 Year	3 4	214,285,714	285,714,286
Base Rate + 0.25%	< 1 Year 2 Year	3 4	321,428,571	428,571,429
Base Rate + 0.40%	< 1 Year 2 Year	4 8	150,000,000	900,000,000
Base Rate + 0.80%	< 1 Year 2 Year	3 4	139,285,714	185,714,286
Base Rate + 0.95%	< 1 Year 2 Year	16 12	675,000,000	462,500,000
Base Rate +1.00%	< 1 Year 2 Year 3 Year	3 4 3	60,000,000	80,000,000 60,000,000
Base Rate +1.10%	< 1 Year 2 Year	4 2	150,000,000	75,000,000
Base Rate +1.15%	< 1 Year	8	1,500,000,000	
Base Rate + 1.25%	< 1 Year 2 Year 3 Year	17 12 9	266,666,667	166,638,575 124,989,878
Base Rate + 1.40%	< 1 Year 2 Year	12 9	714,285,713	535,714,287
Base Rate + 1.5%	< 1 Year 2 Year	10 2	800,200,000	187,200,000
Base Rate + 1.85%	< 1 Year 2 Year	4	428,571,429	
Base Rate + 2.00%	< 1 Year 2 Year	3 2	75,000,000	24,984,178
Base Rate +2.05%	< 1 Year 2 Year	8 7	208,336,000	176,865,091
Base Rate + 2.20%	< 1 Year 2 Year	4 1	125,000,000	31,250,000
Base Rate + 2.25%	< 1 Year	6	589,285,714	
Base Rate + 2.30%	< 1 Year 2 Year	11 4	850,750,000	80,000,000
Base Rate + 2.35%	< 1 Year	4	269,285,714	
Base Rate +2.4%	< 1 Year	3	280,000,000	
Base Rate +2.60%	< 1 Year	2	102,500,000	
Base Rate + 2.80%	< 1 Year 2 Year	8 2	143,333,333	41,666,666
Base Rate +3.05%	< 1 Year	4	83,333,161	
Repayable in annually				
At Base Rate	< 1 Year 2 Year	1 1	125,000,000	125,000,000
Repayable in Bullet				
Base Rate + 1.05%	< 1 Year	1	600,000,000	-
Base Rate + 0.5%	< 1 Year	1	600,000,000	
Base Rate + 2.0%	< 1 Year	1	180,000,000	-
Total			21,628,337,476	9,891,437,910

Notes forming part of standalone financial statements

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2016	
Rate of Interest	Maturity	Installments	Current	Non Current
Borrowings from NBFCs - (b)				
Repayable in Monthly Installments				
Interest Rate - 10.00%	< 1 Year	12	360,000,000	
	2 Year	12		360,000,000
	3 Year	7		220,000,000
Interest Rate - 10.90%	< 1 Year	12	7,951,033	
	2 Year	12		8,862,328
	3 Year	36		33,186,639
Interest Rate - 12.25%	< 1 Year	12	130,434,783	
Interest Rate - 12.50%	< 1 Year	24	196,612,346	
	2 Year	12		109,404,887
Interest Rate - 13.00%	< 1 Year	12	130,434,782	
Interest Rate - 13.75%	< 1 Year	9	63,428,483	
Interest Rate - 11.30%	< 1 Year	12	181,818,182	
	2 Year	12		181,818,182
	3 Year	7		106,060,606

Repayable in Quarterly Installments

Repayable in Bullet

Interest Rate - 13.75%	< 1 Year	1	500,000,000	-
Total				
			1,570,679,609	1,019,332,642

Borrowings from Others - (c)

Repayable in Monthly Installments

Interest Rate - 11.75%	< 1 Year	9	450,000,000	
	2 Year	12		600,000,000
	3 Year	9		450,000,000
Interest Rate - 12.75%	< 1 Year	17	481,413,336	
Interest Rate - 13.00%	< 1 Year	5	3,353,560	
Total			934,766,896	1,050,000,000
Bullet				
Interest Rate - 10.25%	< 1 Year	2	333,333,334	
	2 Year	2		333,332,500
Interest Rate - 11%	< 1 Year	2	333,333,333	
	2 Year	2		333,333,333
	3 Year	1		166,666,667
Total			666,666,667	833,332,500
Grand Total			1,601,433,563	1,883,332,500

Unsecured

Borrowings from Others - (d)

Repayable in Bullet

Interest Rate - 15%	> 3 Year		-	500,000,000
Total				
			-	500,000,000



Notes forming part of standalone financial statements

Note 6 - Long-term provisions

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Provision - Others		
Provision for receivables under financing activity (Refer Note 22.6)		
Provision for standard assets	-	128,480,354
Provision for non performing assets	-	2,408,089
Total	-	130,888,443

i) Pursuant to the Business Transfer Agreement dated January 12, 2017 the company has transferred Long-term provisions to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)

Note 7 - Short-term borrowings

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Cash credit from banks (Refer Note (i) below)	-	10,404,739
Total	-	10,404,739

Note: i) Cash credit from banks are secured by hypothecation of book debts

Note 8 - Trade payables

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(i) Total outstanding dues of micro enterprises and small enterprises (Refer Note 22.5)	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	25,482,348	151,876,163
Total	25,482,348	151,876,163

Note: Amount payable to Ujjivan Small Finance Bank Limited - Rs.4,468,534/- (P.Y.NIL)



Notes forming part of standalone financial statements

Note 9 - Other current liabilities

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Current maturities of non convertible debentures (Refer Note (iii) below)	-	837,500,000
(b) Provision for gratuity (net) (Refer Note 23.1)	-	40,519,009
(c) Current maturities of long-term debt (Refer Note (iii) below)	-	24,800,450,648
(d) Interest accrued but not due on borrowings	-	434,570,409
(e) Other payables		
(i) Statutory remittances	9,774,499	51,188,197
(ii) Security deposits from customers (Refer Note (i) below)	1,262,378	1,337,902
(iii) Unclaimed security deposits from customers (Refer Note (i) below)	13,091,724	13,352,327
(iv) Deposit from vendors	-	125,000
(v) Other payables	-	464,901,788
(vi) credit balance in current account	-	-
Total	24,128,601	26,643,945,280

Note (i) : Relates to security deposits from erstwhile customers.

Note (ii) : Pursuant to the Business Transfer Agreement dated January 12, 2017 the Company has transferred borrowings to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)

Note (iii) : Current maturities of long term debts

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Non Convertible Debentures *		
<u>Secured</u>		
NIL (PY 500) 13.00% Secured Redeemable Non Convertible Debentures of Rs. 750,000/- each Rs. 18.75 Crs by March 20, 2017 from the date of allotment March 20, 2015	-	187,500,000
NIL (PY. 500) 13.65% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par at the end of 2 years from the date of allotment December 12, 2014	-	500,000,000
NIL (PY.150) 13.25% Secured Redeemable Non Convertible Debentures of Rs. 1,000,000/- each redeemable at par Rs. 15 Crs by December 26, 2016 and Rs. 25 Crs by December 26, 2017 from the date of allotment December 26, 2014	-	150,000,000
Total	-	837,500,000



Notes forming part of standalone financial statements

Particulars	As at March 31, 2017	As at March 31, 2016
(b) Term loans		
From banks		
-Secured (Refer Note 5(iii)(a))	-	21,628,337,476
From Non Banking Financial Companies		
-Secured (Refer Note 5(iii)(b))	-	1,570,679,609
From other parties		
-Secured (Refer Note 5(iii)(c))	-	1,601,433,563
-Unsecured	-	-
Total	-	24,800,450,648

*Debentures are secured by hypothecation of book debts.

Note 10 Short-term provisions

(Amount in
Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Provision for employee benefits		
(i) Compensated absences (Refer Note 23.1)	1,027,262	88,173,725
(b) Provision - Others		
(i) Provision for tax (net of advance tax Rs.2,797,748,948/-(PY.Rs.1,802,356,464/-)	65,951,052	22,615,445
(ii) Provision for proposed equity dividend	-	59,120,653
(iii) Provision for tax on proposed equity dividend	-	12,035,574
(iv) Provision for receivables under financing activity		
Provision for standard assets (Refer Note 22.6)	-	389,828,600
Provision for non performing assets (Refer Note 22.6)	-	55,103,424
Total	66,978,314	626,877,421

i) Pursuant to the Business Transfer Agreement dated January 12, 2017 the Company has transferred Short-term provisions to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)



Note 11 - Fixed assets

1. Amounts within brackets represent previous year's figures.

Notes forming part of standalone financial statements

Note 12 - Non-current investments

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Trade investments, at cost (unquoted) in other entities		
Investments in subsidiary:		
Ujjivan Small Finance Bank Ltd		
1,440,036,800 Equity Shares of Rs 10 each fully paid up (P.Y. Nil)	14,400,368,000	-
200,000,000 Preference Shares of Rs 10 each fully paid up (P.Y. Nil)	2,000,000,000	-
Investment in Others:		
Alpha Micro Finance Consultants Pvt Ltd Equity shares (P.Y. 100,000) of Rs.10/- each fully paid up	-	1,000,000
Ujjivan Social Services Foundation		
1,000 Equity shares (P.Y. 1,000) of Rs.10/- each at cost fully paid up	10,000	10,000
Total	16,400,378,000	1,010,000
Aggregate amount of unquoted investments	16,400,378,000	1,010,000

Note 13 Long-term loans and advances

(Unsecured, considered good unless otherwise stated)

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Capital advances	-	57,969,145
(b) Security deposits	-	83,151,683
(c) Employees loans and advances	-	9,468,463
(d) Prepaid expenses	-	4,799,462
(e) Other deposit	316,953	316,953
Total	316,953	155,705,706

i) Pursuant to the Business Transfer Agreement dated January 12, 2017 the Company has transferred Long-term loans and advances to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)



Notes forming part of standalone financial statements

Note 14 Other non current assets

(Unsecured, considered good unless otherwise stated)

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Receivable under financing activity (long-term) unsecured (Refer Note 22.6)		
Considered good	-	12,848,035,376
Considered doubtful	-	2,408,089
(b) Interest accrued on long term deposits	-	3,037,523
(c) Term deposits (more than 12 months maturity) *	-	188,057,726
Total	-	13,041,538,714

* Under lien against loans availed by the Company.

i) Pursuant to the Business Transfer Agreement dated January 12, 2017 the Company has transferred Other non current assets to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)



Notes forming part of standalone financial statements

Note 15 Receivables under financing activity

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Trade receivables outstanding for a period exceeding six months from the date they were due for payment (Refer Note 22.6)		
Secured, considered good	-	-
Unsecured, considered good	-	-
Doubtful	-	12,882,916
	-	12,882,916
Other trade receivables (Refer Note 22.6)		
Secured, considered good	-	-
Unsecured, considered good	-	37,717,973,114
Doubtful	-	62,580,134
	-	37,780,553,248
Total	-	37,793,436,164

i) Pursuant to the Business Transfer Agreement dated January 12, 2017 the Company has transferred the portfolio to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)

ii) Assets derecognised on account of securitization of receivables is Rs. NIL (P.Y.Rs. 3,242,158,514/-)

Note 16 Cash and Bank balances

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
I. Cash & cash equivalents		
a) Cash in hand	-	3,275,627
(i) In Current account (Refer Note i below)	270,729,029	874,102,351
(ii) In deposit accounts with original maturity less than 3 months (Refer Note iii below)	1,000,000,000	3,590,000,000
	1,270,729,029	4,467,377,978
II. Other bank balances		
a) In earmarked deposits (Refer Note ii below)	-	445,280,265
	-	445,280,265
Total	1,270,729,029	4,912,658,243

Note

(i) Balance with banks of Rs.13,548,822/- (P.Y. Rs.13,548,937/-) is to be used only for repayment of Security deposit of customers.

(ii) Under lien against loans availed by the Company.

(iii) Fixed deposits with Ujjivan Small Finance Bank Limited - Rs.1,000,000,000/-.



Notes forming part of standalone financial statements

Note 17 Short-term loans and advances

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Deposits - Unsecured, considered good	-	1,049,456
(b) Loans and advances		
Unsecured, considered good	-	32,617,290
Unsecured, considered doubtful	-	2,070,307
	-	34,687,597
Less: Provision for doubtful loans and advances	-	2,070,307
	-	32,617,290
(c) Prepaid expenses	-	22,489,322
(d) Other advances *		
Unsecured, considered good	2,172,391	240,644,451
Unsecured, considered doubtful	-	3,429,707
	2,172,391	244,074,158
Less: Provision for doubtful advances	-	3,429,707
	2,172,391	240,644,451
Total	2,172,391	296,800,519

* Includes advance for expenses and amounts towards collateral for securitisation of receivables.

i) Pursuant to the Business Transfer Agreement dated January 12, 2017 the Company has transferred Short-term loans and advances to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)

Note 18 Other current assets

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
(a) Interest accrued on		
(i) Fixed deposits	162,740	16,713,815
(ii) Receivables under financing activity	-	571,597,723
(b) Accrued income	-	1,169,497
Total	162,740	589,481,035

Note: Interest accrued on Deposits with Ujjivan Small Finance Bank Limited - Rs.162,740/-



Notes forming part of standalone financial statements

Note 19 Other Income

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest on fixed deposits	92,507,471	88,606,249
Profit on sale of current investments	144,546,312	87,318,455
Total	237,053,783	175,924,704

Note 20 Employee benefits expense

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries and wages (net)	13,985,489	9,329,650
Total	13,985,489	9,329,650

Note 21 Administrative and Other expenses

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Rent	1,450,076	1,450,076
Total	1,450,076	1,450,076



Notes forming part of standalone financial statements

22 Additional information to the financial statements

22.1 Discontinued operations

During the year, pursuant to approval of the Shareholders and Reserve Bank of India, the Company has transferred the business to Ujjivan Small Finance Bank on a slump sale basis with effect from February 01, 2017 for a consideration of Rs.15,300,000,000/-.

i) Carrying amount of assets and liabilities transferred to Ujjivan Small Finance Bank Limited:

(Amount in Rupees)

Particulars	As at February 1, 2017	As at March 31, 2016
Fixed assets (net)	1,117,720,491	241,792,818
Investments	1,000,000	1,000,000
Current assets:		
Cash on hand and Bank	344,487,245	1,612,455
Receivables under Financing activity	58,900,067,739	50,643,879,629
Other assets	25,738,957,055	5,427,993,278
Total assets (A)	86,102,232,529	56,316,278,181
Borrowings	68,457,724,189	43,804,124,088
General loan provision	1,238,467,469	575,820,467
Other current liabilities	17,889,151	6,747,985
Trade payables	1,248,151,721	719,775,074
Total liabilities (B)	70,962,232,530	45,106,467,614
Net assets (A-B)	15,140,000,000	11,209,810,567

ii) Cash flows attributable to the discontinued operations:

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Operating activities	66,232,511,443	42,973,976,587
Investing activities	1,118,720,491	242,792,818
Financing activities	(68,159,427,550)	(43,369,553,680)

iii) Profit / (Loss) before tax from discontinued operations

(Amount in Rupees)

Particulars	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
A. INCOME			
(a) Income from operations	(iv.a)	11,455,262,785	10,072,506,528
(b) Other income	(iv.b)	22,977,051	27,674,607
Total Income (A)		11,478,239,836	10,100,181,135



22 Additional information to the financial statements

Particulars	Note No.	For the year ended March 31, 2017	For the year ended March 31, 2016
B. EXPENDITURE			
(a) Employee benefits expenses	(iv.c)	2,194,736,216	1,957,177,500
(b) Administrative and other expenses	(iv.d)	1,347,001,163	1,020,295,580
(c) Finance cost	(iv.e)	4,327,569,356	4,234,998,782
(d) Depreciation and amortisation expenses	(iv.f)	75,269,334	80,245,509
(e) Provision / write off for receivables under financing activity		706,807,009	252,722,624
Total Expenditure (B)		8,651,383,078	7,545,439,995
Profit Before Gain on transfer of business attributable to the discontinued operations before tax (A) - (B)		2,826,856,758	2,554,741,140
Gain on transfer of business attributable to the discontinued operations		160,000,000	-
Profit Before Tax from discontinued operations		2,986,856,758	2,554,741,140

iv) Details of Income and Expenditure of Discontinued operations:

a) Income from operations

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest on loans	10,405,558,416	9,309,641,501
Loan processing fees	670,718,202	708,085,628
Other financial services	378,986,167	54,779,399
Total	11,455,262,785	10,072,506,528

b) Other income

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Fee income, from insurance activities	1,681,231	4,464,716
Profit on sales of fixed assets (net)	21,223	545,209
Miscellaneous income	21,274,597	22,664,682
Total	22,977,051	27,674,607



Notes forming part of standalone financial statements

22 Additional information to the financial statements

c) Employee benefits expense

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Salaries and wages (net)	1,871,094,714	1,683,059,880
Expenses on employee stock option	15,480,461	6,029,871
Contributions to provident and other funds	172,108,968	132,625,907
Staff welfare expenses	136,052,073	135,461,842
Total	2,194,736,216	1,957,177,500

d) Administrative and Other expenses

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Electricity & water charges	21,705,320	20,459,544
Rent	140,621,724	119,972,805
Donation	-	2,500,000
Repairs & maintenance		
Buildings	2,406,531	4,047,911
Others	94,029,495	50,006,386
Security & house keeping expenses	50,471,676	37,312,677
Office maintenance	14,155,567	14,132,345
Insurance	6,900,246	3,904,527
Rates & taxes	39,724,992	52,700,249
Audit fees (Refer Note (i) below)	3,332,875	2,926,412
Professional charges	397,108,660	230,258,761
Sitting fee	7,846,961	4,480,275
Postage & courier	32,431,240	31,815,262
Printing & stationery	46,727,045	49,950,441
Recruitment expenses	24,549,246	12,095,434
Telephone charges	69,904,282	67,305,732
Training & conference charges	91,083,119	32,791,035
Travelling & conveyance expenses	238,770,193	220,000,572
Expenditure on Corporate social responsibility	26,831,588	17,778,393
Claims written off	4,781,694	8,563,690
Fixed Assets Written off	19,685	87,407
Provision for other advances	2,557,263	664,584
Miscellaneous expenses	31,041,761	36,541,138
Total	1,347,001,163	1,020,295,580



Notes forming part of standalone financial statements

22 Additional information to the financial statements

Note (i)

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
(i) Payments to the auditors comprises (net of service tax input credit)		
Audit services	2,300,000	1,900,000
Tax audit	300,000	300,000
Other attest services	516,313	500,000
Reimbursement of expenses and levies	216,562	226,412
Total	3,332,875	2,926,412
Services related to IPO adjusted against securities premium	5,375,000	5,375,000

e) Finance costs

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
(a) Interest expense on		
(i) Borrowings	4,197,173,719	4,075,589,047
(ii) Others	380,067	4,057,944
(b) Loan processing fees, bank charges and other related costs	130,015,570	155,351,791
Total	4,327,569,356	4,234,998,782

f) Provision / write off for receivables under financing activity

(Amount in Rupees)

Particulars	For the year ended March 31, 2017	For the year ended March 31, 2016
Bad debts written off	44,160,007	33,055,547
Less: Provision reversed	(36,483,640)	(14,100,092)
Provision for receivables under financing activities	699,130,642	233,767,169
Total	706,807,009	252,722,624



22.2 Contingent liabilities and commitments (to the extent not provided for)

(Amount in Rupees)

	Particulars	As at March 31, 2017	As at March 31, 2016
(i)	Contingent liabilities		
	(a) Disputed taxes – Service tax (Refer Note below)	-	4,226,041
(ii)	Commitments		
	a) Estimated amount of contracts remaining to be executed on capital account and not provided for		
	Tangible assets	-	1,266,650
	Intangible assets	-	86,030,000

Note: Any and all pending Claims, proceedings, suits etc. in relation to the Company as on the Completion Date ("Proceedings"), shall continue to be dealt with and managed by the Company. However, where any payments (if any) become due and payable by the Company pursuant to any such proceeding, the same shall be borne by Ujjivan Small Finance Bank Limited ("USFB") Similarly, where any payments become due and payable to the Company pursuant to any proceeding, USFB shall be entitled to receive the benefit of the same.

22.3 Earnings in foreign currency - Rs. Nil (PY - Nil)

22.4 Expenditure in foreign currency - Rs. Nil (PY - Nil)

22.5 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The above information regarding Micro Enterprises and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.

22.6 Asset Classification & Provisioning:

The Company follows Prudential Norms of the Reserve Bank of India (RBI) with regard to classification in respect of all loans extended to its customers. Loans where the installment is overdue for a period of ninety days or more or on which interest amount remained overdue for a period of ninety days or more is treated as Non performing assets.

The Company complies with the prudential norms of the Reserve Bank of India (RBI) with regard to income recognition, asset classification and provisioning. The Company is following provisioning norms as recommended vide DNBS.CC.PD.No.250/03.10.01/2011-12 dated 2 December 2011, DNBS.PD/CC.No. 263/03.10.038/2011-12 dated 20 March 2012 and DNBS.(PD).CC. No. 347 /03.10.38/2013-14 dated 1 July 2013.



Notes forming part of standalone financial statements

22.6 Asset Classification & Provisioning:

Accordingly the Company in line with guidelines laid down under the DNBS(PD)CC.No.347/30.10.038/ 2013-14 dated July 01,2013 has complied with provisions of RBI norms.

Classification of Loans and Provisions made for Standard / Sub-Standard / Doubtful / Loss assets are as given below:

<i>(Amount in Rupees)</i>		
Classification of Assets	As at March 31, 2017	As at March 31, 2016
Standard assets	-	50,566,008,490
Sub-standard assets	-	40,719,252
Doubtful assets	-	37,151,887
Total	-	50,643,879,629
Note: 14 Non current- Receivable under financing activity- Standard assets	-	12,848,035,376
Note: 14 Non current-Receivable under financing activity- Non performing assets	-	2,408,089
Note-15 Current-Trade receivables under financing activity- Standard assets	-	37,717,973,114
Note-15 Current-Trade receivables under financing activity- Non performing assets	-	75,463,050
Total	-	50,643,879,629

Provision	As at March 31, 2017	As at March 31, 2016
Standard assets	-	518,308,954
Sub-standard assets	-	20,359,626
Doubtful assets	-	37,151,887
Total	-	575,820,467
Note: 6 Long term -Provision for standard assets	-	128,480,354
Note: 6 Long term -Provision for non performing assets	-	2,408,089
Note: 10 Short term -Provision for standard assets	-	389,828,600
Note: 10 Short term -Provision for non performing assets	-	55,103,424
Total	-	575,820,467

22.7 Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK)-2008 dated 1st August 2008

(i) Capital to Risk asset ratio

<i>(Amount in Rupees)</i>		
Particulars	As at March 31, 2017	As at March 31, 2016
Tier I Capital	1,885,095,712	11,627,627,471
Tier II Capital	-	918,308,954
Total	1,885,095,712	12,545,936,425
Total Risk Weighted Assets	1,657,076,960	51,970,023,492
Capital Ratios		
Tier I Capital as a percentage of Total Risk Weighted Assets (%)	113.76%	22.37%
Tier II Capital as a percentage of Total Risk Weighted Assets (%)	0.00%	1.77%
Total Capital (%)	113.76%	24.14%

Notes forming part of standalone financial statements

22.7 Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK)-2008 dated 1st August 2008

(ii) **Exposure to Real Estate Sector**

Direct exposure towards mortgages

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Lending fully secured by mortgages on property	-	206,998,803

(iii) **Exposure to Capital Market**

The Company does not have any exposure to Capital Market as at March 31, 2017

(iv) **Maturity Pattern of Assets and Liabilities**

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

(Amount in Rupees)

Particulars	Liabilities		Assets	
	Borrowings from Banks and others	Market Borrowings	Advances	Investments
Up to one month	-	-	-	-
Over one month to 2 months	-	-	-	-
Over 2 months up to 3 months	-	-	-	-
Over 3 months up to 6 months	-	-	-	-
Over 6 months to 1 year	-	-	-	-
Over 1 year to 3 years	-	-	-	-
Over 3 years to 5 years	-	-	-	-
Over 5 years	-	-	-	16,400,378,000
Total	-	-	-	16,400,378,000

Notes:

1. The above information has been considered as per the Asset Liability Management (ALM) Report compiled by the Management and reviewed by the ALM committee.



Notes forming part of standalone financial statements

22.8 Additional disclosure

Disclosure of frauds reported during the period vide DNBS PD.CC NO. 256 / 03.10.042 / 2012 -13 dated March 02, 2012

March 31, 2017

	Less than Rs. 1 lakh		Rs. 1 to Rs. 5 lakhs		Rs. 5 - 25 lakhs		Total	
	No. of Accounts	Value Rs.	No. of Accounts	Value Rs.	No. of Accounts	Value Rs.	No. of Accounts	Value Rs.
A) Person involved								
Staff	470	1,061,409	239	1,374,828	1	800,000	710	3,236,237
Customer								
Staff and customer								
Total	470	1,061,409	239	1,374,828	1	800,000	710	3,236,237
B) Type of fraud								
Misappropriation and criminal breach of trust	470	1,061,409	239	1,374,828	1	800,000	710	3,236,237
Fraudulent encashment / Manipulation of books of accounts								
Unauthorised credit facility extended								
Cheating and forgery								
Total	470	1,061,409	239	1,374,828	1	800,000	710	3,236,237

March 31, 2016

	Less than Rs. 1 lakh		Rs. 1 to Rs. 5 lakhs		Rs. 5 - 25 lakhs		Total	
	No. of Accounts	Value Rs.	No. of Accounts	Value Rs.	No. of Accounts	Value Rs.	No. of Accounts	Value Rs.
A) Person involved								
Staff	659	3,194,706	-	-			659	3,194,706
Customer								
Staff and customer								
Total	659	3,194,706	-	-	-	-	659	3,194,706
B) Type of fraud								
Misappropriation and criminal breach of trust	659	3,194,706	-	-			659	3,194,706
Fraudulent encashment / Manipulation of books of accounts								
Unauthorised credit facility extended								
Cheating and forgery								
Total	659	3,194,706	-	-	-	-	659	3,194,706

Note:

The above summary is prepared based on the information available with the Company and relied upon by the auditors.

22.9 Disclosure as required under DNBS (PD) CC. No. 300 / 03.10.038/2012-13 dated August 3, 2012.

Margin Cap of the Company as on March 31, 2017 is 9.99%*. This has been computed in compliance with MFIN in their representation to The Reserve Bank of India dated August 29, 2012 (Subject reference : RBI/2012-13/161 ONBS (PO) CC.No.300 /03.10.038/2012-13 dated August 3, 2012).

Note: In the above margin calculation the company has not considered Rs.2,117 Crore, which was borrowed towards the end of January 2017. The same was not utilised by the Company for it's MFI business and was subsequently transferred to Ujjivan Small Finance Bank Limited as part of transfer of business undertaking on February 1, 2017. (Refer Note 22.1)

*MFI business operations were discontinued w.e.f February 1, 2017 pursuant to transfer of business undertaking to Ujjivan Small Finance Bank Limited.



Notes forming part of standalone financial statements

22.10 Disclosure as required under DNBR (PD) CC. No. 002 / 03.10.001/2014-15 dated November 10, 2014.

22.10.1 Concentration of Advances

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
Total Advances to twenty largest borrowers	-	19,084,909
Percentage of Advances to twenty largest borrowers to Total Advances	-	0.03%

22.10.2 Concentration of Exposures

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
Total Exposure to twenty largest customers	-	18,839,843
Percentage of Exposures to twenty largest customers to Total Exposure on customers	-	0.04%

22.10.3 Concentration of NPAs

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
Total Exposure to top four NPA accounts	-	385,539

22.10.4 Sector-wise NPAs

Particulars	March 31, 2017	March 31, 2016
Agriculture & allied activities	-	0.09%
MSME	-	-
Corporate borrowers	-	-
Services	-	-
Unsecured personal loans	-	0.12%
Auto loans	-	-
Other personal loans	-	0.47%

22.10.5 Movement of NPAs

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
(i) Net NPAs to Net advances (%)	-	0.04%
Movement of NPAs (Gross)		
(a) Opening balance	77,871,138	23,460,769
(b) Additions during the year	191,175,855	144,266,164
(c) Reductions during the year	269,046,993	89,855,795
(d) Closing balance	-	77,871,138
Movement of Net NPAs		
(a) Opening balance	20,359,625	5,993,872
(b) Additions during the year	95,576,502	72,109,259
(c) Reductions during the year	115,936,127	57,743,506
(d) Closing balance	-	20,359,625
Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	57,511,513	17,466,897
(b) Provisions made during the year	95,599,353	72,156,905
(c) Write-off / write-back of excess provisions	153,110,866	32,112,289
(d) Closing balance	-	57,511,513

Note: Pursuant to the Business Transfer Agreement dated January 12, 2017 the Company has transferred portfolio to Ujjivan Small Finance Bank Limited. (Refer Note 22.1)

22.10.6 During the year there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

22.10.7 During the year Company has not given any advances with intangible collateral such as charge over the rights, licenses, authority etc.



Notes forming part of standalone financial statements

22.10.8 Registration obtained from other financial sector regulators

During the year the Company has not obtained any registrations from other financial regulators. The company has applied for conversion to Core Investment Company.

22.10.9 Penalties imposed by RBI and other regulators

During the year there are no penalties imposed by RBI and other regulators.

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

Particulars	Rating Assigned
1. MFI Grading	CRISIL MFR 1

22.10.11 Disclosure of Customer/Borrower Complaints

Particulars	March 31, 2017	March 31, 2016
No. of complaints pending at the beginning of the year	14	11
No. of complaints received during the year 1433	1,829	2,200
No. of complaints redressed during the year 1435	1,839	2,197
No. of complaints pending at the end of the year -2	4	14

22.10.12 Provisions and Contingencies (shown under the head Expenditure in Statement of Profit and Loss)

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
Provisions for depreciation on Investment	-	-
Provision for NPA	95,599,353	72,156,905
Provision for Standard Assets	603,531,289	161,610,264
Provision for Income tax	1,355,700,000	1,038,000,000
Provision for Doubtful Advances	2,557,263	664,584

22.10.13 Investments

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
Value of Investments		
(i) Gross Value of Investments		
(a) In India	16,400,378,000	1,010,000
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	16,400,378,000	1,010,000
(b) Outside India.	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess	-	-
(iv) Closing balance	-	-

22.10.14 Derivatives:

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



Note 23 Disclosures under Accounting Standards

23.1 Employee Benefits:

The details of employee benefits are as given below:

I Defined Contribution Plans

During the year, the Company has recognized the following amounts in the statement of profit and loss

(Amount in Rupees)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Employers' Contribution to Provident & Pension Fund	96,474,379	92,106,898
Employers' Contribution to ESI	28,650,538	32,969,687

II Defined Benefit Plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

(Amount in Rupees)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Components of employer expense		
Current Service cost	20,200,351	24,768,187
Interest cost	7,638,825	5,865,822
Expected return on plan assets	(6,384,166)	(5,224,440)
Actuarial Losses/(Gains)	25,917,248	15,109,440
Total expense/(income) recognized in the Statement of Profit & Loss	47,372,258	40,519,009
Actual Contribution and Benefit Payments for the Year ended		
Actual benefit payments	(7,042,025)	(5,966,535)
Actual Contributions	62,084,457	25,470,955
Change in Defined Benefit Obligation (DBO) during the year ended		
Present Value of DBO at the beginning of the year	125,240,090	80,986,224
Current service cost	20,200,351	24,768,187
Interest cost	7,638,825	5,865,822
Actuarial (gains)/losses	24,398,500	19,586,392
Actual return on plan assets	-	-
Benefits paid	(7,042,025)	(5,966,535)
Acquisitions/Divestures/Transfers	(169,356,598)	
Present Value of DBO at the end of the year	1,079,143	125,240,090



23.1 Employee Benefits:

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Net asset/(liability) recognized in balance sheet as at		
Fair value of plan assets	1,079,143	84,721,081
Present Value of Defined Benefit Obligation	(1,079,143)	(125,240,090)
Excess of plan assets over present value of obligation	-	-
Net (liability) recognized in balance sheet	-	(40,519,009)
Present Value of DBO at the end of the year		
Current Liability	-	(40,519,009)
Non current liability	-	-
Change in Fair Value of Assets during the year ended		
Plan assets at the beginning of the year	84,721,081	55,515,269
Expected return on plan assets	6,384,166	5,224,440
Actuarial gain/(loss)	(1,518,748)	4,476,952
Actual Company Contributions	62,084,457	25,470,955
Benefit Paid	(7,042,025)	(5,966,535)
Acquisitions/Divestures/Transfers	(143,549,788)	
Plan assets at the end of the year	1,079,143	84,721,081
Actuarial Assumptions		
Discount Rate	7.37%	7.52%
Expected Return on plan assets	7.37%	8.00%
Rate of increase in compensation	9.00%	12.50%
Attrition rate	0.00%	18.41%
Retirement age	60	60

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Information of investment details of plan assets are not available hence not disclosed.

Details relating to experience adjustment and expected future cash flow is given below

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	As at March 31, 2013
Defined Benefit Obligation at end of the year	1,079,143	125,240,090	80,986,224	54,278,862	38,848,414
Plan Assets at end of the period	1,079,143	84,721,081	55,515,269	39,552,345	21,225,930
Funded Status - Assets/ (Liabilities)	-	(40,519,009)	(25,470,955)	(14,726,517)	(17,622,484)
Experience (Gain)/Loss adjustments on plan liabilities	24,416,260	19,586,392	6,293,275	(340,486)	(340,486)
Experience (Gain)/Loss adjustments on plan Assets	(1,518,748)	4,476,951	5,074,490	29,246	299,427
Actuarial (Gain)/Loss due to change on assumptions	-	-	34,575,013	103,246	103,246



Notes forming part of standalone financial statements

23.1 Employee Benefits:

III Other Long term employee benefits – Compensated absences

(Amount in Rupees)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Charge in statement of Profit & Loss	54,881,951	42,700,012
Liability as at the period end	1,027,262	88,173,725
Actuarial Assumptions		
Discount Rate	7.37%	7.52%
Rate of increase in compensation	9.00%	12.50%
Attrition rate	0.00%	18.41%
Retirement age	60	60

23.2 Segment Reporting

The company's business segment is micro finance services and the principal geographical segment is India. Accordingly no separate disclosure is required to be made under accounting standard 17, Segment Reporting

23.3 Related Party Disclosure

A. List of Related Parties are Given below:

Key Management Personnel

Mr. Samit Ghosh ,
Managing Director (upto January 31, 2017)
Mrs. Sudha Suresh ,
Managing Director (from February 1, 2017)
Mrs. Sudha Suresh ,
Chief Financial Officer (upto January 31, 2017)
Mr. Hiren Shah,
Chief Financial Officer (from February 1, 2017)
Mr. Sanjeev Barnwal, Company Secretary

Enterprises over which Key Management Personnel is able to exercise significant influence

Parinaam Foundation (upto January 31, 2017)
Ujjivan Social Services Foundation

Subsidiary of Company

Ujjivan Small Finance Bank Limited (with effect from July 4, 2016)

B. Transactions with Related Parties during the year

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
Remuneration:		
Mr. Samit Ghosh		
- Salary	7,989,116	7,378,214
- Perquisite - ESOP	106,777,400	20,864,688
Mrs. Sudha Suresh		
- Salary	6,600,250	4,968,015
- Perquisite - ESOP	1,602,247	5,014,123
Mr. Sanjeev Barnwal		
- Salary	3,325,643	2,146,996
- Perquisite - ESOP	276,300	-



Notes forming part of standalone financial statements

23.3 Related Party Disclosure

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
Mr. Hiren Shah - Salary	545,735	-
Parinaam Foundation: Amount received	960,853	2,540,492
Donations paid	-	2,500,000
Ujjivan Small Finance Bank Limited: Investment in Equity shares	14,400,368,000	-
Investment in Preference shares	2,000,000,000	-
Investment in Term deposit	1,000,000,000	-
Interest income recognised	180,822	-
Amount received	14,405,561	-
Amount paid	123,587,222	-

C. Outstanding balance with related parties

(Amount in Rupees)

Particulars	As at March 31, 2017	As at March 31, 2016
Due to Mr. Samit Ghosh	-	89,250
Due to Mrs. Sudha Suresh	-	60,375
Due from Parinaam foundation	-	-
Due to Ujjivan Small finance bank limited	4,468,533	-
Term deposit balance	1,000,162,740	-
Investment in Shares	16,400,368,000	-



Notes forming part of standalone financial statements

23.4 Details of leasing arrangements

The Company has taken on operating lease certain facilities and office premises for a period ranging from 11 months to 120 months which are non-cancellable for the period as reflected in the respective agreements. These lease agreements provide for increase in the lease payments by 10% to 15% over the period as mentioned in the agreements. The total minimum lease payments for the current period, in respect of operating leases, included under rent, aggregates to Rs.142,071,801/- (P.Y. Rs.121,422,881/-)

The future lease payments in respect of the above are as follows:

(Amount in Rupees)

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Not later than one year	-	133,266,252
Later than one year but not later than five years	-	296,513,939
Later than 5 years	-	177,805,085

23.5 Earnings per share

Particulars	Year ended March 31, 2017	Year ended March 31, 2016
Net profit / (loss) after tax (Rs.)	2,076,360,396	1,772,187,778
Weighted average shares outstanding – Basic (Nos.)	116,964,261	88,102,590
Weighted average shares outstanding – Diluted (Nos.)	121,437,887	92,366,982
Earnings / (loss) per share – Basic (Rs.)	17.75	20.12
Earnings / (loss) per share – Diluted (Rs.)	17.10	19.19

23.6 Other ratios are indicated below

Particulars	As at March 31, 2017	As at March 31, 2016
Debt Service Ratio	0.09	0.11
Interest Coverage Ratio	1.76	1.67
Debt Equity Ratio	0.00	3.86

23.7 Deferred Tax

In accordance with Accounting Standard -22 "Accounting for Taxes on Income", the company has recognized Rs. 223,295,552/- (PY Rs. 87,961,905/-) as deferred tax credit as detailed below:

(Amount in Rupees)

Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2016	Transferred to Ujjivan Small Finance Bank	Current period (credit) / charge *	Deferred Tax (Assets) / Liabilities as on March 31, 2017
Difference between book and tax depreciation	4,975,194	8,444,639	3,469,445	-
Provision for Employee benefits	(44,537,981)	(64,154,646)	(19,972,180)	(355,515)
Provision for doubtful assets/standard assets	(201,183,392)	(407,976,209)	(206,792,817)	-
Net Deferred Tax (Asset) / Liability	(240,746,179)	(463,686,216)	(223,295,552)	(355,515)

Pursuant to the Business Transfer Agreement dated January 12, 2017 the company has transferred Deferred Tax Asset (Net off Deferred Tax Liability) amounting to Rs. 463,686,216/-



23.8 Initial Public Offer/Listing

The company has issued and allotted 17,055,277 shares at Rs.10 each at a premium of Rs.200 per share subsequent to the year end by way of Initial Public Offer(IPO). The shares of the company have been listed in National Stock Exchange and Bombay Stock Exchange subsequent to the IPO.

24 Employee Stock Option Plan

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010, MD ESOP 2010 and ESOP 2015.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, the reported profit for the year ended March 31, 2017 would have been lower by Rs.119,550,825/- and the basic and diluted EPS would have been revised to Rs.16.73/- and Rs.16.11/- respectively.

Option activity under the plans is as given as below:

(Number)

March 31, 2017

Particulars	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD ESOP 2010	ESOP 2015	Total
Options granted and out-standing as at beginning of year	4,120	69,770	172,340	1,434,160	1,164,172	1,419,830	4,264,392
Granted during the year	-	-	-	-	-	1,696,850	1,696,850
Exercised during the year	4,120	55,090	100,540	538,617	355,000	82,400	1,135,767
Forfeited/Expired during the year	-	7,770	28,540	129,096	-	186,443	351,849
Options outstanding as at March 31, 2017	-	6,910	43,260	766,447	809,172	2,847,837	4,473,626
Option exercisable at the year end	-	6,910	43,260	766,447	809,172	367,189	1,992,978
Weighted average of remain-ing contractual life (years) at the year end							1.05

(Number)

March 31, 2016

Particulars	ESOP 2006	ESOP 2007	ESOP 2008	ESOP 2010	MD ESOP 2010	ESOP 2015	Total
Options granted and out-standing as at beginning of year	27,099	161,413	323,520	2,187,216	1,249,172	-	3,948,420
Granted during the year	-	-	-	-	-	1,469,800	1,469,800
Exercised during the year	22,379	82,940	99,590	527,093	85,000	-	817,002
Forfeited/Expired during the year	600	8,703	51,590	225,963	-	49,970	336,826
Options outstanding as at March 31, 2017	4,120	69,770	172,340	1,434,160	1,164,172	1,419,830	4,264,392
Option exercisable at the year end	4,120	69,770	172,340	1,167,869	1,164,172	-	2,578,271
Weighted average of remain-ing contractual life (years) at the year end							1.11



Notes forming part of standalone financial statements

- 25 As per RBI guidelines on Securitisation DNBR (PD) CC. No.002/03.10.001/2014-15 dated November 10, 2014 the details of securitisation are given below:

Particulars	March 31, 2017	March 31, 2016
	Numbers/Amount (Rs.)	Numbers/Amount (Rs.)
No of SPVs sponsored by the NBFC for securitisation transactions	-	7
Total amount of securitised assets as per books of the SPVs Sponsored	-	3,942,200,847
Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance sheet		
a) Off-balance sheet exposures		
First loss	-	246,531,114
Others		
b) On-balance sheet exposures		
First loss	-	199,180,491
Others		
Amount of exposures to securitisation transactions Other than MRR		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
First loss	NIL	NIL
Loss	NIL	NIL
ii) Exposure to third party securitisations		
First loss	NIL	NIL
Others	NIL	NIL
b) On-balance sheet exposures		
i) Exposure to own securitisations		
First loss	NIL	NIL
Others	NIL	NIL
ii) Exposure to third party securitisations		
First loss	NIL	NIL
Others	NIL	NIL

25.1 Details of Financial Assets sold to Securitisation Company

(Amount in Rupees)

Particulars	March 31, 2017	March 31, 2016
No. of accounts	-	311,925
Aggregate value of accounts sold to Securitisation Company	-	3,942,200,847
Aggregate Consideration	-	3,694,171,165
Additional consideration realized in respect of accounts transferred in earlier years	-	-
Quantum of credit enhancement in the form of deposits	-	199,180,491
Aggregate gain /(loss) over net book value excluding service fee	-	52,870,277



Notes forming part of standalone financial statements

26 Disclosure on Specified Bank Notes ("SBN"):

(Amount in Rupees)

Particulars	SBNs	Other Denomination notes	Total
	Total	Total	
Closing Balance as at November 8, 2016	73,089,000	22,776,159	95,865,159
Transactions between November 9, 2016 and December 30, 2016			-
Add: Withdrawal from Bank accounts		1,093,417,200	1,093,417,200
Add: Receipts for permitted transactions		-	-
Add: Collection from customers from November 9, 2016 and December 30, 2016 (Refer Note (ii))	23,558,000	10,957,938,491	10,981,496,491
Add : Receipts for non-permitted transactions (if any)			-
Less : Paid for permitted transactions			-
Less : Paid for non-permitted transactions (if any)			-
Less : Cash Disbursements (Refer Note (ii))		6,400,707,757	6,400,707,757
Less: Deposited in bank accounts		5,235,089,822	5,235,089,822
Denomination as per authorisation letter	22,530,000		22,530,000
Denomination as per Bank challan	29,523,500		29,523,500
Customer directly deposited (Refer Note (iii))	23,558,000		23,558,000
No denomination (Refer Note (iv))	21,035,500		21,035,500
			-
Less : Petty cash expenditure (Refer Note (ii))		68,650,224	68,650,224
Closing balance as at December 30, 2016			369,684,048

The Company confirms that the above information is given as per the records available with the Company. The Company has complied with the relevant regulations in this regard.

Note (i): SBN shall have the same meaning as provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated 8th November, 2016.

Note (ii): Our accounting system does not capture the denomination-wise details of disbursements, collections and expenditure.

Note (iii): This represents installments deposited by the customers directly to Company bank accounts as per representation given by the management.

Note (iv): Bank deposit slips do not contain denomination details of amount deposited. The company is in process of obtaining the same.



Notes forming part of standalone financial statements

27 Corporate Social Responsibility

- a) Gross amount required to be spent by the company during the year ended March 31, 2017 Rs. 31,356,180/- (PY. Rs. 16,500,523/-).

b) Amount spent during the period on:

(Amount in Rupees)

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	18,728,705	-	18,728,705
On purposes other than above	8,102,883	-	8,102,883

Amount spent during the year 2015-16 on:

(Amount in Rupees)

Particulars	In Cash	Yet to be paid in Cash	Total
Construction/acquisition of any asset	14,226,398	-	14,226,398
On purposes other than above	3,551,995	-	3,551,995

- 28 As at 31st March 2017, the Company has received an amount of Rs. 5,287,610/- share application money (including a premium of Rs. 4,464,158) towards the exercise of 82,345 vested options by eligible employees under various ESOP Schemes of the Company. The Company has sufficient authorised capital to cover the allotment of these shares and pending allotment of shares, the amounts are maintained in a designated bank account and are not available for use by the Company. The Company has completed the allotment of shares on April 13, 2017 for the aforesaid options.
- 29 Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

For and on behalf of the Board of Directors



K.R. Ramamoorthy
Chairman



Sudha Suresh
Managing Director



Sanjeev Barnwal
Company Secretary



Hiren Shah
Chief Financial Officer

Place: Bengaluru
Date: April 27, 2017



**Schedule to the Balance Sheet of Ujjivan Financial Services Limited ((Formerly Ujjivan Financial Services Private Limited)-a Non Deposit taking Non Banking Financial Company
(as required in terms of Paragraph 13 of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015)**

			Rs. in Lakh
	Particulars		
(1)	<u>Liabilities side</u>	Amount outstanding	Amount Overdue
	Loans and advances availed by the Non Banking finance company inclusive of interest accrued thereon but not paid		
	a) Debentures -Secured	Nil	NA
	- Unsecured	Nil	NA
	(other than falling within the meaning of public deposits)		
	b) Deferred Credits	Nil	NA
	c) Term Loans	Nil	Nil
	d) Inter corporate Loans and borrowing	Nil	NA
	e) Commercial Paper	Nil	NA
	e) Public Deposit	NA	NA
	f) Other loans (Cash credit from banks)	Nil	NA
(2)	<u>Assets Side</u>	Amount outstanding	
	Break up of Loans and advances including Bills Receivables (Other than those included in 4 below:)		
	a) Secured	Nil	
	b) Unsecured:		
	i) Long term loans and advances	3	
	ii) Receivable from financing activities	Nil	
	iii) Short term loans and advances	22	
	iv) Other current assets	2	
	v)Other non current assets	Nil	
(3)	Break up of Leased assets and stock on hire and other assets counting towards AFC activities		
	(i) Lease assets including lease rentals under Sundry Debtors		
	(a) Financial Lease		Nil
	(b) Operating Lease		Nil
	(ii) Stock on assets including hire charges under Sundry Debtors		
	a) Assets on Hire		Nil
	b) Repossessed Assets		Nil
	(iii) Other loans counting towards AFC activities		
	a) Loans where assets have been repossessed		Nil
	b)Loans other than (a) above		Nil

	Particulars		
(4)	Break up of Investments		
	Current Investments	Nil	Nil
	1. Quoted		
	(i) Shares - a Equity		
	b Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	2. Unquoted		
	(i) Shares - a Equity		
	b Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	Long term investments	Nil	Nil
	1.Quoted		
	(i) Shares - a Equity		
	b Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	2. Unquoted		
	(i) Shares - a Equity	144,004	Nil
	b Preference	20,000	
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		

Particulars				
(5) Borrower Group wise classification of assets financed as in (2) & (3) above				
Please see note 2 below				
	Category	Amount Net of Provisions		
		Secured	Unsecured	Total
	(i) Related parties**			
	a Subsidiaries	Nil	Nil	Nil
	b Companies in the Same Group	Nil	Nil	Nil
	c Other related parties	Nil	Nil	Nil
	2. Other than related parties	Nil	Nil	Nil
	Total	Nil	Nil	Nil

(6) Investor Group wise classification of all investments(Current and long term) in shares and securities (both quoted and unquoted) please see note 3 below			
	Category	Market value/ Breakup or fair value or NAV	Book Value (Net of Provisions)
	(i) Related parties**	Nil	Nil
	a Subsidiaries	Nil	164,004
	b Companies in the Same Group	Nil	Nil
	c Other related parties	Nil	Nil
	2. Other than related parties	Nil	0
	Total	Nil	164,004

** As per accounting standard of ICAI (Please see note 3)


(7) Other information

	Particulars		Amount
	(i)Gross Non performing Assets		
	a. Related parties		Nil
	b. Other than related parties		Nil
	(ii)Net Non performing Assets		
	a. Related parties		Nil
	b. Other than related parties		Nil
	(iii)Assets acquired in satisfaction of debt		Nil


Notes:

- As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance in public Deposit (Reserve Bank) Directions, 1998.
- Provisioning norms shall be applicable as prescribed in Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

For and on behalf of the Board of Directors


K.R. Ramamoorthy
Chairman


Sudha Suresh
Managing Director


Sanjeev Barnwal
Company Secretary


Hiren Shah
Chief Financial Officer

Place: Bengaluru
Date : April 27, 2017



Business Responsibility Report Of Ujjivan Financial Services Limited FY 2016-17

COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Ujjivan Financial Services Limited ('the Company' / Ujjivan) recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with sound corporate culture and the Company is constantly striving to better them.

SECTION A - General Information about the Company:

Sr.	Particulars		Company Information
(i)	Corporate Identity Number (CIN)	:	L65999KA2004PLC035329
(ii)	Name of the Company	:	Ujjivan Financial Services Limited
(iii)	Address of the Registered Office and Contact Details	:	Grape Garden, No. 27, 3 rd A Cross, 18 th Main, 6 th Block, Koramangala, Bangalore – 560095, Karnataka
(iv)	Website	:	www.ujjivan.com
(vi)	Email id	:	compliance@ujjivan.com
(vii)	Financial Year Reported	:	FY 2016-17
(viii)	Sector(s) that the Company is engaged in (industrial activity code-wise)	:	As on March 31, 2017 the Company is a NBFC-MFI. The NIC Code is 64990. However the micro finance lending business has been transferred to its wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' (USFB) (please refer note 1 below)
(ix)	List three key products/services that the Company manufactures/provides (as in balance sheet)	:	The Company is a NBFC-MFI and the Company has applied for its registration as a Core Investment Company for which RBI approval is awaited
(x)	Total number of locations where business activity is undertaken by the Company (a) Number of International Locations (b) Number of National Locations	: : :	The Company as on March 31, 2017 carries its business from its registered office and has no branches. Nil 1 (Registered Office); however its subsidiary USFB has 457 branches all across the country out of which 15 are small finance bank branches.
(xi)	Markets served by the Company – Local/State/ National/International	:	Ujjivan together with its subsidiary 'Ujjivan Small Finance Bank Limited' serves the national market only

Note 1

The Company as on March 31, 2017 is registered with RBI as a NBFC-MFI; however the application for its registration as a NBFC-Core Investment Company (CIC) is in process and the final approval and registration from the RBI is awaited. Once the CIC registration is received, the NIC Code of the Company will change.

SECTION B – Financial Details of the Company:

Sr.	Particulars		Company Information
(i)	Paid-up Capital as on March 31, 2017	:	119,377,072 equity shares of Rs. 10 each aggregating to Rs. 1,193,770,720
(ii)	Total Turnover:		(in Rs.)
	(a) Standalone	:	11,875,293,619
	(b) Consolidated	:	14,061,603,982
(iii)	Total Profit After Tax:		
	(a) Standalone	:	2,076,360,395
	(b) Consolidated	:	2,076,711,165
(iv)	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	:	1.29% Refer note 2
(vi)	List of activities in which expenditure in (iv) above has been incurred	:	Please refer Annexure 4 of the Board's Report

Note 2:

The Company has been spending on the CSR programs even before it was made mandatory under the Companies Act, 2013. Due to lack of quality projects available, there was a shortfall of Rs. 45.24 Lakh which the Company could not spend in the FY 2016-17.

The Board had a consensus that the unspent portion of Rs. 45.24 Lakh be carried forward and be spent in the FY 2017-18 in addition to the CSR requirements for the FY 2017-18.

SECTION C – Other Details of the Company:

Sr.	Particulars		Company Information
(i)	Does the Company have any Subsidiary Company/ Companies?	:	Yes, the Company has a wholly owned subsidiary 'Ujjivan Small Finance Bank Limited'
(ii)	Do the Subsidiary Company participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	:	During the FY 2016-17, the Company carried out the BR initiatives. However, going forward, the Company is expected to get participation to the extent legally permissible by its subsidiary
(iii)	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	:	No

SECTION D – BUSINESS RESPONSIBILITY INFORMATION:

(1) Details of Director/Directors responsible for BR

Sr.	Particulars		Company Information
(a)	Details of the Director/Director responsible for implementation of the BR policy/policies 1. DIN Number 2. Name 3. Designation	: : :	06480567 Ms. Sudha Suresh Managing Director & Chief Executive Officer
(b)	Details of the BR Head 1. DIN Number 2. Name 3. Designation 4. Telephone Number 5. email id	: : : : :	Not Applicable Sanjeev Barnwal Company Secretary and Compliance Officer 080-40712121 sanjeev.barnwal@ujjivan.com

(2) Principle-wise (as per National Voluntary Guidelines (NVGs)) Business Responsibility Policy / policies

Principles to Assess Compliance with Environmental, Social and Governance Norms

Sr.	Principle		Company Information
1)	Principle 1	:	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
2)	Principle 2	:	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
3)	Principle 3	:	Businesses should promote the wellbeing of all employees
4)	Principle 4	:	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
5)	Principle 5		Businesses should respect and promote human rights
6)	Principle 6	:	Business should respect, protect, and make efforts to restore the environment
7)	Principle 7		Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
8)	Principle 8	:	Businesses should support inclusive growth and equitable development
9)	Principle 9	:	Businesses should engage with and provide value to their customers and consumers in a responsible manner

(a) Details of Compliance (Reply in Y / N)

Sr.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1)	Do you have a policy/ policies for	Y	Y	Y	Y	Y	Y	N	Y	Y
2)	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	N	Y	Y
3)	Does the policy conform to any national / international standards? If yes, specify?	Y	-	Y	Y	Y	Y	N	Y	Y
4)	Has the policy being approved by the Board? Is yes, has it been signed by MD/ owner/ CEO/ appropriate Board Director?	Y	Y	Y	Y	Y	Y	N	Y	Y
5)	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	NA	Y	Y
6)	Indicate the link for the policy to be viewed online?	http://www.ujjivan.com/html/ujjivan_policies.php http://www.ujjivan.com/html/corporate_governance.php								
7)	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
8)	Does the company have in-house structure to implement the policy/ policies	Y	Y	Y	Y	Y	Y	NA	Y	Y
9)	Does the Company have a grievance redressal mechanism related to the policy/ policies to address stakeholders' grievances related to the policy/ policies?	Y	N	Y	Y	Y	Y	NA	N	Y
10)	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	N	N	N	N	N	N	NA	N	N

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why: (Tick up to 2 options)

Sr.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1)	The company has not understood the Principles	-	-	-	-	-	-	-	-	-
2)	The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles							Y		
3)	The company does not have financial or manpower resources available for the task	-	-	-	-	-	-	-	-	-
4)	It is planned to be done within next 6 months	-	-	-	-	-	-	-	-	-
5)	It is planned to be done within the next 1 year	-	-	-	-	-	-	-	-	-
	Any other reason (please specify)	-								

(3) Governance related to BR

- (a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

Annually

- (b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes, the BRR is provided on the website of the Company www.ujjivan.com.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No. Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The Company's Code of conduct is applicable in all dealings/ transactions of the Company's staff inter se or with customers, regulators, investors or other Governmental agencies.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

Stakeholders Complaints			
Complaints	No. of Complaints Received	No. of Complaints Resolved	% of Complaints Resolved
Shareholder Complaints	406*	406	100%

* the Company got its shares listed in NSE and BSE on May 10, 2016. The majority of the Complaints pertained to the non-allotment of shares in the IPO, non-receipt of refund orders and non-receipt of annual reports.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

The Company as on the date is a RBI registered NBFC-MFI; however the Company has transferred its business undertaking to its wholly owned subsidiary 'Ujjivan Small Finance Bank Limited'. The Company has applied for its registration as a NBFC-Core Investment Company ("CIC") for which approval from RBI is awaited.

Hence, the Company doesn't have any business other than making investment in its group companies and in any other permissible investments. However, the Company has adhered to ensure that all its investee companies has adhered and incorporated all social or environmental concerns.

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

The Company's business operation is such that the above question is not applicable.

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

The Company, being an Investment Company, is relatively less resource intensive in terms of material inputs. Our major material requirements are office, communications and IT related equipment for which necessary sourcing is being undertaken by the management.

4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Not applicable to the Company considering its business operations.

Principle 3: Businesses should promote the wellbeing of all employees

Sr.	Questions	Status
1.	Please indicate the Total number of employees.	4
2.	Please indicate the Total number of employees hired on temporary/contractual/casual basis.	Nil
3.	Please indicate the Number of permanent women employees.	Nil
4.	Please indicate the Number of permanent employees with disabilities	Nil
5.	Do you have an employee association that is recognized by management?	No
6.	What percentage of your permanent employees is members of this recognized employee association?	N.A.
7.	Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.	Nil
8.	What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year? (a) Permanent Employees (b) Permanent Women Employees (c) Casual/Temporary/Contractual Employees (d) Employees with Disabilities	0% N.A. N.A. N.A.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

- Has the company mapped its internal and external stakeholders?

Yes

- Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes

- Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.

The group has carried out various health camps, blood donation camps for its employees and customers and their families. Also, the Company supports the financial literacy programs to educate the society at large.

Ujjivan was ranked #1 amongst the best companies to work in the microfinance industry in 2015 by the Great Place to Work Institute in collaboration with The Economic Times.

Principle 5: Businesses should respect and promote human rights

- Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

The Company is firmly committed to fairness and objectivity in all its action and interactions with all its stakeholders including customers, employees and vendors. Justice and fairness is imbibed in the Company's fabric to ensure procedural fairness, impartiality and consistency in its operations. The Company believes in providing facilities to customers in a fair and transparent manner.

The Forbes India Leadership Awards (FILA) recognize and honour outstanding business leaders from a wide spectrum of Indian entrepreneurs. Mr. Samit Ghosh (MD & CEO of the Company till January 31, 2017) won the Entrepreneur with Social Impact award. This award was for "setting up an institution that provides financial access to approximately 26 lakh of India's Urban and Semi-urban working poor, a majority of them women", and for providing "financial services to the hitherto unbanked population in rural areas."

- How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

Please refer to the response under principle 1.

Principle 6: Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.

Ujjivan has continuously conducted self-sustained CSR programs along with staff, customers and the communities. Ujjivan CSR Programs has mainly focused on the Government of India dream project "Swachh Bharat Abhiyan" by carrying out the following activities during the year:

- Supporting educational institutions and Improved sanitation facilities in Girls school in the working areas which immediately benefited thousands of Girls Students.
- Providing safe drinking water facilities and renovation of basic facilities at Government Schools and Primary Health care centers
- Providing public facilities like police barricades, road, bridge, safe grills/ protection wall for old wells, staircase, street solar lights etc.
- Providing basic amenities and infrastructure for orphanages, old-age homes and people with disability

2. Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

Not applicable

3. Does the company identify and assess potential environmental risks? Y/N

Not applicable

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Not applicable

5. Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.

Not applicable

6. Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Not applicable

7. Number of show cause/ legal notices received from CPCB/SPCB which is pending (i.e. not resolved to satisfaction) as on end of the Financial Year.

None

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with

The Company is a member of Microfinance Institutions Network (MFIN) and Association of Karnataka Microfinance Institutions

The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles and hence does not have a separate policy for this principle.

Principle 8: Businesses should support inclusive growth and equitable development

1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.

The Company alongwith its subsidiary supports inclusive growth and equitable development of all the relevant stakeholders through various trainings and development programs for its employees.

Ujjivan was awarded the "Skoch Order-of-Merit" for qualifying as one of India's best in 2015 for capacity building and financial literacy.

2. Are the programmes/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?

The programmes / projects undertaken by the Company are both in-house and through external NGOs and other organizations.

3. Have you done any impact assessment of your initiative?

Yes,

4. What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken

Ujjivan has continuously conducted self-sustained Corporate Social responsibility (CSR) programs along with staff, customers and the communities. Ujjivan CSR Programs has mainly focused on the Government of India dream project "Swachh Bharat Abhiyan" by carrying out the following activities during the year:

- Supporting educational institutions and Improved sanitation facilities in Girls school in the working areas which immediately benefited thousands of Girls Students.
- Providing safe drinking water facilities and renovation of basic facilities at Government Schools and Primary Health care centers
- Providing public facilities like police barricades, road, bridge, safe grills/ protection wall for old wells, staircase, street solar lights etc.
- Providing basic amenities and infrastructure for orphanages, old-age homes and people with disability

Please refer Annexure 4 of the Board's Report for further details.

5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.

We have always ensured through the community development initiative taken by the Company is successfully adopted towards achieving the desired results for the betterment of the society at large.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner.

1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.

No complaints are pending as on the end of the financial year

2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/ No/N.A. /Remarks(additional information)

Not applicable

3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/ or anti-competitive behavior during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.

There is no case pending against the Company as on the end of the financial year.

4. Did your company carry out any consumer survey/ consumer satisfaction trends?

Ujjivan at periodic intervals has evaluated the customer and employee satisfactions.

Ujjivan has consistently been recognized for its excellence in providing customer centric services, a fulfilling career to its employees, social performance, transparency and innovations. Ujjivan received the prestigious "Microfinance Organization for the Year" award in 2011 and since 2009 it has always been recognized as one of the 'Best Place to Work' in India and has been ranked 3rd in the year 2016. It has also been ranked among the 'Top 100 Innovative Companies'. In 2010, Ujjivan was awarded the 'Gold Social Performance Reporting' as well as 'MFI Transparency' awards.

NOTICE TO THE 13TH ANNUAL GENERAL MEETING

Notice is hereby given that the **13th Annual General Meeting (AGM)** of the members of **Ujjivan Financial Services Limited** ('the Company') will be held on **Friday, August 04, 2017** at **03:30 PM** at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India to transact the following business:

Ordinary Business:

Item No. 1 - Adoption of Financial Statements

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

"RESOLVED THAT the Standalone and the Consolidated Audited Balance Sheet, Profit and Loss Account and the Cash Flow Statement for the Financial Year ended March 31, 2017 together with the Director's Report and Independent Auditor's Report thereon as circulated to the members and laid before the meeting be and are hereby received, considered, approved and adopted."

Item No. 2 - Declaration of Dividend

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

"RESOLVED THAT the dividend of 8% i.e. Rs. 0.80 per equity share as recommended by the Board of Directors of the Company at their meeting held on April 27, 2017, be and is hereby approved and declared for the year ended March 31, 2017."

Item No. 3 - Appointment of M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/N500016) as the Statutory Auditors of the Company for a period of 5 (five) years starting with FY 2017-18, and the fixing of their remuneration

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

"RESOLVED THAT pursuant to the provisions of Section 139, 141, 142, and other applicable provisions, if any, of the Companies Act, 2013, and the Companies (Audit and Auditors) Rules, 2014, including any modification, variation or re-enactment thereof, M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/N500016) be and is hereby appointed as the Statutory Auditors of the Company for a period of 5 (five) years commencing from the conclusion of this 13th AGM till the conclusion of 18th AGM of the Company and that the Audit Committee and the Board of Directors of the Company be and are hereby authorised to fix their remuneration and other terms and conditions from time to time."

Item No. 4 – To appoint a director in place of Mr. Amit Gupta (DIN: 02282600), who retires by rotation and being eligible, offers himself for re-appointment

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

"RESOLVED THAT Mr. Amit Gupta (DIN: 02282600), who retire by rotation and being eligible offers himself for re-appointment, be and is hereby re-appointed as a Director of the Company liable to retire by rotation."

Special Business:

Item No. 5 - To approve the appointment of Ms. Sudha Suresh (DIN: 06480567) as the Managing Director and Chief Executive Officer of the Company for a period of 3 years w.e.f. February 01, 2017

To consider and if deemed fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Sections 196, 197, 198 read with Schedule V and other applicable provisions, if any, of the Companies Act, 2013 ("the Act") and Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force), the relevant provisions of the Articles of Association of the Company and all applicable guidelines issued by the Central Government from time to time and subject to such other approvals, as may be necessary, consent of the Members be and is hereby accorded to the appointment of Ms. Sudha Suresh (DIN: 06480567) as the Managing Director and Chief Executive Officer of the Company for a period of 3 years w.e.f. February 01, 2017 and upon the following terms and conditions including remuneration with further liberty to the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee constituted / to be constituted by the Board) from time to time to alter the said terms and conditions of appointment and remuneration of Ms. Sudha Suresh in the best interests and in accordance with the policy of the Company and as may be permissible at law:

A. Period:

The period of appointment is 3 (three years) w.e.f. February 01, 2017 i.e. till January 31, 2020 with the liberty to either party to terminate the appointment on three months' notice in writing to the other.

B. Details of Fixed Remuneration, benefits and other terms & conditions

Sr. No.	Remuneration per annum	(Amount in Rs.)
(1)	Basic	3,750,000
(2)	Dearness Allowance	-
(3)	House Rent Allowance	1,500,000
(4)	Vehicle Maintenance	39,600
(5)	Entertainment Allowance	-
(6)	Other Allowances, if any	-
(a)	Variable Allowance	1,790,400
(b)	Education Allowance	2,400
(c)	Leave Travel Allowance	375,000
(d)	Food Coupon	15,600
(e)	Telephone Allowance	12,000
(f)	Medical Allowance	15,000
	Gross Salary	75,00,000
	Perquisites	-

Other benefits:

1. Gratuity as per the Payment of Gratuity Act, 1972
2. Personal Accident Insurance as per the policy of the Company
3. Term Life Insurance, medical and health related benefits and Insurance as per the policy of the Company
4. Leave and encashment of leave as per the policy of the Company

Other terms and conditions

1. For the purposes of Gratuity, Provident Fund, Superannuation and other like benefits, if any, the service of Ms. Sudha Suresh, Managing Director and Chief Executive Officer will be considered as continuous service with the Company from the date of her joining the Company.

2. Annual remuneration review is effective April 01 each year, as per the policy of the Company; The Nomination and Remuneration Committee of the Board will review and recommend the remuneration payable to the Managing Director during the tenure of her appointment.

3. The aggregate of the fixed remuneration and perquisites as aforesaid in any financial year shall not exceed Rs. 12,500,000 per annum and shall be within the limit as prescribed under Section 197, Section 198 and other applicable provisions of the Act and Rules made thereunder, read with Schedule V of the said Act or any statutory modification(s) or re-enactment thereof for the time being in force.

4. When in any financial year, the Company has no profits or its profits are inadequate, the remuneration including the perquisites as aforesaid will be paid to Ms. Sudha Suresh in accordance with the applicable provisions of Schedule V of the Act, and subject to the approval of the Central Government, if required.

5. Ms. Sudha Suresh shall not be subject to retirement by rotation during her tenure as the Managing Director and Chief Executive Officer of the Company.

6. Ms. Sudha Suresh shall not be paid any fees for attending the meetings of the Board or any Committee(s) thereof of the Company.

C. Variable Payment & Incentive:

Ms. Sudha Suresh will be eligible for the performance related bonus as per the HR policy of the Company subject to a maximum ceiling of Rs. 1,000,000 per annum. She will also be eligible for the grant of Employee Stock Options as may be decided by the Board.

Any other allowances, benefits and perquisites as per the Rules applicable to the Senior Executives of the Company and / or which may become applicable in the future and / or any other allowance, perquisites as the Board may from time to time decide.

"RESOLVED FURTHTER THAT the Board be and is hereby authorised to revise the remuneration payable to Ms. Sudha Suresh during her tenure as MD & CEO of the Company from time to time, subject however to the maximum fixed remuneration of Rs. 12,500,000 per annum and maximum variable payment of Rs. 1,000,000 per annum subject to the overall compliance of the ceiling as prescribed under Section 197 of the Companies Act, 2013.

"RESOLVED FURTHER THAT in the event of absence or inadequacy of net profits of the Company in any financial year, the payment of remuneration to Ms. Sudha Suresh shall be governed by Section II of Part II of Schedule V of the Act and rules made thereunder, as amended from time to time.

"RESOLVED FURTHER THAT the remuneration as approved by the Board and paid to Ms. Sudha Suresh from the date of her appointment i.e. from February 01, 2017 till date on the above terms & conditions be and is hereby ratified."

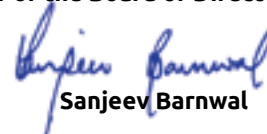
Item No. 6 - To approve the revision in the limit of foreign shareholding in the Company from 49% to 47% and submission thereof to RBI

To consider and if deemed fit, to pass with or without modification(s), the following resolution as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Foreign Exchange Management Act, 1999 and the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and all other applicable Rules, Regulations, Guidelines and laws (including any statutory modifications or re-enactment thereof for the time being in force) and subject to all applicable approvals, permissions, sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, the consent of the shareholders be and are hereby accorded to revise the maximum foreign shareholding limit of the Company from 49% to 47% of its total share capital with the aggregate foreign investment ceiling for NRI investment under Portfolio Investment Scheme to remain at 10% and the total foreign investment from all sources i.e. FII / RFPI / NRI / ADR / GDR / FDI / PIO in the Company would be restricted to the aforesaid ceiling of 47%."

"RESOLVED FURTHER THAT Ms. Sudha Suresh, Managing Director and Mr. Sanjeev Barnwal, Company Secretary and Compliance Officer be and are hereby severally authorized to take all necessary actions in this regard and to correspond and make submission thereof with the RBI for monitoring the foreign investment in the Company and to make the necessary filings and submissions, if any, to the relevant authorities so as to give effect to this resolution."

By Order of the Board of Directors



Sanjeev Barnwal

Place: Bangalore

Date: April 27, 2017

Company Secretary
and Compliance Officer
Membership No.: A19180

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (AGM or the Meeting) is entitled to appoint a proxy to attend and vote on a poll, instead of himself/ herself and the proxy need not be a Member of the Company. A person can act as proxy on behalf of Members upto and not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. Further, a Member holding more than ten percent of the total share capital of the Company carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not later than forty-eight hours before the commencement of the Meeting.

2. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013 relating to the Special Business to be transacted at the Meeting is annexed hereto.

3. Members/Proxies should fill the Attendance Slip for attending the Meeting and bring their Attendance Slips along with their copy of the Annual Report to the Meeting.

4. In case of Joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

5. Members who hold shares in dematerialized form are requested to write their DP ID and Client ID number(s) and those who hold share(s) in physical form are requested to write their Folio Number(s) in the attendance slip for attending the Meeting to facilitate identification of membership at the Meeting.

6. Corporate Members are requested to send a duly certified copy of the board resolution authorizing their representative(s) to attend and vote on their behalf at the Meeting.

7. The register of members and share transfer books of the Company would remain closed from **Saturday, July 29, 2017 to Friday, August 04, 2017** (both days inclusive).

8. Dividend on equity shares as recommended by the Board of Directors for the year ended March 31, 2017, if approved at the Meeting, will be payable to those Members who hold shares:

(a) In dematerialized mode, based on the beneficial ownership details to be received from National Securities Depository Limited and Central Depository Services (India) Limited as at the close of business hours on **Friday, July 28, 2017**.

(b) In physical mode, if their names appear in the Company's Register of Members after giving effect to all valid transfers in physical form lodged with the Company and / or its Registrar and Transfer Agents on or before **Friday, July 28, 2017**.

9. Members wishing to claim unclaimed dividends are requested to correspond with the Company Secretary of the Company, at the Company's registered office. Members are requested to note that dividends which not claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per the provisions of Section 205A of the Companies Act, 1956 (Section 124 of the Companies Act, 2013), be transferred to the Investor Education and Protection Fund.

10. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of section 72 of the Companies Act, 2013. Members desiring to avail of this facility may send their nomination in the prescribed Form No. SH-13 duly filled, to Karvy Computershare Private Limited ("**Karvy**"), Registrar and Transfer Agent (**R&T**) of the Company. Members holding shares in electronic form may contact their respective Depository Participants for availing this facility.

11. Brief profile and other required information about the Directors proposed to be appointed or re-appointed, as required under Regulation 36 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 is attached to this Notice.

12. Relevant documents referred to in the accompanying Notice are open for inspection by the Members at the Registered Office of the Company on all working days between **10.00 A.M.** and **12.00 noon** up to the date of the Meeting. This notice and the Annual Report will also be available on the Company's website <https://www.ujjivan.com/annualreports.html> for download.

13. The Members, desiring any information relating to the accounts, are requested to write to the Company at an early date, so as to enable the management to keep the information ready.

14. Pursuant to sections 101 and 136 of the Companies Act, 2013 read with the Rules framed thereunder, the Annual Report for FY 2016-17 and this Notice, *inter alia* indicating the process and manner of Remote e-voting along with attendance slip and proxy form are being sent by e-mail to those Members

whose e-mail addresses have been made available to the Company / Depository Participants unless the Member has requested for a hard copy of the same. For Members who have not registered their e-mail addresses, physical copies of the Annual Report for FY 2016-17 and this Notice *inter alia* indicating the process and manner of Remote e-voting along with attendance slip and proxy form, will be sent to them in the permitted mode.

In support of the Green Initiative, the Company hereby request Members who have not updated their email IDs to update the same with their respective Depository Participant(s) or the Karvy for receiving communications from the Company electronically. Further, Members holding shares in electronic mode are requested to direct change of address notifications and updates of savings bank account details to their respective Depository Participant(s). Members holding shares in physical mode are also requested to update their email addresses by writing to the R & T of the Company quoting their folio number(s).

15. The Company will use electronic mode of payment for making cash payment to the investors. In the cases of shareholder/s, where it is not possible to effect electronic payment, the dividend warrant instruments would be issued to them. Shareholders who are holding shares in Electronic Form are requested to contact their respective Depository Participants (DP) only for updating their bank details. They are also advised to seek 'Client Master Advice' from their respective DP to ensure that correct updation has been carried out in their record. It may be noted that the bank details data provided by the Depositories is solely used by the Company to effect the payment of dividend. Hence, it is utmost necessary for shareholders to ensure that the correct bank details are updated with DPs.

16. For registration of transfer of physical securities, the transferee(s) as well as transferor(s) shall furnish copy of PAN card to the Company for registration of such transfer of securities.

17. In terms of Sections 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing the e-voting facility to its Members holding shares in physical or dematerialized form, as on the cut-off date, being **Friday, July 28, 2017**, to exercise their right to vote through electronic means from a place other than the venue of the Meeting on any or all of the businesses specified in the accompanying Notice (the "Remote e-voting"). The Remote e-voting commences on **Monday, July 31, 2017 (10:00 A.M.)** and ends on **Thursday, August 03, 2017 (5:00 P.M.)**. Detail of the process and manner of Remote e-voting along with the User ID and Password is being sent to all the Members along with this Notice.

18. In terms of the Companies (Management and Administration) Rules, 2014 with respect to the Voting through electronic means, the facility for voting through electronic voting system ('Insta Poll') shall be made available at the AGM. The Members attending the meeting should note that those who are entitled to vote but have not exercised their right to vote through Remote e-voting, may vote at the AGM through 'Insta Poll' for all businesses specified in the accompanying Notice. The Members who have exercised their right to vote through Remote e-voting may attend the AGM but shall not vote at the AGM. The voting rights of the Members shall be in proportion to their shares of the paid-up equity share capital of the Company as on the cut-off date being **Friday, July 28, 2017**.

19. The Company has engaged the services of Karvy Computershare Private Limited as the Agency to provide Remote e-voting facility.

20. The Board of Directors has appointed Mr. S. Kannan, Consultant Company Secretary (FCS 6261, holding CP No. 13016), as a Scrutinizer to scrutinize the voting through Remote e-voting and voting process at AGM in a fair and transparent manner.

21. The Results on above resolutions shall be declared not later than 48 hours from the conclusion of the AGM of the Company and the resolutions will be deemed to be passed on the AGM date subject to receipt of the requisite number of votes in favor of the resolutions.

22. The Results of voting declared along with Scrutinizer's Report(s) will be published on the website of the Company (www.ujjivan.com) and on Service Provider's website (<https://evoting.karvy.com>) within 48 hours from the conclusion of the AGM and the same shall also be simultaneously communicated to the BSE Limited and the National Stock Exchange of India Limited.

23. The route map of the venue of the Meeting is given in the Notice.

24. Detail of the process and manner of Remote e-voting along with the User ID and Password is being sent to all the Members along with this Notice. In case of any queries / grievances relating to voting by electronic means, the Members / Beneficial owners or in case any person, acquires shares of the Company and become member of the Company after dispatch of the notice and holding shares as of the cut-off date i.e. July 28, 2017 may obtain the login ID and password by sending a request to Mr. Mohd Mohsin Uddin, Senior Manager, Karvy Computershare Pvt. Ltd., Karvy Selenium, Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500 032, mohsin.mohd@karvy.com, Phone: +91 040 6716 1562 toll-free number 1-800-34-54-001.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

In respect of Resolutions set out at Item No. 3

M/s Deloitte Haskins & Sells, (Firm Reg. No. 008072S), Chartered Accountants, who were appointed as Statutory Auditors of the Company for two years till the conclusion of the ensuing the 13th Annual General Meeting will complete their tenure of 13 years (maximum continuous tenure for a statutory auditor permissible under the Companies Act, 2013 including the extension of 3 years subsequent to the commencement of provisions of Section 139 of the Act) with the Company on the conclusion of the 13th AGM.

The Board based on the recommendation of the Audit Committee in its meeting held on April 27, 2017, subject to the approval of the shareholders has appointed M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/ N500016) as the Statutory Auditors of the Company for a period of 5 (five) years commencing from the conclusion of the ensuing 13th AGM till the conclusion of 18th AGM of the Company.

Accordingly, the Board recommends the resolution set forth in item no. 3, for the approval by the members of the Company. None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested in the said resolutions.

In respect of Resolutions set out at Item No. 5

Based on the recommendation of the Nomination and Remuneration Committee, Ms. Sudha Suresh was appointed as the Managing Director and Chief Executive Officer on the Board of the Company with effect from February 01, 2017 subject to the approval of the Members.

Ms. Sudha Suresh is a Chartered Accountant with a rich corporate career spanning over two decades. She received the 'CFO 100 - Recognition of Excellence' award in 2013. She is also a qualified Cost Accountant and a Company Secretary. During

her association with Ujjivan, she has been responsible for areas of strategic business planning and budgetary controls, equity capital and debt syndication, treasury management, accounts and taxation as well as management of Board and regulatory compliances. Recently, she successfully spearheaded the Company's IPO to list the Company's shares on BSE and NSE and ably supported the transition of the Company into a small finance bank through its subsidiary 'Ujjivan Small Finance Bank Limited'.

The remuneration and other terms and conditions of Ms. Sudha Suresh appointment as Managing Director and Chief Executive Officer as set out in the resolution is subject to your approval.

In terms of the provisions of the ESOP Scheme 2015, 13,710 options have been granted to Ms. Sudha Suresh during the FY 2016-17.

Ms. Sudha Suresh is a member of the Company's Stakeholders Relationship Committee, Risk Management Committee, ALCO Committee, Investment Committee and Corporate Social Responsibility Committee.

Other details required to be disclosed in terms of regulation 36 of SEBI Listing Regulations and the provisions of Secretarial Standard on General Meetings form part of this Notice.

Accordingly, the Board recommends the resolution set forth in item no. 5, for the approval by the members of the Company.

None of the Directors, Key Managerial Personnel and their relatives other than Ms. Sudha Suresh and her relatives are, in any way, concerned or interested in the said resolutions.

In respect of Resolutions set out at Item No. 6

The extant provisions of the Ownership and control regulations as applicable to private sector banks, as covered in the Master Directions on Issue and Pricing of shares by Private Sector Banks DBR.PSBD.No.95/16.13.100/2015-16 dated April 21, 2016 and Master Directions on Ownership in Private Sector Banks DBR.PSBD.No.97/16.13.100/2015-16 dated May 12, 2016, shall be applicable to Small Finance Banks (SFB) as well except what is provided in the existing regulation contained in the Licensing Guidelines.

In compliance with the conditions of the grant of RBI licence vide its letter dated November 11, 2016, our Company being the promoter of 'Ujjivan Small Finance Bank Limited' ("USFB") (which has commenced the small finance bank business from February 01, 2017) has to be owned and controlled by residents at all times and that the non-resident shareholding in our Company should be not more than 49% at all times.

Pursuant to our request letter dated February 09, 2017 submitted to the Foreign Exchange Department, RBI (FED), the FED has vide its press release dated April 24, 2017 reduced the maximum foreign shareholding ceiling in our Company from 49% to 47%. The Company has sought this reduction so that there is no inadvertent breach of the foreign shareholding ceiling of 49% as regulatorily prescribed through any passive exchange of shares over which the Company does not have any immediate control.

RBI has advised the Company to submit the special resolution passed by the members of the Company for the reduction in the aforesaid foreign shareholding ceiling from 49% to 47%. Accordingly, the Board recommends the resolution set forth in item no. 6, for the approval by the members of the Company.

None of the Directors, Key Managerial Personnel and their relatives are, in any way, concerned or interested in the said resolutions except to the extent of their shareholding.

Ujjivan Financial Services Limited

Registered Office: Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block,
Koramangala, Bangalore 560095, Karnataka, India

ATTENDANCE SLIP

CIN	:	L65999KA2004PLC035329
Name of the Company	:	Ujjivan Financial Services Limited
Registered Office	:	Grape Garden, No. 27, 3 rd 'A' Cross, 18 th Main, 6 th Block, Koramangala, Bangalore 560095, Karnataka, India

Members attending the Meeting in person or by Proxy are requested to complete the Attendance slip and hand it over at the entrance of the meeting room.

Joint shareholders may submit additional slip at the venue of the meeting.

Registered Folio No.	
DP ID No.*	
Client ID No.*	

Name and address of the shareholder:

.....
.....

Signature:

No. of shares(s) held:

I hereby record my presence at the 13th Annual General Meeting of the Company (AGM) to be held on **Friday, August 04, 2017** at 03:30 P.M. at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India

Name and address of the Proxy:.....

Signature:

UJJIVAN FINANCIAL SERVICES LIMITED

Registered Office: Grape Garden, No. 27, 3rd 'A' Cross, 18th Main, 6th Block, Koramangala, Bangalore 560095, Karnataka, India,
Website: www.ujjivan.com, Email: compliance@ujjivan.com, CIN: L65999KA2004PLC035329

Form No. MGT - 11

Proxy Form

(Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies
(Management and Administration) Rules, 2014)

Venue of the Meeting: at Ujjivan Financial Services Limited, Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India

Day, Date and Time: **Friday, August 04, 2017 at 03:30 P.M.**

Name of the Member(s):
Registered Address:
E-mail Id:
Folio No. / Client Id*:
DP ID*:
No. of Shares held:

** Applicable for investors holding shares in dematerialized form*

I / We, being the member(s) of shares of the above named company, hereby appoint

- i) Name: Address:
..... E-mail Id:
Signature: Or failing him
- ii) Name: Address:
..... E-mail Id:
Signature: Or failing him
- iii) Name: Address:
..... E-mail Id:
Signature:

as my/our proxy to attend and vote for me/us and on my/our behalf at the 13th Annual General Meeting of the company, to be held on **Friday, August 04, 2017 at 03:30 P.M.** at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India and at any adjournment thereof in respect of such resolutions as are indicated below:

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

Sr. No.	Resolution	For	Against	Abstain
Ordinary Business				
1.	Adoption of Financial Statements			
2.	Declaration of Dividend			
3.	Appointment of Statutory Auditors			
4.	Re-Appointment of Mr. Amit Gupta as a Director liable to retire by rotation and being eligible, offers himself for re-appointment			
Special Business				
5.	To approve the appointment of Ms. Sudha Suresh (DIN: 06480567) as the Managing Director and Chief Executive of the Company for a period of 3 years w.e.f. February 01, 2017			
6.	To approve the revision in the limit of foreign shareholding in the Company from 49% to 47%			

Signed thisday of2017

Signature of Shareholder

Signature of Proxy holder(s)

Affix revenue
stamp of not
less than
₹1

Note:

- *This form of proxy in order to be effective should be duly completed and deposited at the Registered office of the Company at Grape Garden, No. 27, 3rd A Cross, 18th Main, Koramangala 6th Block, Bengaluru 560 095 not less than 48 hours before the commencement of the Meeting.*
- *It is optional to indicate your preference. If you leave the 'for', 'against' or 'abstain' column blank against any or all of the resolutions, your proxy will be entitled to vote in the manner as he / she may deem appropriate.*
- *A Proxy can act on behalf of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying Voting Rights. However, a Member holding more than ten percent of the total share capital of the company carrying Voting Rights may appoint a single person as Proxy for his entire shareholding and such person shall not act as a Proxy for another person or shareholder.*

The instructions for e-voting are as under

Pursuant to Section 108 of the Companies Act, 2013, Rule 20 of the Companies (Management and Administration) Rules, 2014 as amended, and Regulation 44 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company is providing the e-voting facility to its Members holding shares in physical or dematerialized form, as on the cut-off date, being **Friday, July 28, 2017**, to cast their vote through electronic means on all resolutions set forth in the Notice.

The process and manner for remote e-voting are as under:

A. For members who receive notice of annual general meeting through e-mail:

Member whose email IDs are registered with the Company/Depository Participants(s) will receive an email from Karvy informing them of their User-ID and Password. Once the Members receive the email, he or she will need to go through the following steps to complete the e-voting process:

- i) Open your web browser during the voting period and navigate to <https://evoting.karvy.com>.
- ii) Enter the login credentials (i.e., user-id & password)

User – ID for Members holding shares in demat form:

- a) For NSDL: 8-character DP ID followed by 8-digit Client ID
- b) For CDSL: 16-digit beneficiary ID

User-ID for Members holding shares in physical form:

Event number, followed by Folio Number registered with the Company

Password: Your unique password is printed on the form / forwarded via email through the electronic notice

Captcha: Enter the verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- iii) The e-voting period shall commence on **Monday, July 31, 2017 (10:00 A.M.)** and ends on **Thursday, August 03, 2016 (5:00 P.M.)**. Members, holding shares either in dematerialised form or physical form as on cut-off date, **Friday, July 28, 2017**, may cast their vote electronically during this period. The remote e-voting module shall be disabled at 5.00 p.m. on Thursday, August 03, 2017. Once the vote on a resolution is cast by a Member, he/she shall not be allowed to change it subsequently or cast the vote again.
- iv) After entering these details appropriately, click on 'LOGIN'.
- v) Members holding shares in demat / physical form will now reach password change menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character. Kindly note that this password can be used by the demat holders for voting for resolution of any other company on which they are eligible to vote, provided that company opts for e-voting through Karvy Computershare Pvt. Ltd. e-voting platform. System will prompt you to change your password and update any contact details like mobile number, email ID etc., on first login. You may also enter the secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vi) You need to login again with the new credentials.
- vii) On successful login, the system will prompt to select the 'Event' i.e., 'Company Name'.
- viii) If you are holding shares in demat form and had logged on to <https://evoting.karvy.com> and cast your vote earlier for any company, then your existing login id and password are to be used.
- ix) On the voting page, you will see Resolution description and against the same the option 'FOR / AGAINST / ABSTAIN' for voting. Enter the number of shares (which represents number of votes) under 'FOR / AGAINST / ABSTAIN' or alternatively, you may partially enter any number in 'FOR' and partially in 'AGAINST', but the total number in 'FOR / AGAINST' taken together should not exceed your total shareholding. If you do not want to cast your vote, select 'ABSTAIN'.
- x) After selecting the resolution you have decided to vote on, click on 'SUBMIT'. A confirmation box will be displayed. If you wish to confirm your vote, click on 'OK', else to change your vote, click on 'CANCEL' and accordingly, modify your vote.
- xi) Once you 'CONFIRM' your vote on the resolution, you will not be allowed to modify your vote.
- xii) Corporate / Institutional Members (Corporate / Fls / Flls / Trusts / Mutual Funds / Banks, etc.) are required to send scan (PDF format) of the relevant board resolution to the Scrutiniser through e-mail to cs.skannan@gmail.com with copy to evoting@karvy.com. The file scanned image of the board resolution should be in the naming format 'Corporate Name_ Event number'.

- xiii) If you are already registered with Karvy Computershare Pvt. Ltd. for e-voting, then you can use your existing user ID and password for casting your vote. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).
- xiv) Please contact Mr. Mohd Mohsin Uddin, Senior Manager, Karvy Computershare Pvt. Ltd., Karvy Selenium, Tower B, Plot number 31 & 32, Financial District, Gachibowli, Hyderabad 500032, mohsin.mohd@karvy.com, Phone: +91 040 6716 1562, toll-free number 1-800-34-54-001 for any further clarifications.

B. For members who receive the notice of annual general meeting in physical form:

In case a Member receives physical copy of the Notice of AGM [for members whose email IDs are not registered with the Company/Depository Participants(s) or requesting physical copy] :

- (i) The Initial password is provided as below/at the bottom of the Attendance Slip for the AGM :

REVEN (Remote e-voting Event Number) USER ID _____ PASSWORD/PIN _____

- (ii) Please follow all steps from Sl. No. A (i) to Sl. No. A(xi) above, to cast vote

C. Voting facility at Annual General Meeting:

- (i) In addition to the remote e-voting facility as described above, the Company shall make a voting facility available at the venue of the annual general meeting, through electronic voting system and members attending the meeting, who have not already cast their votes by remote e-voting, shall be able to exercise their right at the meeting.
- (ii) Members who have cast their votes by remote e-voting prior to the meeting may attend the meeting, but shall not be entitled to cast their vote again.

Venue of the 13th Annual General Meeting of UJJIVAN FINANCIAL SERVICES LIMITED to be held on **Friday, August 04, 2017 at 03:30 P.M.**, at Annex II, No. 23-26, Grape Garden, No. 17th H Main, 6th Block, Koramangala, Bangalore – 560095, Karnataka, India.

Map of Venue below



Additional information on Directors being appointed/ re-appointed as required under Regulation 36 the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and Secretarial Standard-2 by ICSI:

Name of the Director	Ms. Sudha Suresh	Mr. Amit Gupta
DIN	06480567	02282600
Date of Birth and Age	December 21, 1963; 53 Years	September 24, 1976; 40 Years
Date of First Appointment on the Board	February 01, 2017	March 25, 2015
Brief Resume, Qualification, Experience and Nature of Expertise in specific functional areas	<p>Ms. Sudha Suresh is a Chartered Accountant with a rich corporate career spanning over two decades. She received the 'CFO 100 - Recognition of Excellence' award in 2013. She is also a qualified Cost Accountant and a Company Secretary. During her association with Ujjivan, she has been responsible for areas of strategic business planning and budgetary controls, equity capital and debt syndication, treasury management, accounts & taxation as well as management of Board and regulatory compliances. She successfully spearheaded the Company's IPO to list the Company's shares on BSE and NSE. She has also led the restructuring of the Company and formation of the Small Finance Bank.</p> <p>She has expertise in strategic business planning and budgetary controls, equity capital and debt syndication, treasury management, accounts and taxation.</p>	<p>Mr. Amit Gupta is the Non-Executive Director of our Company. He is one of the founding partners and chief operating officer of NewQuest Capital Advisors (HK) Limited. He oversees India and south east Asia business for NewQuest Capital Advisors (HK) Limited. He represents NewQuest Capital Advisors (HK) Limited on board of Om Logistics Limited, Ittiam Systems Private Limited and Halonix Technologies Private Limited. He holds an undergraduate degree in electrical engineering from Kurukshetra University and a post graduate diploma in management from Indian Institute of Management, Bangalore, where he was placed in Director's Merit List for his performance.</p> <p>He has expertise in investments, fund management, investments and business planning.</p>
No. of Board Meetings attended during the year as a Director	3	5
Directorships held in other Companies	<p>Public Companies – Nil</p> <p>Private / Section 8 Company</p> <ul style="list-style-type: none"> - Ujjivan Social Services Foundation 	<p>Public Companies</p> <ul style="list-style-type: none"> - Om Logistics Limited <p>Private / Section 8 Companies</p> <ul style="list-style-type: none"> - Ittiam Systems Private Limited - Halonix Technologies Private Limited
Memberships / Chairmanships of Committees of other Boards	None	<p>Audit Committee</p> <ul style="list-style-type: none"> - Om Logistics Limited - Halonix Technologies Private Limited
Remuneration last drawn	Please refer the remuneration section under the Board's Report	
Remuneration sought to be paid	Remuneration as approved by the Board of Directors and Members of the Company, within the limits of the applicable laws. Please refer the item no. 5 of this AGM Notice	Sitting fees as approved by the Board of Directors within the limits of the applicable laws.
Shareholding in the Company	28,400 Shares as on March 31, 2017	Nil
Relationship with other Directors and Key Managerial Personnel of the Company	Nil	Nil

By Order of the Board of Directors



Sanjeev Barnwal

Company Secretary and Compliance Officer

Membership No.: A19180

Place: Bangalore

Date: April 27, 2017



ujjivan SMALL FINANCE BANK

Build a Better Life

CONTENTS

Ujjivan Small Finance Bank Limited

Message from the Chairman	188
Letter from the Managing Director	189
Board of Directors	191
Management Team	192
Small Finance Bank Commencement & Growth Plans	195
Brand and Marketing	196
Products & Services	198
Liability Sourcing	204
Channels	205
Branch Infrastructure	206
Information Technology	207
Human Resources	208
Financial Literacy Program in Collaboration with Parinaam Foundation	211
Statutory Reports & Financials	214
• <i>Management Discussion & Analysis</i>	215
• <i>Directors' Report</i>	217
• <i>Corporate Governance Report</i>	234
• <i>Pillar III Disclosure</i>	243
• <i>Financial Statements and Independent Auditors Report</i>	252

Message from the Chairman

It is a pleasure to be addressing my first message to the shareholders of Ujjivan Small Finance Bank Limited as the Chairman of the Board of Directors.

The Bank received the final license from the Reserve Bank of India on 11th November 2016 to set up a Small Finance Bank in India.

During the two months of operations post launch of the Bank on February 01, 2017, the Bank has successfully launched 15 full-fledged operational branches till March 31, 2017.

In line with our mission to make the Bank the best institution to provide financial services to the un-served and underserved customers and transform to a bank serving the mass market, in addition to the various asset products, the Bank has launched variety of Liability products suitable to our customer segment which includes Savings Bank Account, Fixed Deposits and Recurring Deposits. We have used state of the art technology by implementing paperless Aadhar based account opening procedures, internet/ mobile banking and biometric ATM's for operational convenience of our customers. Our endeavour is to continue to provide quality customer service experience to our customers. Our challenge is to serve customers who may not be familiar with modern banking while implementing sophisticated technology for efficiency and cost effectiveness.

With the objective of financial inclusion of customers, we are also taking up financial literacy programs that will create equal opportunity amongst the economically under privileged, unserved and underserved community. The program would also encourage the customers to use banking facilities and switch to cashless payments in line with the objectives of the Government.

The major disruptive event we faced during the year, was "demonetisation" of high denomination bank notes. While the move will yield positive benefits to the economy and the public at large in the medium term, the microfinance business which reflects the activity of small, low margin, cash-dependent businesses was adversely affected. Although demonetization began in November its effects (lower collections, higher provisioning, reduced loan disbursements) were felt before and after the transfer of business to the Bank, and are indeed continuing. This is reflected in the provisioning for loan assets. However recently collections are improving and disbursement levels have improved. However our capitalization has proved adequate to absorb these effects.

The Executive Management Team has set out a growth path consistent with its mission. The Bank has substantial depth of leadership talent and is well placed to execute its growth strategy focussing on asset, liability and customer acquisition. I am confident that the coming years will see the Bank maintain and enhance its strength and capitalise on the diverse growth opportunities that our country presents.

On behalf of the Board I would like to express our appreciation for the entire Management Team and the staff for their tireless efforts.

My best wishes to the management team, employees and to all the stakeholders for an exciting financial year 2017-18 ahead.

With Best Wishes



Sunil Patel



Letter from the Managing Director

Ujjivan Small Finance Bank (USFB) commenced its operations on February 01, 2017 and launched 5 pilot branches in Bangalore on February 06, 2017. It is too early to discuss performance, so we will focus on: the key messages from the long standing founders of the financial inclusion movement during the launch of USFB and the five key challenges which lie ahead.

The launch of the bank branches on February 6, 2017 was not only spectacular but also cerebral. We were very fortunate to have with us Professor Muhammed Yunus, Vijay Mahajan, Sharad Sharma, Biswamohan Mahapatra and Mary Ellen Iskenderian. The key message from Professor Yunus was that in order for these specialized banking institutions to succeed, there is a need for fresh set of rules & regulations from the Reserve Bank of India and the Government, which are appropriate for these institutions. Vijay Mahajan echoed the need for 'regulatory revolution'. Mr. Mahapatra indicated that the Reserve Bank of India (RBI) has been innovative in establishing these specialized institutions within the ambit of Banking Regulations Act. The danger pointed out by Professor Yunus is that if the same rules & regulations governing regular commercial banks are applied to Small Finance Banks (SFB), sooner or later these institutions will end up becoming banks in the same mould and SFB's will lose out on the special purpose they are set up for i.e. Financial Inclusion. We are already seeing this unfold as we try and comply with a host of regulatory & compliance requirements. For example, the much awaited RBI's new 'Branch Authorization Scheme' is a radical new direction of moving away from the traditional brick & mortar branches to the concept of 'banking outlet', yet it has to navigate through the path of the Banking Regulation Act. In order to succeed, it is imperative that the SFB's and the regulators work together to craft a specialized set of rules & regulations, as it did in the past for NBFC-MFI institutions.

The five key challenges which are ahead of us this year are:

Portfolio Quality

Demonetization has possibly brought in significant benefits to the country in its battle against 'black money' and unaccounted wealth. However, for the entire microfinance industry where customers primarily operate in the unorganized sector and cash transactions are the main medium of exchange, it has been a major disruptor. The problem was exacerbated by local politicians who utilized this opportunity to raise the bogey of 'loan waivers' to give false promises to customers and destroy the financial discipline in a number of pockets. The redeeming feature is that unlike the Andhra Crisis, the RBI, State & Central Governments including local administration have largely been supportive of the microfinance institutions (MFI's) and against loan waivers. The problem was initially complicated by allowing banks to collect repayments in demonetized notes in the first two months, but not permitting finance companies including MFI's to do the same. Most customers could not understand this distinction and were confused. The poor portfolio quality was not impacted evenly across the country and surfaced in some major pockets. This could have been due to aggressive lending in the past two years by certain MFI's in those areas. The impact was also felt in areas where livelihood was seriously impacted for micro-entrepreneurs and salaried individuals in the unorganized sector. The MFI industry faced



Portfolio at Risk (PAR) ranging from 5% - 20% compared to around 1% prior to demonetization. The RBI provided some relaxation in categorization of non-performing assets & provisioning for those assets which deteriorated during November & December. However, in the current financial year the industry will feel the full impact of the credit cost, which will be significant. Customers are slowly starting to repay the over dues but with a lag effect of 2-4 months and for some of the customers there has been a temporary impairment of livelihood. Further a section of customers who have turned delinquent are new to micro finance, being less than two years old in the system and hence less disciplined. A portion of these over dues is likely to be written-off but it is difficult to estimate at this moment.

In Ujjivan, we have categorized branches with high defaults as affected branches and at these branches the sole focus is on collection. We have seen a positive turnaround from March though the progress has been slow. We have put in place a number of collection programs to arrest the deterioration & start collection from higher buckets. Customers are also being re-assured that they would get repeat loans if they regularize the present loans. We are also taking measures of curtailing our exposure in locations where the credit discipline has totally broken down. Ujjivan is in the middle of the spectrum in terms of impact on the portfolio quality. We expect that it will take us few months to bring back the portfolio quality to normal.

Rolling Out Ujjivan Small Finance Bank Across the Country

We decided to roll out our branches in phases for a number of reasons. Our branches have been designed based on customer research and their needs. We also intended to have maximum impact of our new brand identity on the customers, which has been very well received. Despite all the preparation in our infrastructure, channels & technology, there are bound to be teething issues in the first six months. Hence, we commenced our banking operations with 5 branches in Bangalore in February 2017. In March, we strengthened our presence in Bangalore with the opening of 6 additional branches. In Karnataka, 1 in Mumbai, 3 in Ramanagara (including one UBRB) taking the total tally to 15 branches. In the FY 2017-2018 we have rolled out 20 branches across Delhi, Kolkata and Pune. The phased roll-out of branches is helping us gather operational learnings; we are able to access how do we improve our delivery skills and manage our costs. RBI's long awaited 'Branch Authorization Policy Guidelines' was issued on May 18, 2017. This year we plan to convert around 150+ branches.

Building the Liability Business

One of the observations of Vijay Mahajan during the launch of the Bank was that generating liabilities by competing with existing banks was one the most challenging areas in his experience of managing the Local Area Bank for fourteen areas. Our initial plan is to focus on wholesale liabilities. In order to achieve this effectively, we need to get the 'Scheduled Bank' status. The RBI inspection has been completed and our expectation is that we should receive the Scheduled Bank status shortly. This will considerably ease the process of raising bulk deposits from institutions which will not only help us in funding but will also lower the cost of funds.

Secondly, our focus is opening accounts of our existing microfinance customers and disbursing our loans into these accounts. This process is on and is being undertaken in a phased manner for customers of the SFB branches.

Parallely, the retail liability from open market customers has commenced. Our goal is to attract the underserved customers who keep their savings outside the banking system. This is totally uncharted territory and we are progressing slowly based on research and new offerings to specific customer segments.

Building the Asset Business and our Portfolio Growth

Post demonetization, our portfolio growth was impacted. We had restricted loan disbursements in affected branches. New customer acquisition was discontinued at these branches and only repeat loans to existing customers were permitted. However, the unaffected branches continued with business as usual. From March closer to pre-demonetization, we have seen overall disbursement of loans closer to pre-demonetization levels.

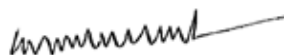
This year, our overall focus would be moderate growth in the microfinance portfolio and higher levels of growth in the micro and small enterprise business & affordable housing business; though these have currently very small bases. We are also exploring new loans products like personal loans to the underserved segments of customers.

We will also be looking at reviewing our microfinance business both in terms of process & products. This is for two reasons. Firstly, the impact of lower collections deteriorating our credit quality in a few pockets will require us to review and re-assess our existing processes in future. Secondly, we would be free from a number of restrictions as a SFB and we need to leverage this flexibility in our product offering.

Managing our Costs & Productivity

It was expected that our costs would increase significantly with our investments made in technology, channels, infrastructure, marketing, regulatory compliance and people in our transformation to an a Small Finance Bank. However there were unexpected impacts post November. of lower portfolio growth and lower collection efficiencies; therefore there is an additional impact of significant credit cost in terms of credit provisions and write-offs and higher operating expense ratios. All this requires us to bring in special focus on managing our costs & productivity. We will also take advantage of the three years given to us by RBI to convert all our branches to full service SFB branches.

To conclude, this year is going to be extremely challenging. We are confident that we have requisite strategies & teams in place to overcome these challenges. Our profitability may be under constraints, But we will build a successful Small Finance Bank through this baptism of fire. We look forward to your continued support.



Samit Ghosh

Managing Director

May 31, 2017.



Board of Directors



Sunil Patel

Sunil Patel is a Non-Executive Chairman and Independent Director of Ujjivan Small Finance Bank. He is a practicing Chartered Accountant and Former Director of A. F. Ferguson and Co. and Former Partner of A. F. Ferguson Associates. He was an Independent Director in L&T Investment Management Limited from 1997 to 2013. Mr. Patel holds a Master degree in Business Administration from Wharton Business School, University of Pennsylvania.



Samit Ghosh

Samit Ghosh is the Managing Director and Chief Executive Officer of Ujjivan Small Finance Bank from February 2017. He is the founder of Ujjivan Financial Services Ltd. and served as its Managing Director and Chief Executive Officer till January 31, 2017. He is a career banker for over 30 years and worked both in South Asia and Middle East. He started his career with Citibank in 1975 and later worked with Standard Chartered Bank, HDFC Bank and Bank Muscat. He holds a Master degree in Business Administration from the Wharton School of Business at the University of Pennsylvania. He was the past president of Micro Finance Institutions Network (MFIN) and the chairman of Association of Karnataka Microfinance Institutions (AKMI).



Biswamohan Mahapatra

Biswamohan Mahapatra is a Non-Executive, Independent Director of Ujjivan Small Finance Bank. He is a career banker with over 33 years of experience in Reserve Bank of India and retired as its Executive Director in August 2014. He is currently an external senior advisor to Ernst and Young LLP (on part-time contractual basis) on financial sector regulatory matters. He is currently an independent director in Gruh Finance Limited, Edelweiss Financial Services Limited and Credila Financial Services Private Limited. Mr. Mahapatra holds Masters degrees in Management, Business Administration and Arts.



Nandlal Sarda

Nandlal Sarda is a Non-Executive, Independent Director of Ujjivan Small Finance Bank. He is a Professor in the department of Computer Science and Engineering at Indian Institute of Technology, Mumbai. He received his Master degree in Technology and Doctorate in Philosophy from Indian Institute of Technology, Mumbai. Mr. Sarda has served as Director on the board of Union Bank of India, The Clearing Corporation of India Limited and Andhra Bank. He is the Director on boards of IDBI Intech Limited as well as Cybertech Systems and Software Limited.



Luis Miranda

Luis Miranda is a Non-Executive, Independent Director of Ujjivan Small Finance Bank. He was the President and CEO of IDFC Private Equity till 2010. He was a Partner and Managing Director in Chrys Capital Mumbai. He has worked with various banks like Citibank, HSBC and HDFC in the past. He has an extensive experience in dealing with early stage companies and private equity investing. He is currently involved as an advisor to various profit and non-profit organisations. Mr. Miranda holds an MBA from University of Chicago and is a Chartered Accountant.



Prabal Sen

Prabal Sen is a Non-Executive, Independent Director of Ujjivan Small Finance Bank. He is a professor of economics and chairperson, Entrepreneurship Development Centre (EDC) at XLRI, Jamshedpur and has over 39 years of experience in teaching, research and corporate management. Prior to joining XLRI in March 2007, Prof. Sen. served the Institute of Rural Management Anand (IRMA) as a Chair Professor for six years (2001-2007) and served a public sector bank for over 23 years (1978-2001) where he occupied senior management positions in fields related to economic research, planning and development, general management and priority sector credit including small business finance. Mr. Sen is also a visiting professor at several premier institutions like IIM Ahmedabad, IIM Ranchi, IIT Kharagpur, etc. Mr. Sen holds a Master degree in Economics from Calcutta University.



Vandana Viswanathan

Vandana Viswanathan is a Non-Executive, Director of Ujjivan Small Finance Bank. She is an Independent Director in 'Ujjivan Financial Services Limited'. She is a Co-founder of Cocoon Consulting, a management and human relationship consulting firm since 2001. She holds a Master degree in Personnel Management and Industrial Relations from the Tata Institute of Social Sciences and a Bachelor's degree in Science from Bangalore University.



Anadi Charan Sahu

Anadi Charan Sahu is a Non-Executive, Director of Ujjivan Small Finance Bank. He has over 30 years of experience and has worked with IDBI. He currently heads the Bangalore region of SIDBI. He holds a Master degree in Commerce and a degree in Law from Utkal University. He is also an associate of Indian Institute of Bankers.

Management Team



Samit Ghosh
Chief Executive Officer and Managing Director

Samit Ghosh is the Managing Director and Chief Executive Officer of Ujjivan Small Finance Bank from February 2017. He is the founder of Ujjivan Financial Services Ltd. and served as its Managing Director and Chief Executive Officer till January 31, 2017. He is a career banker for over 30 years and worked both in South Asia and Middle East. He started his career with Citibank in 1975 and later worked with Standard Chartered Bank, HDFC Bank and Bank Muscat. He holds a Master degree in Business Administration from the Wharton School of Business at the University of Pennsylvania. He was the past president of Micro Finance Institutions Network (MFIN) and the chairman of Association of Karnataka Microfinance Institutions (AKMI).



Ittira Davis
Chief Operating Officer

Ittira Davis headed the transition to a Small Finance Bank. He has over 36 years of banking experience having worked extensively in banks across Middle East and Europe. He was with the Europe Arab Bank from July 2008 to October 2012 as Managing Director - Corporate and Institutional Banking and then as an Executive Director of the Europe Arab Bank. He has also worked with Citi bank in India. Ittira is a graduate from the Indian Institute of Management, Ahmedabad (1976) and has been with Ujjivan since March 2015.



Carol Furtado
Head of HR and Service Quality

Carol Furtado has been with Ujjivan since its inception. Carol has served the organization in various roles and responsibilities. She was the Chief Operating Officer, South before taking over the current responsibility as the Head of Human Resources and Service Quality. She has over two decades of experience, with ANZ Grindlays and Bank Muscat, where she specialized in modern retail banking operations. In 2009, she won the Financial Women's Association award from Women's World Bank. She has a Master degree in Business Management from the Mount Carmel Institute of Management, Bengaluru.



Rajat Kumar Singh
Head of Strategy and Planning

Rajat Singh has been with Ujjivan since 2007. He was instrumental in developing and implementing organizational budgeting processes and basic business analytics. In June 2010, he was appointed as Chief of Staff for the Eastern region, overseeing the regional business. He has served as Chief Operating officer for East and North between 2011 to 2013 and is currently heading the Strategy and Planning function. He holds a Bachelor's degree in Agriculture and Food Engineering from the Indian Institute of Technology, Kharagpur.



Vijay Balakrishnan
Chief Marketing Officer

Vijay Balakrishnan has over two decades of strategic marketing experience with reputed corporates, including Bharti Airtel and the Tata Group. He joined Ujjivan in November 2015 where he leads the Products and Marketing functions. His executive experience spans leading mass marketing roles, category creation and national level brand launches across FMCG, Telecommunications and early stage technology companies. Vijay graduated from the Delhi University and holds a diploma in Marketing Management from the Times School of Marketing. He was awarded the British Chevening Scholarship to study Leadership and Excellence at the London School of Economics, United Kingdom.



Santhosh Kumar G
Head of Liabilities and Financial Products

Santhosh Kumar has 21 years of experience spanning various industries across India. In the banking sector, he has worked with ING Vysya Bank, Kotak Bank and ICICI Bank. His last stint was as Senior Vice President and Head of Branch Banking for Andhra Pradesh and Telangana with ING Vysya Bank in Hyderabad. Prior to banking, he was with Johnson and Johnson. Santhosh is an alumnus of the Birla Institute of Technology and has done his MBA from IIM Kozhikode.



Abhiroop Chatterjee
Head of Microfinance and Branch Banking

Abhiroop Chatterjee joined Ujjivan in 2008 in the first batch of Management Trainees. He has worked as an Area Manager, Distribution Manager and Chief of Staff for East region before being promoted as Chief Operating Officer of East region. Currently he heads the Microfinance and Branch Banking for the Bank. Abhiroop holds a Post Graduate Diploma in Rural Management from the Xavier Institute of Management, Bhubaneswar.



Jolly Zachariah
Head of Channels

Jolly Zachariah joined Ujjivan in 2008 inspired by its mission. He has over 22 years of banking experience with Citigroup, specialising in retail banking across geographies of India, Middle East, Africa, Europe and North America. As the Chief Operating Officer of West Region, he has played an important role in establishing Ujjivan's presence in urban Maharashtra and Gujarat. Currently he is the Head of Channels for the bank.



Martin P S
Head of Operations

Martin Pampilly has over 14 years of experience, with banks such as ANZ Grindlays Bank, Bank Muscat and Centurion Bank. He was a member of the centralised operations unit at Centurion Bank. He joined Ujjivan in 2009 as Regional Operations Manager, South and managed the successful testing, training and implementation of the core banking project. He also worked as Chief Operating Officer in East region in 2013-14 and currently heads the Operations department of the bank. He is a graduate in Science from Bangalore University.



Upma Goel
Chief Financial Officer

Upma Goel is a Chartered Accountant with an experience spanning over 23 years in strategic financial planning, taxation, risk management, business restructuring and regulatory compliances. Before joining Ujjivan in September 2016, she has worked as Deputy Group CFO at L&T Finance Holdings Limited. Prior to that, she has also worked with Larsen and Toubro Ltd. and Escorts Securities Limited.



Arunava Banerjee
Chief Risk Officer

Arunava Banerjee has over 35 years of experience, primarily in the banking industry. Starting his career with State Bank of India, he later on worked with Standard Chartered Bank in their Merchant Banking division and in Corporate banking at the Bahraini Saudi Bank. His last assignment before joining Ujjivan was as CFO in Remza Investment Company W.L.L. He holds a Master degree in Economics from the University of Calcutta and is an Associate of the Indian Institute of Bankers.



Balaji Parthasarathi
Chief Technology Officer

Balaji Parthasarathi has over 20 years of experience in architecting and delivering technology solutions to banking clients. He has worked with BNP Paribas, Oracle Financial Services and Hewlett Packard. He joined Ujjivan in 2017 as Chief Technology Officer. He is an engineer from BITS Pilani and a post graduate in Business Administration from IIM Lucknow.



Alagarsamy A P
Head of Audit

Alagarsamy A. P. has over two decades of experience in Sales, Credit, Risk and Audit functions. He has worked with ICICI Bank for over 8 years in the Retail Assets and Rural Business Group. Before joining Ujjivan in 2010, he was with Fullerton India Credit Company as Assistant Vice President. He has a Master degree in Business Administration from Osmania University, Hyderabad.



Premkumar G
Head of Admin and Infra

Premkumar G. has over 15 years of experience in senior administration positions at One World Hospital and Paul D'Souza and Associates, a leading law firm. He joined Ujjivan in 2006 and subsequently headed Administration department. In 2012, he set up and headed the Vigilance department. He is also a member of the International Facility Management Association.



Sneh Thakur
Head of Credit and Collections Microfinance

Sneh Thakur joined Ujjivan in April 2008 in the first batch of Management Trainees. She worked as a Corporate Financial Analyst and Regional Credit Manager, South before being appointed as Head of Credit in 2013. She holds a Post Graduate Diploma in Management from SDM Institute for Management Development, Mysore.



Manish Kumar Raj
Head of Microfinance and Branch Banking (North and West)

Manish Raj joined Ujjivan in 2010. He has worked as Area Manager and Regional Vigilance Manager, Regional Business Manager GL, North before being appointed as Head of Microfinance and Branch Banking -North and West. He has completed his Post Graduate Diploma in Rural Management from the Xavier Institute of Management, Bhubaneswar.



Subramanian Ravi
Head of Treasury

Subramanian Ravi has over thirty-three years of experience in the domain of treasury. He has worked for two major Multinational Banks, Software Companies and top banking institutes. He has previously held the position of Head of Treasury and Derivative Operations and was also responsible for structured products and risk management. He is a post graduate in Public Policy and has also worked as a freelance consultant and trainer. He joined Ujjivan in 2016 to set up the Treasury department for the bank.



Srikumar Vadake Varieth
Head of Legal

Srikumar has over two decades of experience in Wholesale, Retail, SME, Agri and Micro Finance Banking, Litigation, Recovery, Joint Ventures and other Corporate Laws. He was involved in mergers of two private banks and transitioning a NBFC to a Bank. He has worked with organizations like Bank of Baroda and ING Vysya Bank. His last assignment was with Bandhan Bank as Head of Legal. He joined Ujjivan in 2016 as Head of Legal.



Brajesh Cherian
Head of Compliance

Brajesh Joseph Cherian has over 17 years of experience in Compliance, Operational Risk, Corporate Banking, Retail Banking and Treasury. He has worked with South Indian Bank, Axis Bank in India and UAE before joining Ujjivan in 2016, his last assignment was as Vice President with Axis Bank, Mumbai. He holds a Master degree in Business Administration and is an Associate of the Indian Institute of Bankers.



N Mahadevan
Chief Vigilance Officer

N Mahadevan has over 33 years of banking experience. Prior to Ujjivan, he was working with Kotak Mahindra bank/ING Vysya Bank as Vice President, Vigilance. He has also worked with State Bank of India for 13 years. He is a Chartered Accountant.

Small Finance Bank Commencement & Growth Plans

Ujjivan SFB- Launch

Ujjivan Small Finance Bank was launched in February 2017. The first five branches were inaugurated by Nobel laureate Mohammad Yunus and Mr. Samit Ghosh. Launch of these branches were followed by some scintillating cultural programs, screening of the financial literacy movie "Paison ki ABCD" and an engaging panel discussion on the "Role of SFB in Financial Inclusion".

Ujjivan's Banking Services were first launched for the Staff; employees across all Branches & Regional Offices were part of this event through Live-Telecasting. Several exclusive privileges such as additional interest on deposits, loans with attractive interest rates & the convenience of banking at branches are the key benefits offered to Staff.

Our first 5 branches in Bengaluru acted as pilot branches. We tested all our systems, processes and products in these branches. We received valuable feedback from our staff & customers which supported in further refining our processes. We also ensured stabilization of new technology system before rolling out the new branches in other locations.

Bank branch network & Way Forward

As on 31st May, 2017 our branch network has expanded to 5 states, 16 districts with a total of 38 live branches which includes 2 Unbanked Rural Centre branches as well. By the end of FY 2017-18, we plan to have approximately 150+ bank branches.

The long awaited RBI's 'Branch Authorization Policy Guidelines' was issued on May 18th, 2017. This policy puts a lot of focus on Branchless Banking. The idea of Branch Banking has been replaced with a new concept called "Banking Outlet". It acknowledges the power of technology and alternate channels like BCs etc to reach out to the unserved & underserved areas.

Accordingly we have decided on a phased approach. We plan to open new branches in Unbanked Rural Centres to meet the regulatory requirement of having 25% branches in such locations. Our preliminary research and early experience suggests that such locations have significant banking business potential and the right business model for these branches will help us build robust business at such locations.

The new guidelines also gives us the benefit of considering our branches in the Left Wing Extreme Districts and North Eastern States plus Sikkim as our Unbanked Rural Centre branches. We have 19 of our existing branches in such locations, which will help us in optimizing Unbanked Rural Center branches in first year.

Technology Readiness

Technology is a key enabler for the viability of Small Finance Banks. As we plan to work with un-served & underserved segment of customers where nature of transactions will be high volume-low value,, we have developed a technology platform which leverages Ujjivan's existing system and integrates with Aadhar & NPCI platforms and have invested in proven systems like Finacle, SaS, i-Exceed etc. We have tied up with Wipro as system integrator. Our data centre is outsourced to IBM to ensure maximum uptime and highest level of security. Our field processes are designed to provide doorstep & hassle free service, therefore mobility is the key to our technology. Handheld devices, paperless account opening and Biometric ATM are some of our key differentiator compared to the regular banks.

Scheduled Commercial Bank Readiness

Post the bank launch we have approached Reserve Bank of India for getting the Scheduled Commercial Bank status. This

is essential in getting us access to institutional deposits. We expect to receive the Scheduled Commercial Bank status in Q2 of the FY 2017-18.

Looking Ahead

Looking ahead, as more branches go 'Live' with the full set of banking services, the Ujjivan experience will soon be available nationwide. In the next few months, 10 SFBs and 8 payment banks will join the banking industry. It will disrupt the industry and customers will have additional options to choose from. Each of these new entrant will have their own focus area and it will be quite interesting to see how the industry unfolds in the coming years. Given the size of unregulated shadow banking, there is a huge potential to bring those customers to regular banking system. As banking services reaches to unserved & underserved segments and area, we will see a lot of new customers entering banking system in true sense. Ujjivan is ready to reap the benefit of the changing banking industry.

It is important to acknowledge that each of our customer has their own expectations from a bank. To be successful, we must cater to the needs of our customers. Leveraging the technology stack and combining it with our significant on ground presence, Ujjivan can make a difference in the financial services industry. In the next 5 years we see ourselves as a leading mass market bank.



Brand Marketing



The Brand Identity

The brand identity of Ujjivan Small Finance Bank was a result of a nationwide consumer research conducted by Marketing Team to understand the current Ujjivan brand ethos, values and what Ujjivan Small Finance Bank be identified with. Two distinct observations emerged from the research:

- Ujjivan is part of the fabric of our society
- Ujjivan is all about our people

The new identity was thus developed taking key insights from the research. As Ujjivan embarked on its banking journey, this new identity aimed to retain the brand's core values of human-centric banking. The illustrative form is therefore a combination of two visual icons - a blooming flower and a bird set to take flight.

The flower in bloom is a metaphor for welcoming (swagat, in our culture) and growth – as we welcome our existing loyal customers and future patrons into the banking fold. The bird symbolizes economic freedom and the aspiration to live your dreams, free from any discrimination financial or otherwise.

When combined, it beautifully represents a powerful human centric brand identity that celebrates Ujjivan's deep rooted societal connect and continual impact on building better lives for the millions of our customers.

The font used in the identity has also been uniquely created for Ujjivan. The vibrant colour pallet is inspired by Ujjivan's core colors and the national colors of India to establish its pan country presence and customer connect.



The Grand Launch Event of Ujjivan Small Finance Bank

February 1, 2017 was a momentous day in Ujjivan's spectacular corporate journey as it commenced operations of the Small Finance Bank. A magnificent launch event was organized in Bengaluru to announce the birth of the bank to the world. The launch was attended by over 500 dignitaries including financial leaders and corporate captains from the banking and finance industry.

Nobel Laureate, Professor Muhammad Yunus was the distinguished Guest of Honor for the evening. Professor Yunus and Mr. Samit Ghosh inaugurated the Bank through a **Virtual Launch** of the first five pilot branches in Bengaluru.

In his keynote address, Professor Muhammad Yunus expressed his happiness with Govt. of India and Reserve Bank of India's decision of introducing the segment of Small Finance Bank. Professor Yunus stated that as an Small Finance Bank, Ujjivan can now use the legal framework of a bank to make its goals more powerful. He also added that Ujjivan Small Finance Bank is entering uncharted territory which will have its own set of challenges, but the organization needs to retain its culture, ethos and always reminiscent that Ujjivan Small Finance Bank is a mission driven bank.





Mr. Samit Ghosh, MD & CEO of Ujjivan Small Finance Bank took the opportunity to thank Professor Muhammad Yunus and other industry stalwarts who inspired him to venture into the microfinance domain in 2005. He also expressed his gratitude to the Ujjivan Board and Investors for their continued support all through Ujjivan's journey from an NBFC-MFI to a Small Finance Bank.

A major highlight of the launch was a world class panel discussion on the vision of Small Finance Bank for Financial Inclusion. In addition to Professor Yunus and Mr. Ghosh, the other eminent panelists included Mr. Vijay Mahajan, Founder BASIX, Ms. Mary Ellen, President & CEO WWB, Mr. Sharad Sharma, Co-Founder, iSPIRT and Mr. Biswamohan Mahapatra Ex ED, RBI.

As they say, *this is just the beginning*. Ujjivan Small Finance Bank has taken the first step towards a long, strategic journey of building a leading state of the art mass market bank in five years. The bank aims to serve the vast unserved & underserved customer base who are currently outside the formal banking system.



Strategic Marketing Communications

Marketing played a critical role in the first two months of the bank launch with strategic marketing and communication targeted at the customer segments.

Branch branding – The branches of Ujjivan Small Finance Bank have been designed as per the new brand identity. The branch branding for all Ujjivan Small Finance Bank branches have been conceptualized and executed by the Marketing team. The new identity represents a powerful human centric brand identity that celebrates Ujjivan's deep rooted societal connect and continual impact on building better lives for the millions of our customers. The design elements are inspired by Madhubani, which is characterized by floral motifs and symbols of prosperity. The design announces the celebration of pride and solicits good fortune.

Brand Communication: Ujjivan is now a Bank – Post the high decibel successful bank launch with the new Brand Identity and Positioning, a series of Qualitative research studies undertaken to measure post launch recalls, indicated that the



transition from a lending organization to a full service deposit taking banking institution was not very firmly established. A thematic campaign to underpin this transition message "Ujjivan is now a Bank" was immediately undertaken by the Marketing team through a multi medium effort spanning Television, Print, Outdoors and Digital messaging.

Several local level brand activation campaigns, especially around the catchment areas of the branches were carried out to support and provide ground cover to the mass media efforts.

The campaign has had a successful impact on both existing to Ujjivan and new to Ujjivan customers and subsequently created high recall for the new brand.

Financial Literacy Film, Paison Ki ABCD – Cornerstone

for conversion & adoption. As a crucial part of its Brand Marketing strategy, Ujjivan SFB launched a powerful, educational film on Financial Literacy titled 'Paison Ki ABCD' aimed at busting myths, scepticism and paranoia which surround banking attitudes of unserved and underserved consumer segments of the bank. The film was conceptualized and executed by the Marketing team & its Advertising agency in partnership with Parinaam Foundation. The film was curated under the direction of renowned film maker, Mr Pradeep Sarkar



who has beautifully brought the vision and aspiration of Ujjivan SFB alive on celluloid. With this film we hope that Paison Ki ABCD becomes the synonymous lexicon of what Ujjivan Small Finance Bank can do for financial literacy of our customers. In the next few months, as we keep rolling out our branches, this film and song is bound to tug the heart and soul of our customers. The film has been translated in 9 regional languages to create high intensity brand awareness and customer connect pan India.

Products of Ujjivan SFB

Liabilities

The liability products of Ujjivan SFB have been designed to make banking services more seamless and accessible for the customer segments.

Retail Banking:

As the goal of Ujjivan SFB is to become a leading state of art mass market bank to serve the unserved and underserved customer base, an extensive market research was undertaken to understand the needs of the target segment. Four savings, two current account variants along with two Term Deposit products were designed incorporating the major findings and around 5 pillars namely: Trust, Safety, Security, Access, Convenience & Collaboration.

Savings Account Products:

There is no entry barrier for the Savings Account i.e. there is no requirement for maintenance of minimum balance along with a host of facilities provided like Aadhaar enabled KYC using biometric authentication for paperless account opening, Rupay debit card and transactions at multiple access points like the Branch, Bank Meetings, ATMs, Mobile Banking, Internet Banking and Phone Banking. The philosophy underlying the Savings account products is on the basis of making banking a convenient proposition, considering the needs and pain points of the target segments.

1. **Regular Savings Account** - Designed keeping into view to provide basic banking facilities to unbanked and underbanked population thereby encouraging them to experience the host of benefits of Banking facilities

Features:

- Easy & fast account opening process using Aadhaar based e-KYC
- No Average Monthly Balance criteria
- No minimum balance for opening the account
- Personalised Rupay Classic Debit Card
- Unlimited Free transactions at Ujjivan ATMs and 6 free transactions per month at other Bank ATMs
- Free SMS alert for all transactions
- Internet and Mobile Banking facility
- Funds transfer (remittance) facility through RTGS, NEFT, IMPS

2. **Minor Account** – Designed to encourage savings for children (below 18 years of age)

Features:

- No Average Monthly Balance criteria
- No minimum balance for opening the account
- Account opened jointly with guardian
- Personalised debit card for children over 10 years of age (on request only)
- Unlimited Free transactions at Ujjivan ATMs and 6 free transactions per month at other Bank ATMs
- Free SMS alert for all transactions
- Internet and Mobile Banking facility through RTGS, NEFT, IMPS

3. **BSBDA Small Account** - Designed for individuals who wish to have a Banking relationship but are unable to provide KYC documentation required for opening an account with the Bank. Hence to achieve the objective of financial inclusion basic banking facilities are offered through this offering.

Features:

- No Average Monthly Balance criteria
- No minimum balance for opening the account
- Valid for 12 months only thereafter to be converted to regular savings account after submission of valid KYC documentation
- Remittance facility through NEFT and IMPS

4. **BSBDA Account (Basic Savings Bank Deposit Account)** - Designed for individuals graduating from BSBDA small account

Features:

- No Average Monthly Balance criteria
- No minimum balance for opening the account
- Remittance facility through NEFT and IMPS
- Limited number of free transactions across all channels including Branch

Current account Products :

Two customised current account products were launched to provide the right impetus for Micro & small scale businesses and expansions. Host of services are offered to encourage use of banking facilities.

1. **Regular Current Account** -

Features:

- Only Rs. 1,000/- as initial deposit for account opening
- Monthly average balance Rs 5,000/-
- Remittance facility through RTGS, NEFT and IMPS
- Internet and Mobile Banking facility

2. **Premium Current Account**-

Features:

- Only Rs. 1,000/- as initial deposit for account opening
- Monthly average balance Rs. 10,000/-
- Remittance facility through RTGS, NEFT and IMPS
- Internet and Mobile Banking facility

Deposits :

Fixed Deposits and Recurring Deposits start with as low Rs. 1000 and Rs. 100 respectively with a premature and partial withdrawal facility without penalties to give the customers higher liquidity options

1. **Fixed Deposit :**

Features:

- Minimum amount – Rs. 1,000/- and in multiples of Rs. 100/- thereof
- Option to opt for interest payment at monthly, quarterly, half-yearly or yearly frequency
- Can be opened through Internet and Mobile banking
- No penalty if deposit is fully or partially closed after 6 months

2. Recurring Deposit:

Features:

- Minimum amount – Rs 100/- and in multiples of Rs 100/- thereof
- Can be opened at Centre meetings and through Internet and Mobile banking
- No penalty if deposit closed after 6 months

In addition to Retail Banking products, CASA along with deposit products were also launched for **Institutional Banking** customers

Microfinance

Microfinance products at Ujjivan SFB are purpose based solutions for needy customers. We strive to bring an increase in household incomes for our customers through our product offerings at their doorstep. Access to financial services enables customers to build and change their mix of assets. Our micro loans can be used for business expansion, housing improvement, crop cultivation or the purchase of cattle and children education. Customers can also use loans to make important investments in human assets, such as medical emergency and higher education.

Microfinance Loan Products are classified into 2 categories:

1. Group Loans
2. Individual Loans

Group Loans

Group loans are the most tactical products at Ujjivan SFB, which comprise more than 86% of the total Microfinance lending portfolio. In order to design new products and develop the existing ones, we are in constant pursuit to understand customer needs, their preferences and financial behavior. We believe in translating this gathered knowledge into products that are better adapted to our customer's household needs and are affordable.

Group Loan Products

Core Loan Products

Business Loan:

Provided to self-employed women (fruit vendors/vegetable vendors/petty shop owners/tailors etc.) for financing diverse business needs such as capital expense, working capital, repayment of high cost debt etc.

Features:

- Loan range: Rs.6,000–Rs.50,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure:
 - Loan amount between Rs. 6,000 - Rs. 15,000: 1 year
 - Loan amount between Rs. 16,000-30,000: 1 Year/ 2Years
 - Loan amount between Rs. 31,000- 50,000 : 2 Years
- Processing fees: 1% of loan amount (exclusive of taxes)

Family Loan:

Family loan is designed for low income economically active women to finance a range of family needs such as school expenses of children, medical care, house repairs, social and religious obligations, buying consumer durables and repayment of high-cost debt previously taken for family needs.

Features:

- Loan range: Rs.6,000– Rs. 35,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure:
 - Loan amount between Rs. 6000 - Rs. 15000: 1 year
 - Loan amount between Rs. 16000-30000: 1 Year/ 2Years
 - Loan amount between Rs. 31000- 35,000 : 2 Years
- Processing fees: 1% of loan amount (exclusive of taxes)

Agriculture and Allied loan:

Agriculture is the backbone of Indian economy. Keeping in view the specific requirements of customers, we offer them agriculture and allied loans. The product helps our women borrowers meet the cost of capital expenses and working capital activities for farming and allied activities.

Features:

- Loan range: Rs. 6,000–Rs. 50,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure:
 - Loan amount between Rs. 6000 - Rs. 15000: 1 year
 - Loan amount between Rs. 16000 - Rs. 30000: 1 Year/ 2Years
 - Loan amount between Rs. 31000 – Rs. 50,000 : 2 Years
- Processing fees: 1% of loan amount (exclusive of taxes)

Value- Added Group Loan products

Business Top-up Loan:

This loan product offers additional finance to customers during the year to address business requirements. This loan allows customers access to additional liquidity over and above their initial business loan and is given based on a satisfactory credit history.

Features:

- Loan range: Rs.3,000–Rs. 6,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 9 Months
- Processing fees: 1% of loan amount (exclusive of taxes)

Emergency Loan:

The loan is designed to meet the unforeseen medical emergency requirements of customers. The loan is disbursed within 24 hours of request from Customer.

Features:

- Loan range: Rs.2,000–Rs.5,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 6 Months
- Processing fees: 0%

Education Loan:

Education loan helps promote education among our customers and their children. The product has been designed to help finance the education expenses e.g. admissions fee, purchase of text books, uniforms etc. for children studying from nursery to degree/diploma/vocational training.

Features:

- Loan range: Rs.5,000–Rs.15,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 12 Months
- Processing fees: 1% of loan amount (exclusive of taxes)

Loyalty Loan:

Loyalty loan has been designed as a top up loan to assist our loyal customers attain additional liquidity in their business cash-flows during the festival seasons. This product is a token of appreciation for customers who have maintained more than 20 EMI relationships with Ujjivan SFB.

Features:

- Loan range: Rs.5,000–Rs.15,000
- Interest rate (Reducing balance): 21.25% p.a.
- Repayment tenure: 12 Months
- Processing fees: 1% of loan amount (exclusive of taxes)

Individual Loans

Individual loans are higher ticket size loans tailor made to suit our mature group loan customers. Individual loans are disbursed on an individual basis to existing Ujjivan SFB customers who have successfully repaid 20 EMIs or more. The modified product variant is also available for new to Ujjivan SFB customers. The Individual loans at Ujjivan SFB are available for business expansion, home improvement, animal husbandry, children higher education, and agriculture crop cycle and inputs management.

Individual Loan Products

Individual Business Loan (IBL)-This loan product gives our customers access to finances for working capital and asset improvement for their business enterprises.

- Loan Amount: Rs. 51,000 - Rs.1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 2% of loan amount (exclusive of taxes)

Home improvement loan (HIL) - This product gives financial access to customers towards payment for home improvements

- Loan Amount: Rs. 51,000 – Rs.1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 12– 36 months
- Processing Fee: 2% of loan amount (exclusive of taxes)

Livestock Loan (LL) - This loan facilitates income enhancement by providing capital to livestock breeders for purchasing additional cattle and cattle shed renovation.

- Loan Amount: Rs. 51,000 -Rs. 1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 1% of loan amount (exclusive of taxes)

Individual Bazaar Loan (IBZL) - Individual Bazaar Loan is offered to clients operating in the bazaar area for the purpose of business improvement. This product has been specifically designed to cater to the needs of open market customers i.e. customers who have not graduated from Group Lending to Individual Lending in Ujjivan SFB.

- Loan Amount:Rs. 51,000 –Rs.1,50,000
- Interest Rate: 24% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 2% of loan amount (exclusive of taxes)

Higher Education Loan (HEL)- Higher Education Loan has been specially designed to cater to the needs of the families who find it difficult to arrange for higher education of their children due to lack of access to organized credit.

- Loan Amount: Rs. 51,000 – Rs. 1,50,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 – 24 months
- Processing Fee: 1% of loan amount (exclusive of taxes)

Individual Agriculture Loan (IAL)-The Individual Agriculture Loan has been designed for marginal and tenant farmers who find it difficult to access adequate institutional credit for crop cultivation.

- Loan Amount: Rs. 31,000 – Rs. 80,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 4– 12 months
- Processing Fee: 1% of loan amount (exclusive of taxes)

Open Market Livestock Loan (OMLL)- This loan facilitates income enhancement by providing capital to livestock breeders (who are new to Ujjivan SFB) for purchasing additional cattle and cattle shed renovation.

- Loan Amount: Rs. 51,000 - Rs. 1,00,000
- Interest Rate: 23.25% p.a. declining
- Tenure: 6 - 24 months
- Processing Fee: 1% of loan amount (exclusive of taxes)



Insurance

Insurance for Group Loans

We advise all our borrowers and their spouse to avail the benefit of insurance. Insurance for borrowers is available up to the age of 59 years and for their spouse up to 58 years. Availing insurance product through Ujjivan SFB is optional and is subject to sole discretion of customer/spouse.

(in Rupees)

Product	Tenure	Premium		Total premium	Sum assured 1st year / 2nd year
		Customer	Spouse	Customer + spouse	
Core GL (6,000-15,000)	1 year	94	114	208	20,000
Core GL (16,000-30,000)	1 year	141	172	313	30,000
Core GL (16,000-30,000)	2 years	283	344	627	30,000
Core GL (31,000-50,000)	2 years	471	573	1044	50,000
Education loan	1 year	94	114	208	20,000
Top up	9 months	47	57	104	10,000
Loyalty (5,000-10,000)	1 year	47	57	104	10,000
Loyalty (11,000-15,000)	1 year	94	114	208	20,000
Emergency loan	6 months	Nil			

- Preprinted receipt on loan card will include details of payment of husband insurance premium, wherever applicable
- Policy tenure will be 1 year/ 2 years depending on the loan tenure. Age of the customers must be between 18 and 58 (for fresh customers) years and age of spouse must be between 18 and 58 (fresh customers) Years.

Insurance for Individual Loans

- We advise all borrowers and co-borrowers to insure them
- Age of the customers must be between 18 and 57
- Premium amount: Rs. 4.09 per Rs.1000, per person, per year
- Sum assured is equal to loan amount

Disbursement date	Policy Start Date (w.r.t disbursement date)	Policy Tenure
1 st to 15 th of the month	1 st of the same month	12/24/36 months from the policy start date
16 th to 30 th /31 st of the month	16 th of the same month	12/24/36 months from the policy start date



Housing

Ujjivan SFB primarily caters to the Economical Weaker Section (EWS) & Lower Income (LIG) and is one of the few institutions that offer tailor made products for affordable housing segment. It has touched & transformed millions of lives in this segment by way of meeting their timely needs and housing had been one of the most valued products. The repayment rate has been over 99%, including during the demonetization time when there was cash crunch for customers but still they managed to pay Home Loan installment.

Home Loan product variants offered by Ujjivan SFB are briefly as given below.

Home Loans (Informal Segment) – Loan can be utilized for Construction/Purchase of a home. In this segment, there is non-availability of proper documents to assess income. The income range is 15000-50000 per month. Average ticket size of this segment is 5 Lakhs and average tenor is around 8 years. Loan to Market Value goes up to 70% (actual LTV is much lesser) and Loan to Estimate can go up to 80% under this product.

Home Loans (Semi-Formal Segment) – Loan can be utilized for Construction/Purchase of a home. In this segment, the income is partially documented. The income range is 20000-60000 per month. Average ticket size of this segment is around 8 Lakhs and average tenor is around 11 years. Loan to Market Value goes up to 70% (actual is much lesser) and Loan to Estimate can go up to 90% under this product.

Home Improvement Loans – The loan can be utilized for incremental housing work like extension, renovation and finishing. In extension purpose the works include addition of rooms in the same floor or in higher floors. In renovation purpose the works include, roof conversion, floor elevation, Plastering & Painting, Building of Compound walls, Portico extension etc. The income range is 15000-50000 per month. Average ticket size is around 3 Lakhs and average tenor is around 6 years. Loan to Value is restricted to 50% and Loan to Estimate can go up to 90%.

Loan Against Property – The end use of this loan primarily goes for asset creation. There may be mixed usage for education or business. The income range is 15000-50000 per month. Average ticket size for the product is 4 Lakhs and average tenor is 8 years. Loan to Value has been restricted to 60% of the Market Value of the property.

Products Offered	Loan Amount (In Rs.)	ROI	Tenor	Processing Fee
Home Loan (Informal Segment)– Construction/Purchase	2-15 Lakhs	15.75% p.a. reducing balance	24 to 180 months	2% of Loan Amount(exclusive of Service Tax)
Home Loan (Semi-Formal Segment) – Construction/Purchase	5-15 Lakhs	12.75% p.a. reducing balance	36 to 180 months	1.5% of Loan Amount(exclusive of Service Tax)
Home Improvement Loan(Secured)	2-7 Lakhs	17.75% p.a. reducing balance	24 to 120 months	2% of Loan Amount(exclusive of Service Tax)
Loan Against Property	3-10 Lakhs	19.75% p.a. reducing balance	24 to 120 months	2% of Loan Amount(exclusive of Service Tax)



Micro and Small Enterprises (MSE)

The MSME sector is a major contributor to the GDP and employment to the country. The Government of India has launched a number of programs to accelerate the growth of the sector.

As per reports published by the ministry of MSME and International Finance Corporation, the bulk of the sector is Micro and Small Enterprises (MSE), majority of which are unregistered. MSEs face a lot of issues in accessing institutional finance and continue to be dependent on sources such as moneylenders, pawn brokers, chits/committees apart from family and friends. It has been acknowledged that lack of institutional finance has stunted the growth of MSE for decades. Therefore, the Reserve Bank of India has mandated the aspirants of Small Finance Bank to focus on MSE as one of the main customer segments.

Additionally, Government of India has set up a dedicated refinancing agency MUDRA (Micro Units Development and Refinance Agency Limited) to facilitate flow of funds to this segment of customers. The unmet financial needs of MSEs offer a great opportunity for banks and NBFCs to develop a strong business line dedicated to this particular sector. However, the banks have not been able to do much due to various structural issues and NBFCs have not been able to provide a complete product suite, apart from term loans.

Ujjivan has recognized MSE as its main target segment in line with its mission and also for product diversification and future growth. As a part of MSE Business, since August 2016, we have launched 4 new products across 40+ branches and through these, Ujjivan Financial Services has financed over 2200+ micro and small enterprises and disbursed approximately 56 Crore since the program was launched. This was achieved by inducting new customers from the open market. Since inception, the primary focus has been on open market sourcing.

The following products were on offer during FY 2016-17:

Unsecured Business Loan - This product caters to the need of customers who are into the business of Micro and small enterprises and require loan for expanding their business premises/purchase of new machinery, Working Capital, Debt consolidation (refinance of any loan taken for business purpose) or any capital investment. Primarily, the businesses are not registered in this segment. No documentary income proof and high fungibility with family income and expenses. In this segment, the tax filling is non-prevalent. No collateral is required for these loans.

- Loan Amount: Rs.1,50,000 – 3,00,000
- Interest Rate: 24% p.a. declining
- Tenure: 12 - 36 months
- Processing Fee: 2.25% of loan amount + Service Tax

Unsecured Enterprise Loan - This product caters to the need of customers who are into the business of small enterprises and require loans for expanding their business premises/purchase of new machinery, Debt consolidation (refinance any loan taken for business purpose), working capital or any capital investment. Primarily, the businesses are registered in this segment. Some formal documents are collected as income proof, tax-filling done although irregular and moderate exposure to banking. No collateral required.

- Loan Amount: Rs.3,00,000 – 5,00,000
- Interest Rate: 21-23% p.a. declining
- Tenure: 12 - 36 months
- Processing Fee: 2.00% of loan amount + Service Tax

Secured Enterprise Loan - This product caters to the need of customers who are into the business of small enterprises and

require loan for expanding their business premises/purchase of new machinery, Debt consolidation (refinance any loan taken for business purpose), working capital or any capital investment. Primarily, the businesses are registered in this segment. Some formal documents are collected as income proof, tax-filling done although irregular and moderate exposure to banking. The loan will be secured by residential building or mixed use (residential and commercial), taken as collateral.

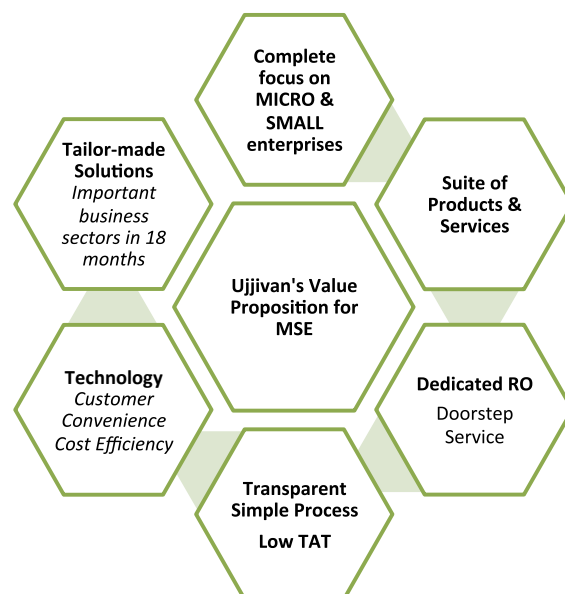
- Loan Amount: Rs.10,00,000 – 25,00,000
- Interest Rate: 17-19% p.a. declining
- Tenure: 36 - 84 months
- Processing Fee: 1.00% of loan amount + Service Tax
- Log in fee: Rs.1,500+ Service Tax

The Way Forward: A dedicated MSE finance unit has been set up to cater to the needs of the segment. The unit will understand the needs of the customers, the business environment including competition and the risks and mitigations in order to bring out products and services for the micro and small enterprises. The products and services are being kept simple with high technology support in order to ensure fast delivery, quality underwriting and superior customer experience while maintaining efficiency.

The following products will be on offer in the course of current financial year:

- Secured Overdraft
- CGTMSE Term Loans

So far as the MSE Business is concerned, Ujjivan's value proposition for MSE customer will be:



Additionally, the facilities of Current Account, Remittance and Payments, Insurance, Savings and Investment will be offered to both our existing and potential customers. The use of technology will be instrumental in delivering superior customer experience by bringing efficiency in origination and management of loans. Further, technology will increase the reach and profitability of the MSE business vertical by making available reports and MIS. Better customer segmentation, predictive analysis to facilitate target marketing; and credit decision as well as portfolio management will also become possible. MSE Finance will be Ujjivan's growth engine during the current year and also in the years to come.

Liability Sourcing



Ujjivan has segmented its liability customers based on the customer profile so that customers can be serviced in an efficient and effective manner.

In the retail space, the focus is on mass market with specific attention to unserved and the underserved. Products have been designed in such a way that they are simple to understand and are delivered in a user friendly manner leveraging state of the art technology.

Few highlights of our offerings on the deposits side are

1. Use of handheld device to open accounts at customer's doorstep and at the same time reducing the account opening TAT drastically
2. Implementation of CRM solution to give customer a seamless and unified experience across channels at every, starting from acquisition
3. Product design that addresses key concerns of customers
4. Non IVR call center to give customers a personal & human touch
5. Branch design philosophy flows from the aspirations and at the same time addresses the apprehensions of the target customer segments.
6. Biometric ATMs

All our existing loan customers are being on boarded into the liabilities banking relationship through an integrated program involving financial literacy, assisted banking and account opening through a simplified process.

New customers will be acquired through a specialized team operating out of the bank branches. The approach involves identifying customer sub-segments through

catchment mapping. This is used as an input for designing and implementing communication to reach out to each sub-segment. Use of Customer Relationship Management Solution enables tracking of each lead till fulfillment stage. Hand held device in an Aadhaar enabled environment results in customer account being activated in a fraction of time compared to what it would have been otherwise.

Bank branches have been designed keeping in mind our target customer segments. They are functional yet aesthetic. Technology has been used to simplify customer interactions. Branches also incorporate images of our cultural context to exude warmth in a formal setting.

A large segment in the liabilities space is the institutions. This covers large government, semi-government and non-government entities. This space in terms of deposits size and potential in the universe of deposits is as large as the retail space. The approach here is completely different from that in the retail space. Customer connect and servicing for institutional customers is managed by a small team of specialized and trained relationship managers.

Institutional business is the source of large deposits which allows us to focus on building pure retail franchise in a systematic manner.

The focus is on identification of institutions and work closely with decision makers to get the bank empaneled, so that we can participate in the deposits requirement of the institutions in a mutually beneficial manner. Relationship managers are mapped to institutions to ensure continuity and build ability to spot opportunities to deepen the relationship.

Within the institutional space, the specialized set of financial institutions including banks, insurance companies, mutual funds and others is serviced by FIG (Financial Institutions Groups) team which is part of treasury.

Channels

Channels is one of the start-up units that was set up in preparation for transition to a Small Finance Bank. These channels are intended to change the way the un-served and the under-served accessed banking services, build the basic banking habits to facilitate financial inclusion and to reduce costs as the business scales. The goal is to integrate people and technology to deliver unique segment specific solutions. These solutions delivered, will demystify banking and provide convenience through a continuum of options ensuring customers work their way up in the value chain. Customers expected doorstep banking which was communicated to us; consequently we set out to find solutions and the evolution from 'assisted to self-service' was the mantra to create value for all.

Today we deliver services through strategically launched multi-channel networks. This mix which includes branches, hand held devices delivering doorstep services, ATMs, debit cards, internet banking, mobile banking and phone banking has converted the Micro Finance delivery framework to full service bank delivery capability. We have around 38 ATMs as of 31st May 2017 and mobile banking applications are operative on multiple operating systems. We also operate an in house phone banking unit which caters to service level queries.

Our customers will not face hassles of IVR or robotic voice; their calls will be directly connected to dedicated officers based on preselected language preferences. We are continuously improving and evolving our direct banking channels (branch and hand held devices) to enrich the digital banking experience for customers and enable them to make an easy and gradual shift from the assisted mode to the self-service mode. With this infrastructure in place, we facilitate product sales through these alternative channels. These innovative delivery channels are the key to a more efficient payment system and supported by a focused financial literacy drive for customers these options are transformative in nature. We have moved closer to offering financial services "anytime, anywhere" for the segments we serve.

The industry holds immense potential and the success strategy lies in our solution architecture being adaptable, scalable, secure and easily accessible for our customers who will become more financially astute in their banking habits.



Branch Infrastructure



Ujjivan Small Finance Bank branches have been designed to reiterate our fundamental values - Transparency, Trust and Efficient services to ensure that our customers feel respected , supported and assured of a seamless banking experience.

The findings of an extensive research and survey by IMRB supported our thought process in the design of branches. Overall the objective was to comprehensively integrate the aesthetic, functional and the connect aspects to achieve customer satisfaction.

The real estate selection played an important role as our existing branches were situated centrally for the convenience of our micro-finance customers and the new bank branches ensure accessible locations, convenience and better visibility. The furniture and flow in the space gives impactful differentiation on the brand.

Our branch layout ensures convenience and at the same time provides noticeability of the main touch points:

- **Help Desk:** Easily locatable on entering the bank
- **Waiting Area:** Is spacious enough to accommodate our mixture of customers
- **Toilet and Drinking water:** This is a mandate facility for customers (non-negotiable feature) at our SFB branches
- **Teller Counters:** Specially designed to ensure convenience without intimidating customers, nor stressing either of the individuals on a transaction at counter



- **Counters:** Every counter should be separate, dedicated to one particular function like saving or deposit
- **Manager's Office:** Located at a noticeable place, accessible by customers

The layout of spaces within the branch is planned efficiently as the banking section and the back office section. Our SFB branches are well equipped with requisite security systems.

Information Technology

With a robust IT foundation, Ujjivan has set up state of the art technology infrastructure for the Small Finance Bank. Commencing its transformation journey from early 2016, Ujjivan has invested heavily in best in class IT infrastructure and ensured building seamless technology integrating its various functions and the new channels and verticals thus delivering high quality service to all its stakeholders. Beginning 2016, Ujjivan supported by E&Y (Ernst & Young) team crafted an RFP ("Request For Proposal") to build and manage the technology back-bone required for leading this transformation. A rigorous selection process was followed and Wipro was selected as our technology partner for system integration on the IT strategy laid out by Ujjivan.

The solution designed has been crafted so as to be scalable with an eye for growth, flexible to meet future product and service requirements and ensuring security and operational efficiency.

Traditionally Ujjivan has relied on providing cutting edge technology by extending new product and service capability to the field staff and users alike. This philosophy has continued with the Small Finance Bank as well. The overall solution essentially entails a strong core product platform, an extended channel ecosystem and a seamless service fulfillment.

Combining the best in class IT majors Ujjivan has successfully paved the way for implementation of its banking solutions. IT infrastructure includes Finacle Core Banking from Infosys, CRM Solution from CRMNext, Mobile Unified Platform from i-exceed, SysArc Loan Origination System, SAS complete suite for AML, ALM, FTP and Risk Governance, Oracle Financials, IBM Cognos for data warehousing and Business Intelligence, IBM FileNet for document management and workflow systems etc.

Core Banking and all other systems are running on most secure and robust servers like Oracle Sun Super Cluster, CISCO Blade Servers and CISCO Routers and Switches.

Key highlights of the business capabilities delivered are:

- Entire suite of products for the customer like TD, RD, FD etc. for the customer through the Core banking solution from FINACLE.
- Seamless account capture and account opening by use of the e-kyc backbone and hand-held device online with no documentation.
- 360 degree view of the customer for better sales and customer service fulfillment through CRM.
- Self service channels of mobile banking and internet banking for the end customer with facility to create deposits as well as make remittances.
- Real – time online ATM having capability to accept RUPAY, Master, VISA
- RTGS and NEFT payment systems.

Efficient delivery of business capabilities ensuring a seamless experience is achieved through:

- Implementation of an Enterprise Service Bus
- Leveraging the existing BPM tool for account opening.

The technology backbone that delivers a robust and scalable architecture has the following highlights

- High availability both at the DC and DR at every component with a near line DR as well
- Adequately sized infrastructure keeping in view the business plan
- All branches are on MPLS with redundant link.
- Core banking is on high performing state of the art servers.
- Risk mitigation tools implemented include: AML (Anti-Money Laundering) solution
- Appropriate Security solutions aligned to the RBI mandate. Some of the key solutions are Firewall, PIM, SIEM, WAF, Threat and Vulnerability Management, mobile device management and IDAM.
- Security Operations center for Information Security
- Comprehensive IT policies including IT security, IT operational policy, change management policy, user access review policy and IT governance policy.

The overall governance has a two-tiered structure to ensure implementation of the plan in alignment to the strategy.

- A Board level IT strategy committee for managing/ guiding technology initiatives.
- An IT steering committee to assist the executive management of the IT strategy, to review the status of IT projects, monitoring service levels and service improvements.

Ujjivan Small Finance Bank is set to deliver efficient services to its customers geared with a strong IT infrastructure, an experienced management team and technology partners.

Human Resources

Culture:

Changing Times, Unchanging Culture

The Human Resources team has consciously engaged in developing Ujjivan's strong core values of Integrity, Transparency, Respect, Professionalism and Teamwork. It has always been emphasized that even as we transition into a bank, we would stand by the values and culture that we are known for. Keeping this in mind, a customized transition-related change management program named 'Parivartan' was launched in February 2016.

Through Parivartan I, the first phase of this programme, the organization was able to set in motion a change in the service mind set of our employees through sixty selected 'Change Champions' who were christened as Parivartaks'. 'The Parivartaks' were selected and trained by senior leadership of Ujjivan and then they were sent out to train other employees across regions.



Ujjivan conducted an in-depth study on change requirements for our transition with a change management consultant. As we rolled out new banking branches, a major challenge that we encountered is that of people transition and change management. We had approximately on-boarded four thousand new employees who joined us last year. With the arrival of new team members in such a large scale, we spearheaded strong team integration initiatives & practices. Stronger inductions into Ujjivan culture & ethos, as well as cross-functional collaboration in all training efforts were also emphasized upon. Besides enabling support, the HR team has also engaged in several interventions that aim to improve collaboration & team work such as team/departmental meetings, de-stress programmes for branch-level employees, etc.

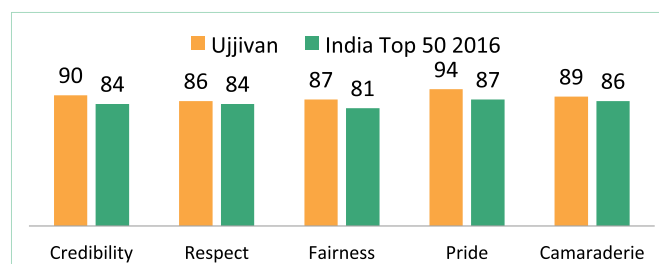
Employee Engagement:

Being a "Great Place to Work"

For the past six years, Ujjivan is consistently ranked among top 25 Great Place to Work Companies. Great Place to Work® Institute has conducted pioneering research on the characteristics of great workplaces for over 25 years, and is considered the gold standard for assessing & certifying great workplace cultures.



According to a fundamental model developed by the Great Place to Work Institute, **Credibility, Respect, Fairness, Pride & Camaraderie** are the dimensions of a great place to work. As per the Survey Results of 2017, Ujjivan scored positively on these dimensions when compared to the Top 50 Organizations in India, as is seen in the following graphical representation.



For the year 2017, we are certified as a 'Great Place to Work'.

Channels of Communication

In the past year, several communication channels were effectively used to reach employees. Miniscule snippet-sized communications were designed through Whatsapp, Videos & SMS's. Monthly and quarterly newsletter continue to be a strong mode of communication.

Testimonials



Subhash Chandra K. M., Cluster Branch Head, Karnataka Area Office

I joined Ujjivan in 2009 as a Customer Relationship Manager. I gathered rich experience working on the field & learned a lot while working with economically active unserved and underserved customers. I enjoy immense respect among people because of my job as a banker. I thank Ujjivan for this wonderful journey & promise to be a greater contributor to Ujjivan's success in the upcoming years.

96% of Ujjivan Employees say: I want to work here for a long time



Bhuvaneshwari S.
Branch Operations Officer, HAL

It has always been my dream & aim to work in a bank; I had previously applied at several banks & was unsuccessful. Today, I work as a banker at Ujjivan and this dream was made possible through the various on-the-job training programs I attended at Ujjivan. The training programs helped me learn about banking processes &

gain knowledge required for my new role as a banker.

96% of Ujjivan employees say: I am offered training or development to further myself professionally.

Attracting Talent

• Hiring for the Bank

Ujjivan Small Finance Bank was launched in February 2017. New employees were recruited at different levels of the organization, keeping in mind the various competencies and expertise needed in transforming into a bank.

While the Corporate Recruitment team focused on hiring functional heads, senior subject matter experts and domain specialists to help in setting up the bank, the regional teams focused on expanding and strengthening the existing businesses, staffing new business lines and hiring for bank branch-related specialized roles.

Region	Business Function	Control Function	Support Function	Total
Corporate Office	4	15	135	154
East	711	76	82	869
North	771	62	111	944
South	1042	48	97	1187
West	769	66	103	938
Total	3297	267	528	4092



Employee Referrals

The Employee Referral Program is a reflection of our strong belief that our employees are our best brand ambassadors who significantly contribute towards building Ujjivan and can attract suitable talent to meet our ever growing resource requirements. The program is a platform through which employees can refer their acquaintances, who upon hiring, can contribute to our overall business plan. During the talent search process, greater emphasis is given to traits like adaptability, willingness to learn and candidate's potential to explore and take initiatives. Ujjivan, even as a newly launched bank, continues to enhance skills through programs such as the first level supervisory workshops to enable new managers to understand the nuances of building leadership skills, and managing people while engaging in branch management.

In FY 2016-2017 more than 60% of the open positions were closed through employee referrals. The major success is attributed to the fact that employees consider Ujjivan to be a good place to work and want to recommend it to others.

Campus Hiring

This year, a group of 118 young management graduates joined the bank from 30 reputed universities & institutes like School of Rural Management-Xavier University (XIMB), SDM Institute for Management Development (SDMIMD), Tata institute of Social Sciences (TISS) and Institute of Rural management-Anand (IRMA).

Retaining Talent/ Talent Management

In order to fulfil the required domain competencies and expertise for smooth functioning of the bank, Ujjivan hired 4,092 employees including freshers, management trainees, mid and senior management personnel. This included key leadership members to handle critical functions in the context of a Small Finance Bank. The incremental headcount percentage for the year 2016-17 is 25.65%.

Career Opportunities

To nurture internal talent, employees are encouraged to take up additional responsibilities and demonstrate necessary competencies to take up formal as well as informal leadership roles. The key objective is to promote the right individual internally so that it serves as a career anchor for them while keeping the employee engaged and motivated to contribute to the fullest of potential. It also helps building the confidence of the workforce on the fairness of the policies.

As a process, the supervisor recommends suitable candidate for promotion, who are then required to go through required assessments including personnel interviews. Promotions are also done through Internal Job Postings, where the employee can apply for any available role of their interest. More than 25% of all open positions were closed through IJPs.

Performance Management

Ujjivan as an organization believes in transparency in all its practices which governs its people. The same applies to the Performance Management System at Ujjivan. Performance reviews at Ujjivan are done bi-annually i.e. mid-year appraisal and annual appraisal. Before commencement of the review process, customized training modules on various facets of diligently reviewing performance are made available on e-learning platforms for ease of employees and first time supervisors in assessing performance. Employees are given an opportunity to self-evaluate their performance, discuss their performance with the immediate supervisor and objectively identify the developmental needs.

Rewarding Our People

• Employee Benefits:

The banking industry provides some of the best possible employee benefits and as a new age bank we were keen to ensure that a bouquet of benefits which range from Insurance, Education, Retirement plans etc., was available to our geographically distributed workforce that caters to their diverse needs.

We are an organization that believes that our people are our strength. We offer a comprehensive benefits package that includes:

- Medical insurance for the employees and their eligible family. This program is designed to focus on wellness, preventive care and awareness in a way that they can save money on health care.

- Life and disability insurance options provide income replacement in the event of serious injury or death.
- We have negotiated a voluntary medical insurance cover for parents which include new age medical procedures and provide support to our employees' families.
- A welfare trust ensures that we stand by our colleagues in times of their needs of medical exigencies for them and their families, when medical expenses are beyond their affordability.
- Our loan products include a differentiated offering for our employees.

The organization remained committed to not differentiating benefits, based on any organizational levels. The sense of equality and pride that this instils adds to the larger canvas of our mission to utilize the full potential of the financially unserved population by aiding their development to procure a brighter future.

Benefit	No. Of Claims	Avg. Claim Amount
Medical Insurance	71	Rs. 38,231
Parental Insurance Policy	10	Rs. 1,13,184
Accident Insurance*	6	Rs. 0
Term Life Insurance	2	Rs. 10,00,000

*Accident insurance: Claims under process

Total Rewards

A significant step that the organization took was to align our remuneration in accordance with the banking industry.

Implementation of new, best in class practices such as implementation of National Pension System, Meal Cards etc. were undertaken.

We endeavour to remain an employer who believes in and implements fair practices in matters relating to "Rewarding our People".

Despite the tough time that the industry in general and specifically the transformation that new age banks such as us are going through, we are keen to strike a fine balance between our financial realities and aspirations of our workforce.

Compliance matters were at the forefront. Research into compliance requirements for the bank, while ensuring that we remain 100% compliant to all MFI compliance requirements was at the forefront of all efforts.

Employee Stock Option Plan (ESOP)

In a significant measure of confidence building and enthusiasm for the employees, Ujjivan Financial Services Limited (UFSL) always had ESOP schemes and the employees post transfer to Ujjivan Small Finance Bank continue to have this benefit. As an equal opportunity employer, Ujjivan offers and equal opportunity to all staff to share in the rewards of our success. The fact that all employees are eligible for ESOP's basis their performance and subject to conditions of the schemes announced, creates a sense of ownership and pride.

Employees' speak on ESOP:



"After selling ESOPs, I have utilized the amount in building my house & the remaining amount has been deposited into a fixed deposit for my daughter's higher education" - **Biman Nandy** (Team Leader Asset Operations-East)



"I am so happy to receive ESOP's from Ujjivan. For a secure future of my family, I have purchased all the vested options. I have planned to use this amount for my daughter's higher education and building my home"-**Mr. Arup Kashyapi** (Area Manager-East)



"ESOPs were helpful in fulfilling my dreams. I will utilize ESOP's granted to me for the improvement of my house and for my children's higher education"-**Usha Saxena** (Customer Relationship Officer-North)



"Issuing ESOPs to staff is a unique benefit that Ujjivan offers. Being a tenured employee, I truly realize the value of ESOP's which were offered to me in the initial years of joining and thereafter whenever I was eligible. I am planning to buy a house in coming years by utilizing my ESOPs. In true sense, Ujjivan is building our life better"

- **Vijayesh Kumar Pandey** (Regional Manager Operations -North)

Learning the Ujjivan Way:

A lot of work was done as a part of the transition to equip employees to build:

- The new customer service mind-set
- Role-based operational competency
- Technology competency
- Risk and Compliance Knowledge

The post-transition priority is to ensure continuous learning and application. Our goal is to make learning a part of the DNA. Hence the Learning and Development Team has identified further learning priorities in consultation with other cross-functions.

Some priorities that emerged were:

- Cultural alignment of existing and new employees
- Creating operational efficiency at the branches
- Fostering the Risk and Compliance awareness and culture
- New and elevated levels of customer service which caters to a new set of walk-in customers
- Employee Management in the Small Finance Bank context

Since we employed a number of people across roles and functions, it was important to align cultures and create familiarity with the MFI business. We were proactive in conducting induction trainings and around 112 employees went through Operations and Liabilities Induction trainings.

In order to foster a culture where Risk and Compliance awareness many specialized workshops have been created for Control Functions such as Audit, Risk and Compliance and Credit. Chosen employees from Control, Backend and Branch functions attended workshops organized by the CAB, NIBM and SIDBI.

We realize that our branches best respond to experiential learning. Hence Customer Service Mind-set Trainings have been created and customized with specific scenarios which reflect real-time incidents as a Small Finance Bank.

Our E-Learning platform called E-Pathashala is used extensively for Regulatory and Compliance Training and continuous learning. The online portal includes various online trainings which the employees can access to enhance their skill and knowledge. We developed various bank related modules (covered around 48 topics) and trained 3,624 employees.

Financial Literacy Program in Collaboration with Parinaam Foundation

Diksha Financial Literacy Program

Ujjivan has partnered with Parinaam Foundation to create and execute a widely acclaimed Financial Literacy Program called, Diksha. The program gives low-income families the knowledge and tools they need to save safely, reduce financial risk and make informed, intelligent financial decisions.

Diksha, a 5-module in-classroom training on different financial aspects has covered over 500,000 women across 20 states in

India and enabled the opening of 150,000 savings in various banks. Parinaam Foundation has also created a Children's Financial Literacy Program, 'Chillar Bank', and has trained over 80,000 children and opened 24,000 bank accounts across India.

The program was funded last year by Ujjivan and Citi Foundation and has been highly acclaimed by the Reserve Bank of India and others.

Outcomes	Total Impact 2016-2017	Impact from Ujjivan funding 2016-2017
Indicator	Achievement	Achievement
Number of women beneficiaries trained	138418	100018
% of women beneficiaries certified through Diksha	86.2%	86.7%
Number of bank accounts opened by women beneficiaries through Diksha	29492	19540
% of cashless loans availed by women beneficiaries graduating through Diksha (Diksha Certified 2016-17)	69.2%	67.8%
Number of women beneficiaries availing individual loans through Ujjivan (Diksha certified in 2016-17)	1215	823



Key highlights of Diksha in 2016 – 17

- Diksha was scaled to 332 branches.
- During the demonetization phase, Diksha curriculum was revamped to help beneficiaries cope with the situation effectively.
- Digital financial literacy became the need of the hour and Parinaam introduced basic concepts into the curriculum to teach beneficiaries to use different methods of payments and help them transition to cash less economy.
- To enhance the quality of Diksha training provided by the team, Parinaam conducted two refresher trainings for 83 Financial Literacy Trainers and 9 Team Leaders. Master Training for the Supervisors was organized at Bangalore.



TEACHING FINANCE, CREATING INCLUSION – IMPACT EVALUATION OF DIKSHA

Citi Foundation and Parinaam Foundation commissioned Delphi Research Services Private Limited in 2014 to design and undertake a customized External Evaluation that would offer insights into the impact of the Diksha Financial Literacy Program on the lives and households of urban and semi-urban customers of Ujjivan. Through the survey, it was attempted to ascertain whether Diksha is meeting its desired goals.

Some of the Major Findings of the Impact Evaluation:

Study covered 5973 Diksha and Non-Diksha beneficiaries across 11 states in India. The findings from data analysis have indicated positive findings as below:

- Out of the 153,001 customers who were enrolled in Diksha, comprising customers from various loan cycles and vintages, only 9,544 or 6% of Diksha trained customers, dropped out from Ujjivan. As against this, 35% of Non Diksha customers of identical loan cycles and vintages dropped out from Ujjivan. Clearly states, customers who attend the Diksha Program are far more loyal and much less likely to drop out from Ujjivan and thus preserve their assets.
- Twice the number of Diksha trained respondents (30%) report they actively track and monitor their monthly household expenditure, as compared to their Non Diksha counterparts (15%). This pattern (considerably higher proportion of Diksha trained tracking their monthly expenditure than Non Diksha respondents) tends to hold good in each of the 4 regions.
- A higher proportion of Diksha trained households were able to save money in the last one year (81%) than did Non Diksha respondents (76%). The average amount saved in the last one year by such households is higher among Diksha trained households (Rs. 35,418) than among Non Diksha households (Rs. 34,801).
- 92% of Diksha trained respondents have bank accounts in their names as against 82% of Non Diksha respondents.
- 38% of Diksha trained respondents who have bank accounts in their names, claim to get updates regarding their accounts on their mobile phones via SMS as compared to 36% of Non-Diksha respondents.
- 97% of Diksha trained respondents children attend school as against 92% of Non Diksha respondents children

Demonetization & Diksha Repayment Rate

Pre Demonetization it was very hard to understand if Financial Literacy had a significant impact on MFI customer's repayment habits. However it was endearing to see the difference between customers who had undertaken the 5 module program vs. customers who had not post demonetization.

Pan India, the repayment rate post Demonetization, as of 31st December 2016, was 91% among Diksha-trained customers as against 87% among all Ujjivan customers.

	Repayment Rate (percent)	
Region	Diksha-trained Customers	All Ujjivan Customers
North	78.0%	75.0%
South	92.0%	88.0%
East	95.0%	96.0%
West	99.6%	90.0%
Total	91.0%	87.0%

Chillar Bank Program

This program is designed to educate the younger generation on the importance of savings and money handling as well as inculcate the habit of savings by helping them open bank accounts. The program was initiated following an RBI guideline that encourages children to open and operate savings bank accounts independently, and is targeted at children between the ages of 10 to 17 years



The children's savings program consists of the following:

Orientation	<ul style="list-style-type: none"> • A 90-minute module of 4 sessions where the children are engaged through the activities like role plays, discussions and assignments. • Money counting, the importance of savings and savings options are the key concepts introduced here. • An animation on banking tools is also shown to the children.
Opening of Savings account	<ul style="list-style-type: none"> • A list is prepared with the names of the children who do not have savings accounts. • The trainer then liaises with the branch team to facilitate the opening of accounts for these children if they wish to do so.
Savings Box	<ul style="list-style-type: none"> • Each child is provided with a savings box to promote the habit of savings.

In the year 2016–17, Parinaam registered 53,871 children into the program, of which 51,378 children participated from 332 Ujjivan branches across 20 states in India. A total of 16,031 savings accounts were opened for the children through the program.

The training has had a significant impact on the children; an internal assessment study revealed the following:

- 86% of the trained children started saving.
- 76% started goal based savings to fulfil their aspirations like buying cycles, watches, mobiles, computers, school bags, uniforms, books, fees, etc.
- 66% opened bank account
- 48% started to track their expenses
- 81% started controlling their unnecessary expenditure on sweets, toys etc.
- 26% use ATMs independently
- 24% started using their Bank accounts at least once a month
- Rs.255 is the average monthly savings of the children across the country

PAISON KI ABCD JOURNEY

For most of us having a bank account is as natural as breathing and we can't imagine surviving without our debit cards. Unfortunately, for millions of people in India who are unbanked or under banked the lack of financial awareness and trust in financial institutions impedes access to bank accounts.



Paison Ki ABCD Film

To help these millions, Parinaam with the support of Ujjivan Marketing Team created 'Paison Ki ABCD' - a financial literacy film and song directed by renowned Bollywood filmmaker Pradeep Sarkar and written by the Mudra DDB Team in Bangalore.

- The film was created to make the customers of Ujjivan understand the benefits of saving in a bank account and how to use the wide range of products and services Ujjivan Small finance Bank has to offer them. Services include simple documentation, doorstep services, one stop shop for all financial transactions, great customer care and goal based savings products.

- Ujjivan Small finance bank is a mass market bank and will treat everyone with respect and make banking a joyful experience. Teach our customers how to use banking products confidently using the latest technologies.
- The film has been created in 9 different languages to ensure that viewers all across India understand the Ujjivan experience.

The film is being screened during Bank Meetings, Mass Screenings, Branch Walk-throughs and during house visits to enable customers understand the importance of savings and start saving with Ujjivan Small Finance bank to achieve their goals.



My Goals with My Ujjivan Card

To inculcate goal-based savings behavior amongst Ujjivan customers, Parinaam has designed a Goal Based Commitment Card. This card helps the customers identify their short term and long-term goals, which could be, then linked to Ujjivan savings products like Fixed Deposit, Recurring Deposit & their regular Savings Account.

Ujjivan Small Finance Bank and Parinaam Foundation are committed to their long-standing vision of financial inclusion of the unserved and underserved. We will constantly strive to ensure our customers are financially 'included' through the development of resources that will speak to low income families through multiple touch points and will help them utilize financial products and services to improve their well-being.





Statutory Reports & Financials

Management Discussion & Analysis

Macro Outlook

The banking sector is poised for a radical change with the entry of differentiated banks – The Small Finance Banks (SFB) and the Payment Banks. The RBI granted 10 licenses for Small Finance Banks and 8 licenses for Payment Banks in FY2015-16 to give fillip to its financial inclusion efforts in the under served and the un served segments. As the Small Finance Banks are functioning under the overall framework of Draft Guidelines of the RBI for Small Finance Banks released in September 2016, Banking Regulations Act, RBI guidelines for Scheduled Commercial Banks, we expect further fine tunings to the regulations in line with the Small Finance Bank operations. The regulatory norms mandate a focus on small ticket lending in the financially excluded segments by necessitating loans below Rs.25 Lakh to form at least 50% of the overall loan book. While products offered would vary, the focus customer segment of the SFB operating model would be the economically active urban and rural poor and small self-employed customers. The government has taken several initiatives to boost the growth of Affordable Housing segment, including the 'Housing for All by 2022' scheme and the Interest Subsidy Scheme under the Pradhan Mantri Awas Yojana (PMAY). The MSE segment has also received a major stimulus through the Pradhan Mantri MUDRA Yojana. Asset base diversification to individual MSE and affordable housing loans would expand the business potential in these segments and balance growth across various segments for the microfinance industry thus making the business model more robust. The Small Finance Banks are expected to focus increasingly in these businesses.

Of the 10 SFB Licensees already 8 have commenced their operations. It is expected that the SFBs will bring in the latest technology and increasingly expand their business in unserved and underserved areas thus driving the mission of financial inclusion. Technology and innovation will be a great enabler and all players will have to leverage technology to widen their outreach for efficient delivery to the last mile

Financial & Business Highlights

Particulars	FY 2016-17
No. of Bank Branches accepting deposits	15
No. of Bank Branches not accepting deposits	442
Borrowers	3,566,993
Gross Loan Book (Rs. Crore)*	6,379.5
MFI Gross Loan Book (Rs. Crore)	6,224.6
Micro and Small Enterprise Gross Loan Book (Rs. Crore)	56.4
Affordable Housing Gross Loan Book (Rs. Crore)	98.6
Deposit Base (Rs. Crore)	206.4
CASA	1.5%
Credit Deposit Ratio	2846.6%
Employees	10,167
PAT (In Lakh)	3.50
Cost to Income Ratio	95.4%
GNPA	0.28%
Provision Coverage Ratio	89%

*Includes managed assets of Rs.508.3 Crore,

*The Gross Loan Book excludes Staff Loan amounting to Rs.4.5 crore

Ujjivan SFB closed its first two months of operations with a gross loan book of Rs.6379.5 Crore and a deposit base of

Rs. 206.4 Crore and posted a net profit of Rs.3.5 Lakhs. For the two months of banking operations, our cost to income ratio stood high at 95% on account of higher transition cost, increased finance cost to meet regulatory compliance, one time goodwill write off and impact of lower business volumes due to demonetization and transition. We earned a treasury income of Rs.19.7 Crore.

Liability Deposit

5 branches were opened during February as pilot branches. In these branches we closely reviewed the effectiveness of our products, processes, technology & marketing. The learning from these branches were incorporated in our other branches launched subsequently. In March'2017 we opened further 10 bank branches. In two months' time, these branches have contributed Rs.6.6 Crore of retail deposits (including staff deposits). Additionally, we have raised institutional deposit of Rs.199.8 Crore. Scaling up our deposit business will be a major focus area for this year. We shall follow a three pronged strategy for building our liability business. The first priority shall be sourcing higher ticket institutional/corporate deposits to rapidly scale up our deposit franchise and repay our high cost grandfathered loans, reducing overall cost of funds. The second priority is garnering deposits from our existing customers by offering them a bouquet of liability products. Our third focus will be on open market customers especially the un-served and the underserved who are essentially outside the formal banking system. Our products design is simple and easy to understand thereby enabling active participation by customers in these segments in the use of banking services. Paperless account opening, Biometric ATMs and access of bank account in center meeting using handheld devices are some of our key offerings, leveraging technology for faster delivery.

Treasury

Ujjivan Small Finance Bank has set up its banking treasury function consisting of the Front Office, Mid Office and the Back Office. The roles of each department have been defined in line with regulatory requirements. Treasury Front Office takes care of Asset Liability Management, Liquidity Risk, and Interest Rate Risk of the bank. Treasury Mid Office takes care of limit monitoring, regulatory reporting, MIS and policy review. Treasury Back Office takes care of accounting and reconciliation of treasury transactions.

Treasury has three focus area – (1) Maintaining SLR & CRR investments. (2) Raising wholesale funding and (3) participating in call market.

The Bank has ALCO, Investment Committee and Risk Management Committee to discuss and review the Treasury performance periodically. Treasury operations are regulated through Investment Policy, ALM Policy and Market Risk Policy. Treasury operations are controlled through various limits ie., Counter-party limit, Call Money market lending / borrowing limit, Interbank borrowing limits ensuring compliance with regulatory requirement along with other internal limits elaborated in treasury policies.

Ujjivan SFB has subscribed to FIMMDA membership and accesses the FIMMDA rates for valuation of securities.

Treasury recommends to ALCO the interest rates for retail / bulk deposit in line with the balance sheet gap. ALCO members review the same and fix the deposit interest rate periodically to attract deposits in required time buckets. Similarly, the lending rates of the bank are reviewed periodically in line with MCLR (Marginal Cost of funds and Lending Rate) model.

Treasury activities are undergoing Concurrent Audit. Treasury operations are accounted through Finacle treasury platform and all the products are automated in terms of interface between systems, facilitating seamless deals flows

The major focus for Treasury in this financial year will be to build a profitable and stable investment portfolio, ensuring that there is no adverse asset liability mismatch by raising funds from various sources including the interbank market and to reduce cost of funds.

Channels

Our multi-channel network of branches, hand held devices, ATMs, debit cards, internet banking, mobile banking and phone banking are geared towards efficient delivery of banking services to our customers. Quick and hassle free service with dignity, assisted services across multiple channels, graduating to 'self-service' model are our mantra for customer service.. Our Bank branches have been designed keeping in mind our target customer segments. They are functional, aesthetic, incorporating images of our cultural context to exude warmth in a formal setting. We have leveraged Technological innovations to simplify and expedite customer interactions. Use of CRM Solution will enable tracking of each lead till fulfillment stage. Use of handheld devices to open accounts at customer's doorstep will reduce the account opening TAT drastically. Our ATMs are easy to use and are biometric enabled, dispensing the need to remember ATM PINs. Our call centers do not use IVR thus offering our customers a personal and human touch. Our internet and mobile banking platform offers our customers a seamless banking experience. Our innovative delivery channels, coupled with an efficient payment system and supported by a focused financial literacy drive for our customers will help us move closer to offering "anytime, anywhere" financial services.

HR

Our Human Resource department played a significant role in our journey to a Small Finance Bank. 4000+ new staff members were on-boarded during 2016-17. Recruitment activities for all new positions including in new verticals such as Liabilities and Bank branches were conducted and closed on time. Our internal pool of existing staff was assessed, trained and absorbed in new bank specific roles. Assessment tests were conducted to select the suitable candidates internally before opening the positions for the public. Comprehensive SFB readiness trainings were conducted for various backend teams and front end staff. Learning modules were rolled out to acquaint all employees with important RBI regulations and banking norms, encouraging learning at their own pace. A detailed coverage on HR is available as a separate section in the Annual Report.

Risk

The robust risk governance and risk management structure of the parent NBFC MFI has been transitioned and enhanced as a Small Finance Bank to address the diverse risks in the context of a Small Finance Bank.

At the apex is the Board of Directors and Risk Management Committee of the Board. Policy measures relating to risk management emanate from the Board. The Bank identifies, assesses and comprehensively manages all risks through sound governance and control practices, efficient risk management framework and an elaborate process for capital calculation and planning.

The Bank has embedded a strong risk culture throughout the organization. The risk culture is designed to help reinforce the Bank's efforts by encouraging a holistic approach to the management of bank's risk, return, capital and reputation. Our risk management framework incorporates management of Credit, Market Risk and Operational Risk. We have a comprehensive infrastructure of Board approved policies,

procedures, people and technology to actively measure, monitor and report risk to the senior management and to the Board. The Bank has a separate Anti Money Laundering (AML) cell for transaction monitoring. All new processes and products introduced by the Bank have a rigorous due diligence process that includes a risk review before being formally introduced. The risk infrastructure is reviewed periodically for completeness, appropriateness and alignment to the changing risk environment within the economy and the business. Well before the commencement of the bank, all major board approved policies including Risk Management Policy, Credit Risk Management Policy, ALM and Market Risk Management Policy, Operational Risk Management Policy, Fraud Risk Management Policy, ICAAP Policy, and Investment Policy have been put in place.

IT

We have leveraged our existing IT ecosystems, integrating the same with robust core banking solutions ("CBS"), business intelligence, collection management and treasury management tools, customized for SFB operations, to optimize the costs of transition. We are using Finacle as our CBS, Acideas – for CRM Solution, iexceed to power our mobility solutions - Internet Banking, Mobile Banking & Handheld Banking Solutions. We are implementing SAS - Risk Management Solution. Information technology will be the key driver for efficient delivery of banking services to the unbanked and under-served in the current digitally evolved customer ecosystem. Our cyber security and disaster management systems are also well in place with a three way Data Center (DC), Disaster Recovery (DR) and Near Line Sight(NLS).

Branch Roll out- Infra

We commenced our banking operations in February 2017 with 5 branches in Bangalore and by the end of FY 2016-17, our network had grown to 15 fully serviced banking outlets with one banking outlet in Unbanked Rural Centre. As on 31st May, 2017 our branch network has expanded to 5 states, 16 districts with a total of 38 live branches. We are planning a phase wise roll out, converting our branches into fully serviced banking outlets over a period of three years leveraging the dispensation allowed by RBI vide their circular on rationalization of branch authorization policy dated 18th May 2017. By the end of FY 2017-2018, we plan to have approximately 150+ Bank branches,. Our phased network expansion will be cost optimal and help us effectively apply our learning from our experience to the new and existing branches

SFB – Way forward

The banking sector is on the cusp of a major revolution, with digital disruption radically changing consumer behavior and the entry of differentiated banks. The regulator and the government have proactively embraced the digital revolution with initiatives such as Unified Payments Interface, Bharat Bill Payments System, Aadhar based authentication, digital signature, eKYC, Jan Dhan Yojana, differentiated licenses for Payment banks and Small Finance Banks. The Small Finance Banks will be formidable incumbents, each with 5-10 years of track record of running viable and successful enterprises. Together they have combined loan book size exceeding Rs. 25,000 Crore and serve over 11 million customers across the country. The onboarding of these institutions into specialized banking will augur well for financial inclusion in the un-banked and under-served segments. The advent of fintech has caused a major disruption with technological innovations benefitting the customer ecosystem with new payment technologies, including multi-channel payment solutions, lower processing costs, lower turnaround times. The SFBs will have to leverage technological innovation in tandem with their wide outreach for efficient delivery to the last mile. Ujjivan has already set out on its mission to be the best institution to provide financial services to the un-served and underserved customers and transform to a bank serving the mass market.

Directors' Report

To the Members,

Your Directors take great pleasure in presenting the First Annual Report of Ujjivan Small Finance Bank Limited along with the audited financial statements, Auditors Report and business and operations of the Bank for the year ended March 31, 2017.

Overview

Ujjivan Small Finance Bank Limited ("hereinafter referred to as 'the Bank' or 'the Company'") was incorporated on July 04, 2016 at New Delhi as a public limited Bank under the Companies Act, 2013.

The Bank is a wholly owned subsidiary of 'Ujjivan Financial Services Limited' ('hereinafter referred to as 'UFSL').

UFSL was one amongst 10 companies in India, out of a total of 72 applicants, to receive in-principle approval from the RBI to set up a small finance bank ("SFB").

Pursuant to an application submitted by UFSL to the Reserve Bank of India ("RBI") on August 18, 2016 for grant of banking license in terms of Section 22 of the Banking Regulation Act, 1949, RBI has issued to 'Ujjivan Small Finance Bank Limited', the license No. MUM 123 dated November 11, 2016 to carry on Small Finance Bank business in India subject to the terms and conditions as mentioned in its letter dated November 11, 2016.

The Bank based on the Board's approval in its meeting held on December 08, 2016 and Shareholders' approval on December 30, 2016 has executed an agreement on January 12, 2017 to acquire the business undertaking of UFSL (the agreement hereinafter referred to as "the BTA"). Addendum agreement to the BTA was executed on February 09, 2017 which covers the price consideration and mode of discharge of consideration to UFSL. Accordingly, the business undertaking of UFSL was transferred as a going concern by way of a slump sale to the Bank on February 01, 2017 for a lump sum consideration without values being assigned to individual assets and liabilities. This was in line with the restructuring plan submitted by UFSL to the RBI and as disclosed by UFSL in its prospectus dated May 03, 2016.

Pursuant to the compliance of all the terms and conditions on which the licence was granted, the Bank commenced its operations as a Small Finance Bank with effect from February 1, 2017.

1. Financial Results

The directors' submit annual report of the Bank along with the audited financial statements for the financial year (FY) ended March 31, 2017.

(Rs. in Crore)

Particulars	For the Period from July 04, 2016 to March 31, 2017
Operating Income	212.71
Other Income	13.39
Total Income	226.10
Operational Expenses	55.57
Personnel Expenses	50.74
Finance Charges	109.36
Depreciation	5.10
Provision For Doubtful Debts	4.44
Total Operational Expenses	225.21
Profit/(Loss) Before Tax	0.89
Income tax	1.42
Deferred tax	(0.57)
Profit/(Loss) After Tax	0.04
Transfer to Statutory Reserve	0.01
Balance carried over to Balance Sheet	0.03

Key Ratios:

Particulars	March 31, 2017
Interest income as a percentage to working funds	2.52%
Non-interest income as a percentage to working funds	0.16%
Operating profit as a percentage to working funds	0.06%
Business (deposits plus gross advances) per employee (Rs.)	5,914,099
Profit per employee (Rs.)	34

Business Highlights:

- Launch of Banking Operations on 6th Feb 2017, 15 live branches were operational as of 31st Mar 2017.
- **Deposit Business Performance**
 - The Deposit business stood at Rs.206.41 Crore spanning 13,293 accounts at the end of March 2017
 - CASA stood at Rs. 3.23 Crore, of which staff savings/salary accounts constituted Rs.2.7 Crore
 - Time Deposits stood at Rs.3.3 Crore including Recurring deposits of Rs.0.01 Crore
 - Institutional Deposits stood at Rs.199.8 Crore
- **Financial Performance:**
 - Bank has achieved breakeven in the first two months of operations with a PAT of Rs.0.04 Crore
 - Higher cost to income ratio on account of transition, increased finance cost to meet regulatory compliances; one time write off of goodwill has impacted the overall profitability of the bank.
 - Treasury income of Rs.19.72 Crore in first two months of operations.
- **Credit Performance:**
 - Over all PAR at 10.2% in March 2017.
 - GL overall PAR: 10.2%, Unsecured IL PAR: 11.3%
 - GNPA (Par > 90 days) rose to 3.8% in March 2017 (0.28% with RBI dispensation)
- **Cost Efficiency:** Cost to Income Ratio at 95.4%
- **Rating:** The Bank received a credit rating of A+

Profitability: Pre-tax profits - Rs. 0.89 Crore and post- tax profits - Rs. 0.04 Crore for the period ended March 31, 2017

2. Dividend

The Bank has commenced its small finance bank operations effective from February 01, 2017 and has been in operation only for two months during the FY 2016-17 and has inadequate profit; hence the directors do not recommend any dividend for the FY 2016-17.

3. Investor Education and Protection Fund - Unclaimed Dividend

Unclaimed dividends are required to be transferred to the Investors Education and Protection Fund. Since the Bank has not declared any dividends from its incorporation, in terms of Section 125 of the Companies Act, 2013 ("the Act"), there is no unclaimed dividend relating to the FY 2016-17, which needs to be transferred to the Investors Education and Protection Fund.

4. Transfer to reserves

The Bank transferred Rs. 0.01 Crore to Statutory Reserves. Transfer of 25% of the Profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

5. Credit Rating

Please refer the table below for the credit ratings assigned to various instruments of the Bank

Instrument	Rs. in Crore	Rating
Certificate of Deposit	1,000.00	[ICRA] A1+
Short Term Fixed Deposit	1,000.00	[ICRA] A1+
Certificate of Deposit	1,000.00	CRISIL A1+
Short Term Fixed Deposit	1,000.00	CRISIL A1+
NCD	18.75	[ICRA] A+ (Stable)
NCD	25.00	[ICRA] A+ (Stable)
NCD	175.00	[ICRA] A+ (Stable)
NCD	225.00	[ICRA] A+ (Stable)
NCD	40.00	CARE A+ (Stable)

Instrument	Rs. in Crore	Rating
NCD	60.00	CARE A+ (Stable)
NCD	100.00	CARE A+ (Stable)
NCD	100.00	CARE A+ (Stable)
NCD	100.00	CARE A+ (Stable)
Long Term Borrowings	6,000.00	CARE A+ (Stable)

Note: UFSL has transferred all its NCDs to the Bank through novation in the month of February 2017. Also, all the debt portfolio of the Bank comprising of borrowings from banks / financial institutions etc were transferred to the Bank on February 01, 2017

Transfer of Listed Non-Convertible Debentures through Novation by UFSL to the Bank

UFSL in accordance with the terms of the transfer of its business undertaking and pursuant to the receipt of consents of the respective Debenture Trustees has transferred (novation of all rights and obligations of the Company) its below 9 (Nine) listed NCDs to the Bank through novation.

Sr. No	ISIN	Description of NCD	Maturity date	Amount (in Rs.)	Debenture Trustee
1.	INE334L07076	Secured Redeemable	30-Jul-19	400,000,000	IDBI Trusteeship
2.	INE334L07100	Secured Redeemable	28-May-19	600,000,000	IDBI Trusteeship
3.	INE334L07134	Secured Redeemable	20-Mar-17@	187,500,000	Catalyst Trusteeship *
4.	INE334L07126	Secured Redeemable	26-Dec-17	250,000,000	Catalyst Trusteeship *
5.	INE334L07142	Secured Redeemable	12-May-17	1,000,000,000	Catalyst Trusteeship *
6.	INE334L07167	Secured Redeemable	5-Aug-21	1,000,000,000	Catalyst Trusteeship *
7.	INE334L07159	Secured Redeemable	23-Jun-17	1,000,000,000	Catalyst Trusteeship *
8.	INE334L08017	Unsecured Redeemable	7-Oct-18	1,750,000,000	Catalyst Trusteeship *
9.	INE334L08025	Unsecured Redeemable	16-Nov-18	2,250,000,000	Catalyst Trusteeship *
	Total			8,437,500,000	

**Formerly known as GDA Trusteeship Limited, @ has been repaid on the maturity date*

Post the novation of the aforesaid NCDs by UFSL to the Bank, all references to UFSL's payment obligations in the Debenture Documents shall be read as references to the Bank to the extent legally applicable, and the Bank is to be considered as the debtor in respect of the outstanding debt.

Further all the rights, obligations and liabilities of UFSL in respect of the payment of the outstanding debt under the terms of the Debenture Documents has been assumed by USFB and any claims by the Debenture Trustee shall be made only against USFB and as per terms of the Debenture Documents.

The aforesaid novation / transfer of NCDs by UFSL to the Bank has been undertaken with the approval of BSE Limited and the terms & conditions including description of security, date of allotment, date of maturity, coupon rate, and face value of the aforesaid NCDs remains intact and bears the same respective ISINs.

6. Capital Adequacy

The Capital Adequacy Ratio of the Bank as of March 31, 2017 stood at 18.24% as against the minimum capital adequacy requirements of 15% stipulated by RBI.

7. Corporate Governance

A corporate governance report is provided separately and forms part of this Directors' Report.

8. Extract of Annual Return

In accordance with Section 134(3) (a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format (MGT-9) is appended as "**Annexure 1**" to the Board's Report.

9. No. of Meetings of the Board during the FY 2016-17

During the Financial Year 2016-17, our Board has met eleven times and the meetings of our Board of Directors were held on July 5, 2016; July 26, 2016; July 30, 2016; October 17, 2016; November 08, 2016; November 14, 2016; December 08, 2016; January 10, 2017; January 19, 2017; February 06, 2017 & March 27, 2017. For further details, please refer to the Corporate Governance Report, which forms part of this report.

10. Directors' Responsibility Statement

Pursuant to Section 134(3) (c) of the Companies Act, 2013, the Board of Directors of the Bank confirms and state that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- We had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and of the profit and loss of the Bank for that period;

- (iii) We had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Bank and for preventing and detecting fraud and other irregularities;
- (iv) We had prepared the annual accounts on a going concern basis;
- (v) We had laid down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
- (vi) We had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Bank, audit of internal financial controls and the reviews performed by management and the risk management and audit committee of the board, the Board is of the opinion that the Bank's internal financial controls were adequate and effective during the FY 2016-17.

11. Declaration by Independent Directors

The Bank has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent director envisaged in section 149 (6) of the Companies Act, 2013.

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act, stating that they meet the criteria of Independence as provided in section 149(6) of the Companies Act, 2013 and are not disqualified from continuing as Independent Directors.

12. Nomination and Remuneration Policy

The Bank pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy for the Bank which is disclosed on our website at the below link- <https://ujjivansfb.in/regulatory-policies.html>

13. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –

(i) By the auditor in his report;

Statutory Auditor

M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/N500016) has been appointed as the statutory auditors of the Bank for the FY 2016-17 vide the shareholders' approval accorded in the extraordinary general meeting of the Bank held on February 09, 2017 and pursuant to the approval of the RBI to hold office until the ensuing first AGM of the Bank.

Auditor's report

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report

(ii) By the Company Secretary in practice in his secretarial audit report;

Secretarial Auditor

Mr. K. Jayachandran, Practicing Company Secretary (ACS No. 11309 and Certificate of Practice No. 4031) was appointed as the Secretarial Auditor of the Bank to conduct secretarial audit of the Bank for the Financial Year 2016-17 as required under Section 204 of the Companies Act, 2013 and the Rules made thereunder. The secretarial audit report for FY 2016-17 is appended as "*Annexure 2*" to the Board's Report.

The observations in the said report are self-explanatory and no other comments and explanations are called for.

14. Particulars of loans, guarantees or investments under Section 186

Pursuant to Section 186 (11) of the Companies Act, 2013, the provisions of Section 186 of Companies Act, 2013 except Sub-section (1) do not apply to a loan made, guarantee given or security provided by a banking company in the ordinary course of business. The details of the investments are disclosed in Schedule-8 of the Financial Statements as per applicable provisions of Banking Regulation Act, 1949.

15. Transaction with related parties

Information on transaction with related parties pursuant Particulars of contracts or arrangements with related parties referred to in Section 188(1) in the prescribed form AOC -2 is appended as "*Annexure 3*" to the Board's Report.

16. The state of the Bank's affairs

The Bank was incorporated on July 04, 2016 as a wholly owned subsidiary of UFSL with its registered office situated in New Delhi, India

The Bank has commenced its operations as a Small Finance Bank with effect from February 1, 2017 with the launch of 5 Branches in Bangalore. As on March 31, 2017, the Bank has converted 15 of its existing 457 branches to Small Finance Bank branches.

The Bank offers a diverse range of asset and Liabilities products to cater to the specific requirements of its customers. The Bank's asset products can be classified as Group Loans and Individual Loans, MSE & Housing. Further, liabilities would include Savings & Current Account, Fixed Deposits, Recurring Deposits etc.

The outstanding deposit stood at Rs 206.41 Crore in 13,293 accounts as on March 31, 2017

The Bank has achieved breakeven within 2 months of its functioning with a profit of Rs 0.03 Crore. Further, the Bank has a current borrower base of 3,566,993 customers and strong employee strength of 10,167 as on March 31, 2017.

The Mission of the Bank is to become the best institution to provide financial services to the unserved and underserved customers and transform to a bank serving the mass market.

17. Material changes and commitments, if any, affecting the financial position of the Bank which have occurred between the end of the financial year of the Bank to which the financial statements relate and the date of the report;

None

18. The conservation of energy, technology absorption, foreign exchange earnings and outgo, in the manner as prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014

Conservation of energy and technology absorption

Since the Bank does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption are not applicable.

The Foreign Exchange earnings and outgo

There was no Foreign Exchange inflow and outflow during the FY 2016-17.

19. Development and implementation of risk management policy

The Risk Management Committee of the Bank consists of well experienced Directors from diverse background who bring in the best risk practices to the organization. The Risk Management Committee, which is required to meet every quarter, comprises of 5 Directors of which 4 are Independent Directors.

A dedicated team within the risk team is responsible for assessment, monitoring and reporting of operational risk exposures across the Bank.

The Bank's risk management framework is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously benchmarked with international best practices. The Board of Directors has an oversight on all the risks assumed by the Bank.

The Committee reviews the Risk Management Framework of the Bank and verifies adherence to various risk parameters and compliances. The Bank's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee reviews various risks which the organization is exposed to including Credit Risk, Interest Rate Risk, Liquidity Risk, Operational Risk and Regulatory Compliance issues. The Risk Committee approves and makes recommendations to the Board regarding all its risk-related responsibilities, including the review of major risk management and regulatory compliances.

The Bank has in place an effective risk management policy which highlights the functions, implementation and the role of the committee and the board.

20. Corporate Social Responsibility

The Bank was in operation only for a period of two months during the FY 2016-17 and was not required to spend towards the Corporate Social Responsibility. However, the Bank intends to formulate a comprehensive plan for Corporate Social Responsibility (CSR) programs for the future years and has constituted a CSR Committee of the Board and CSR Policy for effective implementation of the CSR programs and spends in future.

21. Board Evaluation

The board of directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations").

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination Committee of the Board at its meeting held on March 27, 2017. Evaluation formats and criteria of evaluation duly incorporated the criteria and other parameters as suggested by SEBI vide their guidance note on evaluation through their circular dated January 05, 2017. The main criteria on which the evaluations was carried out were Director's knowledge & expertise, specific competency and professional experience, board engagement and time commitment.

The performance of the board was evaluated by the board after seeking inputs from all the directors on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc.

The performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc.

The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

In a separate meeting of independent directors held on March 27, 2017, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of

executive directors and non-executive directors. The same was discussed in the board in their meeting that followed the meeting of the independent directors, at which the performance of the board, its committees and individual directors was also discussed. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

22. The details as required under Rule 8 of the Companies (Accounts) Rules, 2014

(i) The change in the nature of business, if any;

None

(ii) The details of directors or key managerial personnel who were appointed or have resigned during the year;

Sr. No.	Name	Designation	DIN/PAN	Date of Appointment/ Change/ Cessation	Reason
1	Mr. Samit Ghosh	MD & CEO	00185369	04-Jul-2016	Appointment
2	Mr. Sunil Vinayak Patel	Independent Director - Part-Time Chairman	00050837	04-Jul-2016	Appointment
3	Ms. Vandana Viswanathan	Non-Executive Director	05192578	04-Jul-2016	Appointment
4	Mr. Nandlal Sarda	Independent Director	00147782	27-Jul-2016	Appointment
5	Mr. Biswamohan Mahapatra	Independent Director	06990345	16-Jan-2017	Appointment
6	Mr. Luis Miranda	Independent Director	01055493	16-Jan-2017	Appointment
7	Mr. Prabal Sen	Independent Director	02594965	16-Jan-2017	Appointment
8	Mr. Anadi Charan Sahu	Non-Executive Director	06696504	01-Feb-2017	Appointment
9	Ms. Sudha Suresh	CFO	AUJPS6095G	26-Jul-2016	Appointment
10	Ms. Sudha Suresh	CFO	AUJPS6095G	31-Jan-2017	Resignation
11	Ms. Upma Goel	CFO	AEXPG0146E	01-Feb-2017	Appointment
12	Mr. Sanjeev Barnwal	Company Secretary	AHUPB6433D	26-Jul-2016	Appointment

(iii) The names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;

None

(iv) Deposits from public

During the year, the Bank has accepted deposits from public during the normal course of banking business. The details of the deposits are enumerated in the financial statement for the year ended March 31, 2017.

(v) The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Bank's operations in future;

None

(vi) The details in respect of adequacy of internal financial controls (IFC) with reference to the Financial Statements

In respect of internal financial control, the Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Bank's policies, the safeguarding of its assets, the timely prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Further, the management regularly reviews the control for any possible changes and takes appropriate actions.

23 Other disclosures

(i) Details of equity shares with differential rights

The Bank has not issued any equity shares with differential rights during the year

(ii) Details of sweat equity shares issued

The Bank has not issued any sweat equity shares during the year

(iii) Details of employee stock option scheme

None; however, the employees of the Bank are holding vested and unvested options under various ESOP Schemes of UFSL.

(iv) **Appointment of Independent Directors**

The Bank in compliance with the provisions of Section 149 has appointed Mr. Sunil Patel (DIN: 00050837) and Mr. Nandlal Sarda (DIN: 00147782) as the Independent Directors by the shareholders in their EGM held on July 27, 2016 and appointed Mr. Biswamohan Mahapatra (DIN: 06990345), Mr. Luis Miranda (DIN: 01055493), and Mr. Prabal Kumar Sen (DIN: 02594965) as the Independent Director, with the shareholders' approval at the EGM held on December 30, 2016 in accordance with the Act.

The Independent Directors have been appointed for a term of five years on the terms and conditions as mentioned in their appointment letters.

Director	Date of Appointment
Mr. Sunil Patel	04-Jul-2016*
Mr. Nandlal Sarda	27-Jul-2016
Mr. Luis Miranda	16-Jan-2017
Mr. Biswamohan Mahapatra	16-Jan-2017
Mr. Prabal Kumar Sen	16-Jan-2017

**Mr. Sunil Patel was appointed as the first director on July 04, 2016; however with the approval of the shareholders was appointed as the Independent Director on July 27, 2016*

The Bank has received the approval from the Reserve Bank of India for the appointment of all its Directors.

(v) **Vigil Mechanism**

The Bank in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the Bank's Code of Conduct. The Bank has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the whistle and ethics officer of the Bank.

Name and Address of the Whistle and Ethics Officer

Ms. Carol Furtado – Head HR (w.e.f. Feb 01, 2017)

Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Bangalore – 560095, Karnataka
Email- carol.furtado@ujjivan.com

Protected Disclosure against the Whistle and Ethics Officer should be addressed to the MD& CEO of the Bank and the Protected Disclosure against the MD &CEO of the Bank should be addressed to the Chairman of the Audit Committee.

Name and Address of MD & CEO of the Bank:

Mr. Samit Ghosh

Ujjivan Small Finance Bank Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block,
Bangalore - 560095
Karnataka
Email: samit.ghosh@ujjivan.com

Name and Address of the Chairman (Audit Committee):

Mr. Sunil Patel

2989/H, 12th Main Road, HAL, 2nd Stage Indira Nagar Bangalore 560008 KA IN
Email: cpcon.blr@gmail.com

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice. The whistle blower policy of the Bank is disclosed on our website at the below link-
<https://www.ujjivansfb.in/regulatory-policies.html>

a. Remuneration details of Directors, KMPs, employees

S r . No.	Particulars	Disclosures									
1.	The ratio of the remuneration of each Whole time director to the median remuneration of the employees of the Bank for the financial year	CEO & MD: 35.84x									
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	<table><tr><td>KMP</td><td>% increase in remuneration</td></tr><tr><td>MD</td><td>No increase</td></tr><tr><td>CFO</td><td>No increase</td></tr><tr><td>CS</td><td>No increase</td></tr></table>	KMP	% increase in remuneration	MD	No increase	CFO	No increase	CS	No increase	Bank has been in operation only for the month of February and March 2017.
KMP	% increase in remuneration										
MD	No increase										
CFO	No increase										
CS	No increase										
3.	The percentage increase in the median remuneration of employees in the financial year;	Nil									
4.	The number of permanent employees on the rolls of Bank	10,167									
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	No increase hence not applicable									
6.	Affirmation that the remuneration is as per the remuneration policy of the Bank	Yes									

A statement showing the name of every employee of the Bank, who-

- if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees ;
None
- if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
None
- If employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the Bank.
None

Information as per Rule 5(2) of Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The names of the top ten employees in terms of remuneration drawn as on March 31, 2017:

Employee Name	Designation and nature of Employment	Remuneration in FY 2016-17 (in Rs.) (Feb 01 2017 – Mar 31, 2017)	Educational Qualification and Experience in Years	Experience in Years	Date of Commencement of Employment	Age	Last Employment held	% of equity shares held	Whether relative of any director
Mr. Samit Ghosh	Chief Executive Officer & Managing Director	1,535,997	MBA	42	04-July-16@	67	Bank Muscat S.A.O.G, India	Nil*	No
Ms. Upma Goel	Chief Financial Officer	1,167,074	C.A.	19	01-Feb-17^	47	Larsen and Tourbo Holding Ltd	Nil	No
Mr. Ittira Davis	Chief Operating Officer	1,158,135	MBA	38	01-Feb-17^	62	Europe Arab Bank	Nil*	No
Mr. Santhosh Kr. G	Head of Liabilities & Financial Products	1,051,787	MBA	23	01-Feb-17^	45	Kotak Mahindra Bank	Nil	No
Ms. Carol Furtado	Head of HR & Service Quality	970,788	MBA	25	01-Feb-17^	45	Centurion Bank	Nil*	No
Mr. Balaji Parthasarathi	Chief Technology Officer	417,845	B-Tech and PGDBA	16	06-Mar-17	46	HP Enterprise	Nil	No
Mr. S. Aryendra (resigned w.e.f. April 01, 2017)	Head of Housing & MSE	935,318	MBA	37	01-Feb-17^	50	Tata Capital Housing	Nil	No
Mr. Subramanian Ravi	Head of Treasury	911,485	M.A.	35	01-Feb-17^	60	Freelance Bank-ing Consultant	Nil	No
Mr. Vijay Balakrishnan	Chief Marketing Officer	841,432	PGDM	25	01-Feb-17^	49	Tata Teleservices Ltd	Nil	No
Mr. Arunava Banerjee	Chief Risk Officer	849,332	CAIIB	38	01-Feb-17^	59	Remza Investment Company	Nil	No

* Holding 1 share each for and on behalf of UFSL

@ Mr. Samit Ghosh was the first director of the Bank and subsequent to the RBI approval, assumed his charge as the MD & CEO and drawing salary from the Bank w.e.f. February 01, 2017

^ All the above employees except Mr. Balaji Parthasarathi were employed with UFSL and has been transferred from UFSL to the Bank w.e.f. February 01, 2017

Compliance of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Bank is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has a prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

ACKNOWLEDGEMENT

Your Directors wishes to gratefully acknowledge the assistance and guidance received from the RBI, ROC, Investors, Banks, Auditors, Lawyers, Accountants, Suppliers, Partner NGOs, Institutions and Foundations, Police & Government Authorities, Advisors and all our well-wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff at all levels.

For and on behalf of the Board of Directors

Samit Ghosh
CEO & Managing Director
DIN: 00185369

Sunil Patel
Part Time Chairman & Independent Director
DIN: 00050837

Date: April 26, 2017
Place: Bangalore

Extract of Annual Return in Form MGT-9 as on the Financial Year ended on March 31, 2017

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

I. Registration and other details:

i)	CIN	:	U65110DL2016PLC302481
ii)	Registration Date	:	July 04, 2016
iii)	Name of the Company	:	Ujjivan Small Finance Bank Limited
iv)	Category / Sub-Category of the Company	:	Company limited by Shares/Non Govt. Company/Bank.
v)	Address of the Registered Office and Contact Details	:	Plot No. 2364 / 8, Khampur Raya Village Shadi Kampur, Main Patel Road New Delhi-110008
vi)	Whether Listed Company	:	No Equity Shares are not listed as on March 31, 2017; however, NCDs of the Company are listed with BSE.
vii)	Name, address and Contact Details Of Registrar And Transfer Agent, if any:	:	Karvy Computershare Private Limited Karvy Selenium Tower B, Plot No 31&32 Gachibowli, Financial District, Nanakramguda, Serilingampally Hyderabad – 500 008 P : +91 040 67161604 e-mail: mohsin.mohd@karvy.com Website: www.karvycomputershare.com
viii)	Debenture Trustees:	:	IDBI Trusteeship Services Limited Asian Building, Ground Floor, 17, R. Kamani Marg, Ballard Estate, Mumbai – 400 001 Contact Person: Ms. Ami Mehta Tel: 022- 40807032 E-mail ID: ami.mehta@idbitrustee.com Catalyst Trusteeship Limited (Erstwhile GDA Trusteeship Limited) Address: Office No. 83 – 87, 8th floor , ‘Mittal Tower’, ‘B’ Wing, Nari- man Point, Mumbai – 400021 Contact Person: Mr. Debasis Karmokar Tel: 022-49220507 Fax No.022-49220505 Email: debasis.karmokar@gdatrustee.com

II. Principal Business Activities of the Company

Banking & Financial Services

Sr. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Banking & Financial Services	64191	100%

III. Particulars of Holding, Subsidiary and Associate Companies -

100% owned by Ujjivan Financial Services Limited.

IV. Shareholding pattern (Equity Share Capital breakup as Percentage of Total Equity)

(i) Category wise Shareholding pattern (Equity Share Capital Break-up as percentage of total equity)

Category (I)	Category of Shareholder (II)	No. of Shares held at the beginning of the year (April 01, 2016)				No. of Shares held at the end of the year (March 31, 2017)				% Change during the year
		Demat	Physical	Total	% of Total	Demat	Physical	Total	% of Total	
(A)	Promoter and Promoter Group									
(1)	Indian									
(a)	Individuals/ HUF	-	-	-	-	-	-	-	-	-
(b)	Central Government	-	-	-	-	-	-	-	-	-
(c)	State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Bodies Corporate	-	-	-	-	-	1,440,036,800	1,440,036,800	100%	100%
(e)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(f)	Any Other	-	-	-	-	-	-	-	-	-
	Sub Total (A) (1)	-	-	-	-	-	1,440,036,800	1,440,036,800	100%	100%
(2)	Foreign									
(a)	NRIs - Individuals	-	-	-	-	-	-	-	-	-
(b)	Other Individuals	-	-	-	-	-	-	-	-	-
(c)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(d)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(e)	Any Other	-	-	-	-	-	-	-	-	-
	Sub Total (A) (2)	-	-	-	-	-	-	-	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	-	-	-	-	-	1,440,036,800	1,440,036,800	100%	100%
(B)	Public Shareholding									
(1)	Institutions									
(a)	Mutual Funds	-	-	-	-	-	-	-	-	-
(b)	Banks / Financial Institutions	-	-	-	-	-	-	-	-	-
(c)	Central Government	-	-	-	-	-	-	-	-	-
(d)	State Government	-	-	-	-	-	-	-	-	-
(e)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f)	Insurance Companies	-	-	-	-	-	-	-	-	-
(g)	FII's / Foreign Portfolio Investors	-	-	-	-	-	-	-	-	-
(h)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(i)	Any Other (specify)	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(1)	-	-	-	-	-	-	-	-	-
(2)	Non-institutions									
(a)	Body Corporate	-	-	-	-	-	-	-	-	-
(b)	Individuals									
(i)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	-	-	-	-	-	-	-	-	-
(ii)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	-	-	-	-	-	-	-	-
(c)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total (B)(2)	-	-	-	-	-	-	-	-	-
	Total Public Shareholding (B)= (B) (1)+(B)(2)	-	-	-	-	-	-	-	-	-
(C)	Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
	Total (A) + (B) + (C)	-	-	-	-	-	1,440,036,800	1,440,036,800	100%	100%

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			- % change in shareholding during the year
		No. of Equity Shares	% of total shares of the Bank	% of shares pledged / encumbered to total shares	No. of Equity Shares	% of total shares of the Company	% of shares pledged / encumbered to total shares	
1.	Ujjivan Financial Services Limited	-	-	-	1,440,036,800	100	Nil	NA

(iii) Change in Promoters' Shareholding

S r . No.	Shareholders Name	Shareholding at the beginning of the year*		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Ujjivan Financial Services Limited	50,000 (first subscription)	100%	50,000	100%
	Subscribed the Rights Issue of 109,986,800 Equity Shares of Rs. 10/- each of the Bank	109,986,800	100%	110,036,800	100%
	Allotment of Securities in discharge of the consideration for the acquisition of the business undertaking of UFSL	1,330,000,000	100%	1,440,036,800	100%

*the Bank was incorporated on July 04, 2016

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

100% owned by Ujjivan Financial Services Limited

(v) Shareholding of Directors and Key Managerial Personnel

Sr. No.	Name of the Shareholder	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the Company	No. of Shares	% of total shares of the Company
1.	Mr. Samit Ghosh	1*	Negligible	1*	Negligible
2.	Ms. Upma Goel	Nil	Nil	Nil	Nil
3.	Mr. Sanjeev Barnwal	Nil	Nil	Nil	Nil

*holding for and on behalf of Ujjivan Financial Services Limited

(vi) Indebtedness

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

(Rs. in Crore)

Indebtedness	Secured (TL/NCD) excluding deposits	Unsecured (TL/NCD)	Deposit *	Total Indebtedness
Indebtedness at the beginning of the financial year (01-04-2016)				
i) Principal Amount	-	-		-
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	-	-		-
Total (i + ii + iii)	-	-		-

Indebtedness	Secured (TL/NCD) excluding deposits	Unsecured (TL/ NCD)	Deposit *	Total Indebtedness
Changes in Indebtedness during the financial year				
Addition	5,261.94	1,554.00		6,815.94
Reduction	508.41	16.13		524.54
Net Change	4,753.53	1,537.87		6,291.40
Indebtedness at the end of the financial year (31-03-2017)				
i) Principal Amount	4,753.53	1,537.87		6,291.40
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	37.55	22.34		59.88
Total (i + ii + iii)	4,791.08	1,560.21		6,351.29

* Section 73 (1) of the Companies Act, 2013, states that the provisions of the said Act relating to acceptance of deposits by companies do not apply to a Banking Bank as defined in the Reserve Bank of India Act, 1934. Accordingly, information relating to the Bank's deposits is not disclosed in the table above. As per the applicable provisions of the Banking Regulation Act, 1949, details of the Bank's deposits have been included under Schedule 3 - Deposits, in the financial statements of the Bank.

(vii) Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole Time Directors and / or Manager:

Sl. No.	Particulars of Remuneration	Name of Managing Director	Total Amount (in Rs.)
1.	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	Mr. Samit Ghosh (February 01, 2017 till March 31, 2017)	1,535,997
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961		-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961		-
2.	Stock Option*		-
3.	Sweat Equity		-
4.	Commission - As % of profit - Other, specify		- -
	Total (A)		1,535,997
	Ceiling as per schedule V of the Companies Act, 2013	Remuneration within the ceiling prescribed under Section 198 and Schedule V of the Companies Act, 2013	

* Mr. Samit Ghosh is holding vested stock options of UFSL. However he did not exercise any option granted by UFSL during the two months. Gross Salary details pertain to the month of Feb-2017 & Mar-2017.

B. Remuneration to other directors:

Particulars of Remuneration	Name of Directors					Total Amount (in Rs.)
1) Independent Directors	Mr. Sunil Patel	Mr. Luis Miranda	Mr. Prabal Sen	Mr. Nandlal Sarda	Mr. Biswamohan Mahapatra	
• Fees for attending board and board committee meetings • Commission • Other, please specify	3,90,000	1,80,000	1,90,000	3,10,000	2,70,000	13,40,000
Total (1)	3,90,000	1,80,000	1,90,000	3,10,000	2,70,000	13,40,000

Particulars of Remuneration	Name of Directors		Total Amount
2) Other Non-Executive Directors	Mr. AC Sahu	Ms. Vandana Viswanathan	(in Rs.)
• Fees for attending board and board committee meetings • Commission Other, please specify	1,00,000	2,70,000	3,70,000
Total (B) = (1+2)			17,10,000
Total Managerial Remuneration			17,10,000
Overall ceiling as per the Act (sitting fees not to exceed Rs. 1,00,000 per meeting)	The Company is paying only sitting fees to Non-Executive Directors which is below the ceiling of Rs.1,00,000/- per meeting as prescribed under the Companies Act, 2013.		

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTd:

Sl. No.	Particulars of Remuneration	Name of Directors		Total Amount
1.	Gross Salary	Ms. Upma Goel CFO (Feb 01, 2017 till March 31, 2017)	Mr. Sanjeev Barnwal* Company Secretary	(in Rs.)
	(a) Salary as per provisions contained in section 17(1) of the Income-Tax Act, 1961	1,167,074	0	1,167,074
	(b) Value of perquisites u/s 17(2) of the Income-Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary u/s 17(3) of the Income-Tax Act, 1961	-	-	-
2.	Stock Option	-	0	-
3.	Sweat Equity	-	-	-
4.	Commission - As % of profit - Other, specify	-	- -	-
	Total (A)	1,167,074	0	1,167,074

* Mr. Sanjeev Barnwal is drawing remuneration from the holding company i.e. UFSL and has not received any remuneration from the Bank.

VII. Penalties / Punishment / Compounding of Offences:

There were no penalties, punishment or compounding of offences during the year ended March 31, 2017

Form No. MR-3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2017

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

**The Members,
 UJJIVAN SMALL FINANCE BANK LIMITED
 CIN: U65110DL2016PLC302481
 Plot No. 2364 / 8, Khampur Raya Village Shadi Kampur,
 Main Patel Road, New Delhi - 110008**

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **UJJIVAN SMALL FINANCE BANK LIMITED** having **CIN: U65110DL2016PLC302481** (hereinafter called “the Company”). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts /statutory compliances and expressing my opinion thereon.

Based on my verification of the UJJIVAN SMALL FINANCE BANK LIMITED books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2017 according to the provisions of to the extent applicable:

- (i) The Companies Act, 2013 ('the Act') and the Rules made there under and the relevant provisions of The Companies Act, 1956;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under to the extent applicable;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:-
 - (a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (d) The SEBI (listing obligations and disclosure requirements) Regulations, 2015.
- (vi) Following laws, Norms and Directions as applicable specifically to Small Finance Banks in the Private Sector(SFB):
 - (a) The Reserve Bank of India Act, 1934;
 - (b) The Banking Regulation Act, 1949;
 - (c) The Guidelines for Licensing of Small Finance Banks in the Private Sector;
 - (d) Operating Guidelines for Small Finance Banks;

I have also examined compliance with the applicable clauses of the following:

- (i) Listing Agreement for debt securities entered into by the Company with Bombay Stock Exchange, Mumbai;
- (ii) Secretarial Standards issued by The Institute of Company Secretaries of India.

During the period under review the Company has complied with the applicable provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above and labour laws.

I further report that:

Based on the information provided by the Company, its officers and authorized representatives, during the conduct of the audit and also on the review of the details, records, documents and papers provided, in my opinion, adequate systems and processes and control mechanism exist in the Company to monitor and to ensure compliance with applicable general laws like labour laws, competition law and environmental law.

The compliance of applicable financial laws, like direct and indirect tax laws, have not been reviewed in this Audit since the same have been subject to review by statutory financial audit and other designated professionals.

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors based on the approval from the Reserve Bank of India. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices are given to all the directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and at least one independent director was present wherein the Board meetings were held at a shorter notice to transact urgent matters and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions were carried unanimously and there were no dissenting views.

There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period:

1. The Company has obtained license from Reserve Bank of India under Section 22(1) of the Banking Regulation Act, 1949 to carry on Small Finance Bank business.
2. The Company has changed the location of the Books of Accounts, relevant books, papers, financial statements and statutory Registers of the Company from the registered office of the Company located at Plot No. 2364 / 8, Khampur Raya Village Shadi Kampur, Main Patel Road, New Delhi – 110008 to corporate office of the Company at Grape Garden, No.27, 3rd 'A' Cross 18th Main, 6th Block, Koramangala, Bangalore – 560 095 and the Company has obtained approvals from board of directors and the members.
3. The Company has obtained approvals from the members as per the applicable provisions of Section 180 of Companies Act, 2013 in the Extraordinary General Meeting held on 30th December, 2016 to borrow up to Rs. 10,000 Crore and to create charge on assets of the Company up to Rs. 6500 Crore.
4. The Company has altered the Capital Clause of its Memorandum of Association twice in the Extraordinary General Meetings held on 30th December, 2016 and 09th February, 2017.
5. The Company has entered into related party transactions with M/s. UJJIVAN FINANCIAL SERVICES LIMITED (CIN: L65999KA2004PLC035329), Holding Company and in which directors of the Company were interested, for acquiring the business of M/s. UJJIVAN FINANCIAL SERVICES LIMITED on a slump sale and the Company has obtained necessary approvals from the members in the Extraordinary General Meeting held on 30th December, 2016.
6. The Company has issued and allotted 109,986,800 Equity Shares of Rs. 10/-each for cash at par on rights issue basis on 30th July, 2016 and 1,330,000,000 Equity Shares of Rs. 10/- each and 200,000,000 Preference shares of Rs.10/- each at par for consideration other than cash on 10th February, 2017 on preferential basis and complied with the provisions of the Act.
7. The Company has listed redeemable secured non-convertible debentures (NCDs) in furtherance of novation of rights and obligations with respect to non-convertible debentures by Ujjivan Financial Services Limited in favour of the Company.
8. The Company has redeemed listed rated redeemable secured non-convertible debentures during the financial year.

Date: April 26, 2017

Place: Bangalore

K. Jayachandran

ACS No: 11309; CP No: 4031

Annexure A

To,

The Members,

UJJIVAN SMALL FINANCE BANK LIMITED

CIN: U65110DL2016PLC302481

Plot No. 2364 / 8, Khampur Raya Village Shadi Kampur,

Main Patel Road, New Delhi - 110008

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed, provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Date: April 26, 2017

Place: Bangalore

K. Jayachandran

ACS No: 11309; CP No: 4031

AOC-2

(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

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

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2017, which were not at arm's length basis.

2. Details of contracts or arrangements or transactions at arm's length basis:

a)	Name of the related party and nature of relationship	Ujjivan Financial Services Limited (UFSL). UFSL is the holding company of Ujjivan Small Finance Bank Limited holding 100% shares in the Bank. Parinaam Foundation Mr. Sailen Ghosh holds 90% Equity Shares in Parinaam Foundation is the son of Mr. Samit Ghosh Managing Director & CEO of Ujjivan Small Finance Bank Limited. Ms. Mallika Ghosh, the Executive Director of Parinaam Foundation is the daughter of Mr. Samit Ghosh.																																											
b)	Nature of contracts / arrangements / transactions	<table><tr><th>Items/Related Party</th><th>UFSL</th><th>Parinaam</th><th>total</th></tr><tr><td colspan="4">(Amount Rs. in Lakh)</td></tr><tr><td>Term Deposits*</td><td>10,000</td><td>0</td><td>10,000</td></tr><tr><td>Reimbursement of expenses - Amount Paid</td><td>144.06</td><td>0</td><td>144.06</td></tr><tr><td>Reimbursement of expenses - Amount Received</td><td>36.29</td><td>1.08</td><td>37.37</td></tr><tr><td>Inter Company Transfer- Amount Received</td><td>1,199.59</td><td>0</td><td>1,199.59</td></tr><tr><td>Investments</td><td>164,003.7</td><td>0</td><td>164,003.7</td></tr><tr><td>Interest accrued on Term Deposits</td><td>1.81</td><td>0</td><td>1.81</td></tr><tr><td>Rendering of Services</td><td>0</td><td>5</td><td>5</td></tr><tr><td>Total</td><td>175,385.4</td><td>6.08</td><td>175,391.5</td></tr></table> - *Term Deposits by UFSL are at prevailing market rates - All related party transactions are executed at arm's length pricing				Items/Related Party	UFSL	Parinaam	total	(Amount Rs. in Lakh)				Term Deposits*	10,000	0	10,000	Reimbursement of expenses - Amount Paid	144.06	0	144.06	Reimbursement of expenses - Amount Received	36.29	1.08	37.37	Inter Company Transfer- Amount Received	1,199.59	0	1,199.59	Investments	164,003.7	0	164,003.7	Interest accrued on Term Deposits	1.81	0	1.81	Rendering of Services	0	5	5	Total	175,385.4	6.08	175,391.5
Items/Related Party	UFSL	Parinaam	total																																										
(Amount Rs. in Lakh)																																													
Term Deposits*	10,000	0	10,000																																										
Reimbursement of expenses - Amount Paid	144.06	0	144.06																																										
Reimbursement of expenses - Amount Received	36.29	1.08	37.37																																										
Inter Company Transfer- Amount Received	1,199.59	0	1,199.59																																										
Investments	164,003.7	0	164,003.7																																										
Interest accrued on Term Deposits	1.81	0	1.81																																										
Rendering of Services	0	5	5																																										
Total	175,385.4	6.08	175,391.5																																										
c)	Duration of the contracts / arrangements / transactions	Business Transfer Agreement (BTA) dated 12-Jan-2017 & addendum to BTA dated 09-Feb-2017 for transfer of business undertaking of UFSL through a slump sale transaction.																																											
d)	Salient terms of the contracts or arrangements or transactions including the value, if any	Salient Terms of BTA & addendum to BTA Transfer of the business undertaking of UFSL through slump sale for a consideration of Rs 1,530 Crore discharged through issuance of equity shares of Rs 1330 Crore and 11% Non- Cumulative Preference share of Rs 200 Crore.																																											
e)	Date(s) of approval by the Board	December 08, 2016 and March 27, 2017																																											
f)	Amount paid as advances, if any	Nil																																											

Your Directors draw attention of the members to **Note 18.11** to the Financial Statements which sets out other related party disclosures

Corporate Governance Report

1. Bank's Philosophy on Corporate Governance

The Bank recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Bank's activities are carried out in accordance with good corporate practices and the Bank is constantly striving to better them and adopt the best practices.

In pursuing the Mission of "becoming the best institution to provide financial services to the unserved and underserved customers and transform to a bank serving the mass market", the Bank has been balancing its dual objectives of "social" and "financial goals since its inception. "Responsible financing", "ethical values" and "transparency in all its dealings with its customers, lenders, investors and employees" have been the cornerstone of its operations. Transparency in the decision making process has been providing comfort to all stakeholders, particularly the lenders and the Investors.

2. Board of Director's

The Bank is in compliance with the corporate governance provisions, as contained under the guidelines of Reserve Bank of India, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**") and the Companies Act, 2013, in connection with the following:

- a. the Board of Directors (the "**Board**");
 - b. the independent directors on the Board;
 - c. the Audit Committee;
 - d. the Stakeholders Relationship Committee;
 - e. the Governance, Nomination and Remuneration Committee; and
 - f. the Corporate Social Responsibility Committee.
 - g. the Risk Management Committee
 - h. the customer service committee
 - i. the wilful defaulter committee
 - j. the IT Strategy Committee
 - k. Special Committee of the board for fraud.
-
- i. As on March 31, 2017, the Board of Directors of the Bank consists of 8 directors out of which 1 (one) director is an executive director (Managing Director & CEO), 5 (five) are Independent Directors and 2 (two) are Non-Executive Directors. The Bank is in compliance with the Independent Directors requirement as per SEBI LODR Regulations and the Companies Act, 2013. The Board of Directors of the Bank has one woman director, Ms. Vandana Viswanathan.
 - ii. During the Financial Year 2016-17, our Board has met 11 times and the meetings of our Board of Directors were held on July 5, 2016; July 26, 2016; July 30, 2016; October 17, 2016; November 08, 2016; November 14, 2016, December 08, 2016, January 10, 2017; January 19, 2017; February 06, 2017 & March 27, 2017. There has not been a time gap of more than 120 days between any two meetings of the Board;
 - iii. No Director is related to each other
 - iv. 7 out of 8 board of directors of the Bank comprise of non-executive directors;
 - v. Every director has duly informed the Bank about the committee positions he/she occupies in other Companies;
 - vi. None of the directors of the Bank, is a member of more than ten committees, across all public limited companies in which he/she is a director; and
 - vii. None of the directors of the Bank is a chairman of more than five committees across all public limited companies in which he/she is a director.
 - viii. During the year, a separate meeting of independent directors was held on March 27, 2017. The Independent Directors inter alia, reviewed the performance of non-independent directors, Chairman and the Board as a whole.
 - ix. The terms and conditions of appointment of Independent Directors are disclosed on the website of the Bank.
 - x. The names and categories of the Directors on the Board, their attendance at the Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other public companies as on March 31, 2017 are given herein below. Other directorships do not include directorships of private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013. Chairmanships/ Memberships of Board Committees shall include Audit Committee and Stakeholders Committee only.

Name of the Director	Category	Number of Board Meetings during the Year 2016-17		Whether attended last AGM	Number of Directorships in other Public Companies		No of Committee positions held in other Public Companies	
		Held during their tenure	Attend- ed		Chairman	Member	Chairman	Member
Mr. Samit Ghosh DIN: 00185369	Managing Director and Chief Executive Officer	11	10	NA	-	-	-	-
Mr. Sunil Patel DIN: 00050837	Independent Director - Part- Time Chairman	11	11	NA	-	-	-	-
Ms. Vandana Viswanathan DIN: 05192578	Non-Executive Independent Director	11	11	NA	-	1	-	1
Mr. Nandlal Sarda# DIN: 00147782	Independent Director	9	7	NA	1	2	-	2
Mr. Biswamohan Mahapatra* DIN: 06990345	Independent Director	3	3	NA	-	2	1	-
Mr. Luis Miranda* DIN: 01055493	Independent Director	3	2	NA	-	1	-	-
Mr. Prabal Kumar Sen* DIN: 02594965	Independent Director	3	3	NA	-	1	-	-
Mr. Anadi Charan Sahu @ DIN: 06696504	Non-Execu- tive, Nominee Director	2	2	NA	-	-	-	-

Mr. Nandlal Sarda was appointed as the Independent Director w.e.f. Jul 27, 2016

* Mr. Biswamohan Mahapatra, Mr Luis Miranda & Mr Prabal Kumar Sen were appointed as Independent Director w.e.f. 16-Jan-2017

@ Mr. Anadi Charan Sahu was appointed as a Non-Executive Director w.e.f. 01-Feb-2017.

- xi. None of the Directors holds any equity shares in the Bank as on March 31, 2017 except that Mr. Samit Ghosh holds 1 equity share of the Bank for and on behalf of UFSL.

3. Committees of the Board

A. Audit Committee

- The Audit Committee of the Bank is constituted in line with the provisions of Section 177 of the Companies Act, 2013 and Regulation 18 of the SEBI LODR Regulations.
- The composition of the Audit Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Mr. Sunil Patel	Chairman - Independent Director	5	5
2.	Mr. Luis Miranda#	Independent Director	2	2
3.	Mr. Biswamohan Mahapatra#	Independent Director	2	2
4.	Mr. Nandlal Sarda @	Independent Director	5	5
5	Ms Vandana Viswanathan *	Non-Executive Director	3	3

@ Mr. Nandlal Sarda was inducted as the Director on July 27, 2016 and a member of Audit Committee w.e.f. July 30, 2016

* Ms. Vandana Viswanathan was inducted as the Director on July 04, 2016 and the member of the Audit Committee w.e.f. July 30, 2016. She ceased to be a member of Audit committee on January 19, 2017.

Mr. Biswamohan Mahapatra, Mr. Luis Miranda were inducted as a director on January 16, 2017 and a member of Audit Committee w.e.f. January 19, 2017. They were eligible to attend only 2 of the 5 meetings held during the year.

Of the above, all the members of Audit Committee are financially literate, as defined in the SEBI LODR Regulations; all the members have accounting or related financial management expertise.

- The Audit Committee has met 5 times during the year and the gap between two meetings did not exceed one hundred and twenty days. The Audit Committee meetings were held on December 08, 2016; January 10, 2017; January 19, 2017; February 06, 2017 & March 27, 2017.

iv. The terms of powers, role and terms of reference of the Audit Committee are in accordance with the Companies Act, 2013 and the SEBI LODR Regulations.

The scopes of the Audit Committee are:

- (1) oversight of the Bank's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (2) recommendation for appointment, remuneration and terms of appointment of auditors of the Bank;
- (3) approval of payment to statutory auditors for any other services rendered by the statutory auditors;
- (4) reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval, with particular reference to:
 - a) matters required to be included in the director's responsibility statement to be included in the board's report in terms of clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013;
 - b) changes, if any, in accounting policies and practices and reasons for the same;
 - c) major accounting entries involving estimates based on the exercise of judgment by management;
 - d) significant adjustments made in the financial statements arising out of audit findings;
 - e) compliance with legal requirements relating to financial statements;
 - f) disclosure of any related party transactions;
 - g) modified opinion(s) in the draft audit report;
- (5) reviewing, with the management, the quarterly financial statements before submission to the board for approval;
- (6) reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;
- (7) reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- (8) approval or any subsequent modification of transactions of the Bank with related parties;
- (9) scrutiny of inter-corporate loans and investments;
- (10) valuation of undertakings or assets of the Bank, wherever it is necessary;
- (11) evaluation of internal financial controls and risk management systems;
- (12) reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- (13) reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- (14) discussion with internal auditors of any significant findings and follow up there on;
- (15) reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
- (16) discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
- (17) to look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- (18) Periodic inspection report submitted by the RBI and Certificates/returns/reports to the RBI pertaining to the Audit Committee function
- (19) Annual Tax Audit statement and auditors report thereon
- (20) to review the functioning of the whistle blower mechanism;
- (21) approval of appointment of chief financial officer after assessing the qualifications, experience and background, etc. of the candidate;
- (22) The Audit Committee must ensure that an Information System Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the Bank.
- (23) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

The audit committee shall mandatorily review the following information:

- (1) management discussion and analysis of financial condition and results of operations;
- (2) statement of significant related party transactions (as defined by the audit committee), submitted by management;
- (3) management letters / letters of internal control weaknesses issued by the statutory auditors;
- (4) internal audit reports relating to internal control weaknesses; and
- (5) the appointment, removal and terms of remuneration of the internal auditor shall be subject to review by the audit committee.
- (6) statement of deviations as and when becomes applicable:
 - (a) quarterly statement of deviation(s) including report of monitoring agency, if applicable, submitted to stock exchange(s) in terms of Regulation 32(1) of SEBI (LODR) Regulations, 2015.
 - (b) annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of SEBI (LODR) Regulations, 2015.

B. Governance, Nomination and Remuneration Committee (Nomination Committee)

- i. For the remuneration of Directors, key managerial personnel and other employees, the Bank has constituted a Governance, Nomination and Remuneration Committee as per the requirements of Section 178 of the Companies Act, 2013, Regulation 19 of the SEBI LODR Regulations and relevant RBI circulars. The Nomination Committee has powers of formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending a policy relating to the remuneration for the directors, key managerial personnel and other employees as per the requirements of Regulation 20 of the SEBI LODR Regulations and relevant RBI circulars.
- ii. The composition of the Governance, Nomination and Remuneration Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held during their tenure	Attended
1.	Ms. Vandana Viswanathan	Chairman (Independent Director)	3	3
2.	Mr. Sunil Patel	Independent Director	3	3
3.	Mr. Biswamohan Mahapatra*	Independent Director	1	1
4.	Mr. Prabal Kumar Sen*	Independent Director.	1	1
5.	Mr. Nandlal Sarda#	Independent Director.	2	2

* Mr. Biswamohan Mahapatra & Mr Prabal Kumar Sen were inducted as the member of the Nomination Committee w.e.f. January 19, 2017 and were eligible to attend 1 of the 3 meetings held during the year.

Mr. Nandlal Sarda ceased to be the member of the Nomination Committee w.e.f. January 19, 2017. He was eligible to attend 2 out of the 3 meetings held during the year.

- iii. All of the members of the Nomination Committee are non-executive directors, and at least half of the members of the Governance, Nomination and Remuneration Committee are independent directors
- iv. The chairman of the Governance, Nomination and Remuneration Committee is an independent director.
- v. The Nomination Committee has met three times during the year on December 08, 2016; January 19, 2017 & March 27, 2017.
- vi. The scope of the Governance, Nomination and Remuneration Committee are:
 - (1) To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
 - (2) To ensure 'fit and proper' status of proposed/ existing Directors
 - (3) Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
 - (4) Whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
 - (5) To recommend to the Board the appointment and removal of Senior Management
 - (6) To carry out evaluation of Director's performance and recommend to the Board appointment / removal based on his / her performance.
 - (7) To recommend to the Board on (i) policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management and (ii) Executive Directors remuneration and incentive.
 - (8) conducting due diligence as to the credentials of any director before his or her appointment, and making appropriate recommendations to the Board, in consonance with the Dr. Ganguly Committee recommendations and the requirements of RBI.
 - (9) overseeing the framing, review and implementation of the Bank's Compensation Policy for Whole Time Directors/ Chief Executive Officers / Risk Takers and Control function staff for ensuring effective alignment between remuneration and risks.
 - (10) To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Bank subject to the provision of the law and their service contract;
 - (11) Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks,
 - (12) To devise a policy on Board diversity;
 - (13) To develop a succession plan for the Board and to regularly review the plan;
- vii. The Bank has a well-defined Nomination and Remuneration Policy which covers *inter alia* the criteria of evaluation of directors and the board, the remuneration of directors / KMPs and other senior management of the Bank.

- viii. During the year, the Bank based on the recommendation of the Nomination Committee fixed the sitting fees of the Non-Executive Directors (including Independent Directors) to Rs 50,000 per Board meeting and Rs. 40,000 for each Board Committee meetings.
- ix. The Details of the remuneration and sitting fees paid to the Directors has been given in the Board's Report.

C. Stakeholders Relationship Committee

- i. For redressing the grievances of the stakeholders, the Bank has formed Stakeholders Relationship Committee pursuant to resolution of the Board of Directors dated January 19, 2017 as per the requirements of Section 178 of the Companies Act, 2013, Regulation 20 of the SEBI LODR Regulations and relevant RBI Circulars.
- ii. The composition of the Stakeholders Relationship Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation	Number of meetings during the financial year 2016-17	
			Held	Attended
1.	Mr. Sunil Patel	Chairman (Independent Director)	1	1
2.	Ms Vandana Viswanathan	Non-Independent, Non-Executive	1	0
3.	Mr. Samit Ghosh	Non-Independent, Executive	1	1

- iii. The chairman of the Stakeholders Relationship Committee is a non-executive director of the Bank.
- iv. The Stakeholders Relationship Committee has met once during the year on February 10, 2017.
- v. The scope of the Stakeholders Relationship Committee are:
 - (1) To approve/refuse/reject registration of transfer/transmission of Shares in a timely manner;
 - (2) To authorise the issue, printing, signing of Share Certificates and Common Seal thereon post authorization from the Board of Directors of the Bank, issue of Duplicate Share Certificates and Share Certificates after Split / Consolidation / Rematerialization and in Replacement of those which are defaced, mutilated, torn or old, decrepit, worn out or where the pages on reverse for recording transfers have been utilized ;
 - (3) To authorise to sign and endorse the Share Transfers on behalf of the Bank;
 - (4) To monitor redressal of stakeholder's complaints/grievances including relating to non-receipt of allotment / refund, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc.
 - (5) To oversee the performance of the Register and Transfer Agents and to recommend measures for overall improvement in the quality of investor services.
 - (6) To perform all functions relating to the interests of security holders (shareholders and debenture holders) of the Bank and as assigned by the Board, as may be required by the provisions of the Companies Act, 2013 and Rules made thereunder, Listing Agreements (with respect to listed NCDs) with the Stock Exchanges and regulations issued by the SEBI or any other regulatory authority.
 - (7) To perform such other functions as and when authorised by the Board.

D. Corporate Social Responsibility Committee

- i. The Bank has constituted a Corporate Social Responsibility Committee as per the requirements of Section 135 of the Companies Act, 2013.
- ii. The Corporate Social Responsibility Committee has been constituted to formulate and recommend to the Board of Directors, a corporate social responsibility policy which shall indicate the activities to be undertaken by the Bank, recommend the amount of expenditure to be incurred on such activities and monitor the corporate social responsibility policy of the Bank from time to time.
- iii. The Committee did not meet during the FY 2016-17.
- iv. The composition of the Corporate Social Responsibility Committee is as under:

Sr. No.	Directors	Designation
1.	Mr. Prabal Sen	Independent Director
2.	Ms. Vandana Viswanathan	Non-Executive Director
3.	Mr. Nandlal Sarda	Independent Director

- v. The scope of the Corporate Social Responsibility Committee are:
 - a) To formulate and recommend to the board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Bank as specified in Schedule VII of the Companies Act, 2013 and make any revisions therein as and when decided by the Board;
 - b) To recommend the amount of expenditure to be incurred on the activities;
 - c) To Monitor the Corporate Social Responsibility Policy of the Bank from time to time; and
 - d) To do such other acts, deeds and things as may be directed by the board and required to comply with the applicable laws.
- vi. At least one of the members of the Corporate Social Responsibility Committee is an independent director;

E. Risk Management Committee

- i. The Bank has in place the Risk Management Committee in accordance with RBI guidelines on Corporate Governance.
- ii. The following are the main terms of reference of the Committee:
 - (1) Evaluate overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank.
 - (2) Identify, monitor and measure the risk profile of the bank.
 - (3) Develop policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks.
 - (4) Design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures.
 - (5) Monitor compliance of various risk parameters by operating Departments.
 - (6) Review the outsourcing functions of the Bank
 - (7) Review and monitor the compliance functions of the Bank
 - (8) Overview the functions and performance of the Risk Management Committee of the management

The Risk Management Committee should also oversee the following functions:

(A) Compliance Function

The Board would be responsible for ensuring that an appropriate compliance policy is in place in the bank to manage compliance risk and also overseeing its implementation. It has to ensure that compliance issues are resolved effectively and expeditiously by senior management with the assistance of compliance staff. If necessary, the Board may delegate these tasks to the Audit Committee of the Board (ACB) or a specific Board level Committee constituted for the purpose.

The Board considered it prudent to include the compliance function as one of the terms of reference of the Risk Management Committee;

(B) Outsourcing Function

I. RBI instructions

The Risk Management Committee of the Board should be responsible *inter alia* for: -

- (1) Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements;
- (2) Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
- (3) Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness and
- (4) Deciding on business activities of a material nature to be outsourced, and approving such arrangements.

(C) Management Supervisory Function

Monitoring of the exposures (both credit and investment) by the banks, review of the adequacy of the risk management process and upgradation thereof, internal control systems and ensuring compliance with the statutory / regulatory framework.

- iii. The Risk Management Committee was constituted on January 19, 2017 and no meetings of the committee were held during the two months of operations of the Bank during the Financial Year 2016-17.
- iv. The composition of the Risk Management Committee is as under:

Sr. No.	Directors	Designation
1.	Mr. Sunil Patel	Independent Director (Chairman)
2.	Mr. Luis Miranda	Independent Director
3.	Mr. Biswamohan Mahapatra	Independent Director
4.	Mr. Samit Ghosh	Non-Independent, Executive
5.	Ms. Nandlal Sarda	Independent Director

F. Customer Service Committee

- i. The Bank has in place the Customer Service Committee in accordance with RBI guidelines on Corporate Governance.
- ii. The main terms of reference of the Committee's function is to monitor the quality of customer service extended by the Bank and to attend to the needs of customers and to further the efforts of financial inclusion for the bank's customers.
- ii. The Customer Service Committee was constituted on January 19, 2017 and no meetings of the committee were held during the two months of operations of the Bank during the Financial Year 2016-17.

- iii. The composition of the Customer Service Committee is as under:

Sr. No.	Directors	Designation
1.	Mr. Samit Ghosh	Non Independent, Executive
2.	Ms Vandana Viswanathan	Non Independent, Non-Executive
3.	Mr. Prabal Sen	Independent

G. Human Resource & Compensation Committee (HR Committee)

- i. The Bank has in place a Human Resource and Compensation Committee.
- ii. The following are the main terms of reference of the Committee:
- (1) Review regularly and approve the Bank's program for executive and employee development.
 - (2) Develop, review and approve the principles guiding the Bank's executive compensation philosophies.
 - (3) Review annually and approve the Bank's compensation policy.
 - (4) Assure that the bonus plan is administered in a manner consistent with Bank's compensation principles and strategies including Bank's policies relating to executive management succession and executive organization development.
- iii. The Human Resource & Compensation Committee was constituted on January 19, 2017 and no meetings of the committee were held during the two months of operations of the Bank during the Financial Year 2016-17.
- iv. The composition of the HR Committee is as under:

Sr. No.	Directors	Designation
1.	Ms. Vandana Viswanathan.	Chairman (Non-Independent, Non-Executive)
2.	Mr. Samit Ghosh	Non-Independent, Executive
3.	Mr. Sunil Patel	Independent Director

H. IT Strategy Committee

- i. The Bank has in place an IT Strategy Committee in accordance with RBI guidelines on Corporate Governance.
- ii. The terms of reference of the Committee include the following:
- (1) Approving IT strategy and policy documents
 - (2) Ensuring that the management has put an effective strategic planning process in place
 - (3) Ratifying that the business strategy is indeed aligned with IT strategy
 - (4) Ensuring that the IT organizational structure complements the business model and its direction
 - (5) Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business
 - (6) Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable
 - (7) Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources
 - (8) Ensuring proper balance of IT investments for sustaining bank's growth
 - (9) Becoming aware about exposure towards IT risks and controls and evaluating effectiveness of management's monitoring of IT risks
 - (10) Assessing Senior Management's performance in implementing IT strategies
 - (11) Issuing high-level policy guidance (e.g. related to risk, funding, or sourcing tasks)
 - (12) Confirming whether IT or business architecture is to be designed, so as to derive the maximum business value from IT
 - (13) Overseeing the aggregate funding of IT at a bank-level, and ascertaining if the management has resources to ensure the proper management of IT risks
 - (14) Reviewing IT performance measurement and contribution of IT to businesses (i.e., delivering the promised value)
- iii. The IT Strategy Committee was constituted on January 19, 2017 and no meetings of the committee were held during the two months of operations of the Bank during the Financial Year 2016-17.
- iv. The composition of the IT Strategy Committee is as under:

Sr. No.	Directors	Designation
1.	Mr. Nandlal Sarda	Independent Director (Chairman)
2.	Mr. Luis Miranda	Independent Director
3.	Mr. Sunil Patel	Independent Director

I. Review Committee of Wilful Defaulters

- i. The Review Committee of wilful defaulter was constituted in accordance with RBI guidelines on Corporate Governance to review decisions taken by the identification committee for identification of wilful defaulter/borrower).

- ii. The review committee of wilful defaulter was constituted on January 19, 2017 and no meetings of the committee were held during the two months of operations of the Bank during the Financial Year 2016-17.
- iii. The composition of the review committee of wilful defaulter and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation
1.	Mr. Samit Ghosh	Chairman (Non-Independent, Executive)
2.	Mr. Luis Miranda	Independent Director
3.	Mr. Biswamohan Mahapatra	Independent Director

J. Fraud Committee (Special Committee of Board for Monitoring High Value Frauds)

- i. The Fraud Committee was constituted in accordance with RBI guidelines on Corporate Governance to monitor and follow up cases of frauds involving amounts in excess of Rs 1 Crore.
- ii. The Fraud Committee was constituted on January 19, 2017 and no meetings of the committee were held during the two months of operations of the Bank during the Financial Year 2016-17.
- iii. The composition of the Fraud Committee and the details of meetings attended by its members are given below:

Sr. No.	Directors	Designation
1.	Mr. Samit Ghosh	Non-Independent, Executive
2.	Mr. Luis Miranda	Independent Director
3.	Mr. Biswamohan Mahapatra	Independent Director

K. Independent Director's Meeting

- i. In compliance with Schedule IV to the Companies Act, 2013 and regulation 25(3) of the SEBI Listing Regulations, 2015, the independent directors held their separate meeting on March 27, 2017, in full attendance, without the attendance of non-independent directors and members of Management, inter alia, to discuss the following:
 - review the performance of non-independent directors and the Board as a whole;
 - review the performance of the Chairperson of the Bank, taking into account the views of executive directors and non-executive directors;
 - assess the quality, quantity and timeliness of flow of information between the Bank Management and the Board that is necessary for the Board to effectively and reasonably perform their duties;

4. General Meetings of Shareholders

- i. The Bank was incorporated on July 04, 2016 and will be holding its first AGM.
- ii. The Bank held three Extraordinary General Meetings of the shareholders during the FY 2016-17 on July 27, 2016, December 30, 2016 and February 09, 2017.
- iii. No resolutions was passed through postal ballot during FY 2016-17

5. Means of Communication

The Bank's equity shares are not listed as on March 31, 2017 and hence the SEBI Listing Regulations pertaining to equity shares are not applicable. However, the Bank always has an operational website <https://www.ujjivansfb.in/> wherein *inter alia* our half yearly and annual financials will be placed.

6. Managing Director and Chief Financial Officer Certification

As required under Regulation 17 read with Part B of Schedule II of the Listing Regulations, the MD and CFO certification on the Financial Statements, the Cash Flow Statements and the internal financial reporting has been obtained from Mr. Samit Ghosh, Managing Director and Ms. Upma Goel, Chief Financial Officer. The said certificate is a part of this Annual Report.

7. Other Disclosures

- i. Related Party Transactions
The Bank has entered into related party transactions. Related party transactions were approved by the Audit Committee and the Board. The Bank has a policy on materiality and on dealing with related party transactions which has been uploaded on our website at the link <https://www.ujjivansfb.in/regulatory-policies.html>
- ii. Details of non-compliance by the listed entity, penalties, strictures imposed on the listed entity by stock exchange(s) or the board or any statutory authority, on any matter related to capital markets, during the last three years;
Nil
- iii. The Bank in compliance with Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the Bank's Code of Conduct or Ethics Policy. No person has been denied access to the Audit Committee. The Whistle Blower policy has been uploaded on our website at the link <https://www.ujjivansfb.in/regulatory-policies.html>
- iv. As the Bank has no subsidiary as on date, the requirement of formulating a specific policy on dealing with material subsidiaries does not arise.
- v. The Bank is compliance with the corporate governance requirements specified in regulation 17 to 27 of SEBI Listing Regulations and has an operational website <https://ujjivansfb.in> wherein the information as required under Regulation 46 of the SEBI Listing Regulations has been disseminated.

CEO / CFO CERTIFICATION

To,

The Board of Directors

Ujjivan Small Finance Bank Limited

Subject: Compliance Certificate as required under Regulation 17(8) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

We hereby certify that:

- A.** We have reviewed financial statements and the cash flow statement for the financial year 2016-17 and that to the best of our knowledge and belief:
 - (1) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (2) These statements together present a true and fair view of the Bank's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- B.** There are, to the best of our knowledge and belief, no transactions entered into by the Bank during the year which are fraudulent, illegal or violative of the Bank's code of conduct.
- C.** We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Bank pertaining to financial reporting and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- D.** We have indicated to the auditors and the Audit committee
 - (1) significant changes in internal control over financial reporting during the year;
 - (2) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - (3) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Bank's internal control system over financial reporting.

Samit Ghosh
Managing Director & CEO
DIN: 00185369

Upma Goel
Chief Financial Officer

Date: April 26, 2017
Place: Bangalore

Basel – Pillar III Disclosures

- March 31, 2017

Ujjivan Small Finance Bank Limited (hereinafter referred to as the 'Bank' or 'USFB') is a private sector bank domiciled in India and incorporated on July 4, 2016 under the provisions of the Companies Act, 2013. It is licensed by the Reserve Bank of India to operate as a Small Finance Bank under the Banking Regulation Act, 1949 in terms of its letter marked DBR.NBD. (SFB-USFL) NO.5443/16.13.216/2016-17 dated November 11, 2016. Formal banking operations commenced from 6th February, 2017 with the opening of five bank branches in Bangalore. The Bank has plans to progressively convert its existing Asset Centres into bank branches. It provides retail banking services and a wide range of financial services to economically active poor in urban and semi urban areas. The Bank is headquartered in Bangalore and has regional offices in New Delhi, Kolkata and Pune. There are no foreign operations of the Bank.

As per the Agreement to Transfer Business Undertaking (hereinafter referred to as 'BTA') dated January 12, 2017 Ujjivan Financial Services Limited (UFSL), the parent holding company of the Bank, transferred its business undertaking by way of a slump sale on a going concern basis to USFB with effect from February 01, 2017. In terms of the operating guidelines issued by the Reserve Bank of India (RBI) for Small Finance Banks (SFBs), all SFBs are required to follow the Basel II Standardized Approach for Credit Risk. Guidelines with regard to capital charge by SFBs for Operations Risk and Market Risk are awaited from RBI.

As per the capital adequacy framework, SFBs are required to maintain a minimum capital adequacy of 15 per cent of their Risk Weighted Assets (RWA). USFB has, in computing its capital adequacy, applied the more stringent principles applicable to Basel III and as stipulated by RBI in its Master Circular RBI/2015-16/58 DBR.No.BP.BC.1/21.06.201/2015-16 dated 1st July 2015. However, for its mandatory disclosures in the Balance Sheet as at 31.3.2017, the Bank has provided for capital computation under both Basel II and Basel III. The Bank has also provided capital charge for Market Risk and Operational Risk, using the Standardized Approach and Basic Indicator Approach (BIA) respectively, like all other Scheduled Commercial Banks.

In compliance with the Pillar 3 disclosures required by the Basel Committee for Banking Supervision, this document covers the capital adequacy status of USFB as at 31 March 2017. It also describes the risk process and governance at the Bank to effectively on-board, monitor, measure and report risk.

I. Scope of Application – Parent and Subsidiary Companies

USFB is a domestic company as required by the RBI and is wholly owned by USFL, its parent holding company, which is registered as an NBFC. An application for registration of the parent as a CIC-NBFC is pending the approval of RBI. The Bank does not have any subsidiary nor does it have any interest in any insurance entity. All the disclosures in this document pertain to that of USFB as a standalone entity.

II. Capital Adequacy

Credit Risk and Operational Risk are the two major risks that the Bank faces in its operation. In its transition from an NBFC-MFI to an SFB, management of Market Risk and Liquidity Risk assumes great importance.

The business of the Bank, as transferred from its parent under a BTA dated January 12, 2017 and as approved by the Board of Directors, comprises assets including Joint Liability Group (JLG) loans under the group guarantee scheme, a small individual lending portfolio and loans to Micro and Small Industries (MSE) and to the affordable housing sector. Newer retail banking and liability processes have been introduced upon commencement of its banking operation. The Bank is also exploring the introduction of select retail lending products in the market.

The robust risk governance and risk management structure of the parent NBFC, which was evidenced by the consistently excellent credit quality of its portfolio, has been transitioned and enhanced as an SFB to address the diverse risks in the new processes in the changed scenario.

At the apex is the Board of Directors and Risk Management Committee of the Board. Policy measures relating to risk management emanate from the Board.

The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through sound governance and control practices, robust risk management framework and an elaborate process for capital calculation and planning.

In line with the directions of the RBI for capital charge under the Basel III framework, the Bank has used Risk Weighted Assets (RWA) as defined by RBI on all applicable balance sheet assets and off balance sheet assets and contingents, and on its AFS portfolio. In the absence of any guidelines, capital charge for Operational Risk has been calculated on the basis of Gross Income for the period of operation only.

The Bank had an authorised capital of Rs. 1,70,000 Lacs out of which Tier- I capital was Rs. 1,57,054.04 Lakh, as on March 31, 2017.

Based on RBI guidelines on capital adequacy, the CRAR of the Bank as on March 31, 2017 using the Basel III principles and including capital charge for both Operational Risk and Market Risk was 18.24% against the minimum regulatory requirement of 15%. When the RBI guidelines applicable to Basel II framework are applied, the Bank had a capital adequacy of 19.53%. The Bank is therefore well capitalised.

Break up of capital funds (using Basel III disclosures only):-

(Rs. in Lakh)

Capital Funds		
S. No	Position as on 31st March 2017	Amount
A	Tier I Capital	
A.1	Paid-up Share Capital	1,44,003.68
A.2	Reserves	3.51
A.3	Innovative Tier 1 Capital instruments	20,000.00
A.4	Minority Interest	-
B	Deductions	
B,1	Investments in instruments eligible for regulatory capital of financial sub-sidiaries/associates	-
B,2	Securitisation exposures including credit enhancements	-
B,3	Deferred Tax Assets	-
B,4	Good will and Adjustments for less liquid position.	6,378.47
B,5	Prepaid Expenses	574.68
C	Net Tier 1 Capital	1,57,054.04
D	Tier II Capital	
D.1	General Provisions	10,961.39
D.2	Upper Tier 2 capital instruments	2,166.67
D.3	Lower Tier 2 capital instruments	-
E	Deductions	
E.1	Investments in instruments eligible for regulatory capital of financial sub-sidiaries/associates	-
E.2	Securitisation exposures including credit enhancements	-
F	Net Tier 2 Capital	13,128.05
F	Total Eligible Capital	1,70,182.09

Break up of Capital Requirements:-

(Rs. in Lakh)

Capital Requirements for Various Risks		
SN	Capital Requirements for various Risks	Amount
A	Credit Risk	
A.1	For non-sec portfolio	1,23,911.69
A.2	For Securitized portfolio	7,624.95
B	Market Risk	
B.1	For Interest Rate Risk	2,116.47
B.2	For Equity Risk	-
B.3	For Forex Risk (including gold)	-
B.4	For Commodities Risk	-
B.5	For Options risk	-
C	Operational Risk	6,359.14
D	Total Capital Requirement	1,40,012.25
E	Total Risk Weighted Assets	9,33,415.00
F	Total Capital Funds of the Bank	1,70,182.09
Capital Adequacy Ratios		
A	Common Equity Tier - 1	14.68%
B	Tier – 1	16.83%
C	Tier – 2	1.41%
D	Total CRAR	18.24%

The Bank is in the process of developing an Internal Capital Adequacy Assessment Process (ICAAP) to cover risks over and beyond what is envisaged under Pillar 1 of the Basel Committee guidelines. This will cover the full year operation for the ensuing financial year.

For its capital adequacy calculation as at 31.3. 2017 under Basel III guidelines the Bank has also taken into cognizance assets under lien for its “grandfathered” portfolio of legacy borrowings and applied an additional RWA of 25% to these assets. This portfolio is progressively being paid down and will not be replaced. The capital adequacy position will therefore improve commensurately. Likewise, the securitized portfolio which was transferred under the BTA, was treated as an on balance sheet asset because of the implicit support and RWA applied accordingly. This will fall away with consequential improvement in capital adequacy. The Bank has no plans for the present to originate any further securitisation transactions.

As earlier stated, pending guidelines for the RBI, the Bank has computed RWA for Operational Risk using the BIA principles. The additional capital charge on account of this process totalled Rs. 6359.14 Lakhs. Likewise, capital charge on account of the small AFS portfolio that the Bank had on its books as at 31.3.2017 amounted to Rs. 2116.47 Lakh.

III. Risk Management at Ujjivan Small Finance Bank

A. Risk Culture

The Bank has embedded a strong risk culture throughout the organization. A strong risk culture is designed to help reinforce the Bank’s efforts by encouraging a holistic approach to the management of risk and return throughout the organization as well as the effective management of the Bank’s risk, capital and reputation. The Bank is involved in risks in connection with its businesses and the following principles underpin the risk culture within the organization:

- Every risk taken is approved within the risk appetite of the Bank;
- Risk is taken within a defined risk limit. These are constantly refined at periodic intervals;
- Risk is continuously monitored and managed at a granular level, both for the Bank’s credit portfolio and the operational risk that it is exposed to;

Employees at all levels are responsible for the management and escalation of risks. This is within a framework of risk limits and risk strategy as approved by the Board and communicated by the Bank’s senior management. There are clear and defined roles and responsibilities in this regard.

B. Risk Infrastructure

USFB has a comprehensive infrastructure of Board approved policies, procedures, people and technology to actively measure, monitor and report risk to the senior management and to the Board. As it has transitioned from an NBFC- MFI to an SFB, the Bank has invested considerably in technology. Under implementation as at the yearend were the Asset Liability Management (ALM) and Enterprise Governance Risk and Compliance (EGRC) modules procured from SAS. UAT on both processes are to commence from June this year. Once implemented, the reporting of liquidity risk and operational risk parameters will be automated from data derived from the Bank’s core banking system. This will aid in the automatic generation of daily liquidity reports and cash flows for management purposes and also in submission of regulatory returns. To address the risks in on boarding liability customers, the Bank has implemented the Regulated Entity (RE) module from Posidex. This has included the scan of its existing data base of asset customers and all new on boarding. The Bank has a separate Anti Money Laundering (AML) cell for transaction monitoring. Here again, the SAS AML tool provides the required technology infrastructure.

This risk infrastructure is reviewed on a periodic basis for completeness, appropriateness and alignment to changing risk within the economy and the business. The robust review mechanism of the Bank that results in policy initiatives and increased control measures where appropriate is evidenced by the collection efficiency of its JLG portfolio, following the effects of demonetization.

C. Risk Governance

The Bank has set up a robust risk governance framework based on the following key principles:

- While the Board of Directors is responsible for overall governance and oversight of core risk management activities, execution strategy is delegated to the Risk Management Committee of the Board (RMCB). At a management level, there are separate committees for Credit Risk, Operations and IT Risk and ALCO. All these committees meet at monthly intervals;
- Segregation of duties across the ‘three lines of defence’ model, whereby front-office functions, risk management and oversight and Internal audit roles are played by functions independent of one another;
- Risk strategy is approved by the Board and reviewed on an annual basis;
- All major risk classes are managed through focused and specific risk management processes. These risks include credit risk, market risk, operational risk and liquidity risk;
- Policies and processes are in place and regularly enhanced to enable the risk management capability;
- All new processes and products introduced in the Bank have a rigorous due diligence process that includes a risk review before these are formally introduced.

IV. Credit Risk

A. Credit Risk Management

A significant part of USFB’s business is based on the JLG lending model for providing collateral free, small ticket-size loans to economically active poor women. The Bank has adopted an integrated approach to lending, which combines a high customer touch-point typical of microfinance, with the technology infrastructure and related back-end support functions similar to that of a retail bank.

In addition to the microfinance portfolio, the Bank has a small and growing portfolio of small ticket individual loans granted mainly to its erstwhile microfinance customers. These are customers who have had a good track record with the Bank and whose business requirements have grown such that these cannot be catered to within the parameters of microfinance loans. The Bank also has a small portfolio of loans to the affordable housing sector and to Micro and Small Enterprises (MSE). A majority of the credit portfolio of the Bank is unsecured.

B. Credit Risk Monitoring and Reporting

Credit risk is managed through a framework that sets out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the business function and approvers in the credit risk function. Board approved credit policies and procedures mitigate the Bank's prime risk - default risk.

The Unsecured Credit function specifically manages and monitors the microfinance business (JLG) and Individual Loans through an independent loan underwriting and approval process. Credit risk monitoring for the unsecured lending portfolio is undertaken in the following way:

- Field credit teams ensure implementation of various policies and processes through random customer visits and assessment, training of branch staff on application errors, liaison with other institutions to obtain necessary information/loan closure documents, as the case may be, and highlight early warning signals and industry developments enabling pro-active field risk management. The efforts of the field credit team are supplemented by that of the strong Internal Audit framework of the Bank. This is primarily audit of field and branch banking processes, including the credit sanction and disbursement process. Any breach is highlighted and corrective measures initiated;
- Branch specific credit limits for JLG business have been formulated that define credit limits for various occupations thereby addressing exposure and concentration risks. The limits so drawn ensure approvals in accordance with customer's maturity in the lending system, vintage with USFB, primary occupation of the family and their locale. The entire policy suite thus enables robust customer selection and assessment;
- Portfolio analysis and reporting is used to identify and manage credit quality and concentration risks. Monthly branch credit performance score cards have been implemented to ascertain the health of the branch portfolio. These score cards capture critical portfolio quality parameters such as loan application error rates, arrears, collections and write offs. The lending limits for branches are adjusted based on these scores.

Credit risk monitoring for the Bank for MSE and the affordable housing sector is broadly done at two levels – account level and portfolio level. Account monitoring aims to identify weak accounts at an incipient stage to facilitate corrective action. Portfolio monitoring aims towards managing risk concentration in the portfolio as well as identifying stress in certain occupations, markets and states.

The Bank has also established an Early Warning System (EWS) to identify and act on signs of early sickness in the loan accounts and take necessary corrective action. Such accounts, where potential distress has been identified, are included and maintained in a watch list and reviewed on a periodic basis by the business and underwriting units so that suitable steps can be taken for mitigation of risk. The Bank also actively monitors its credit portfolio on non-stress related factors, such as concentration risk and program limits.

C. Special Mention Accounts

A system of early recognition with timely and adequate intervention forms the focus of the approach in dealing with slippage of NPAs. In this context, the RBI has suggested introduction of an asset category between 'standard' and 'sub-standard' for internal monitoring and follow up. This asset category is known as 'Special Mention Accounts (SMA)'. The SMA has potential weakness and hence deserves close management attention which can be resolved through timely remedial action. If left uncorrected, the potential weaknesses in the said asset may result in deterioration in the asset classification.

In conformity with the prudential norms of the RBI, and its Board approved policy, the Bank makes provisions on its Special Mention Accounts. The provisioning norms are applied on a time bucket basis. Time bucket is determined from the date the account becomes overdue.

D. Classification of Non-Performing Assets (NPA) and Provisions on Loans

The Bank classifies its advances into performing and non-performing asset in accordance with the extant RBI guidelines and its Board approved policies. The Bank makes general provisions on all standard advances based on the rates approved by its Board. The provision on standard asset is not reckoned with for arriving at net NPAs and is not netted off from gross advance.

Specific loan loss provisions in respect of non-performing advances are made based on management's assessment of the microfinance business (JLG), Individual loans and MSE and the affordable housing sector subject to the minimum provisioning level prescribed by the RBI.

E. Exposure Summary

The following section provides details of all risk exposures held at USFB as at 31.3.2017.

By Facility Type

(Rs. in Lakh)

Credit Risk Exposure			
SN	Exposure type	Domestic (Outstanding)	Overseas (Outstanding)
1	Fund Based*	5,87,564.73	-
2	Non Fund Based	-	-
Total		5,87,564.73	-

* Fund based facilities include Loans & Advances (customer & Staff)

By Geographic Distribution (excluding staff loans)

(Rs. in Lakh)

Exposure Distribution by Geography			
SN	Exposure type	Domestic (Outstanding)	Overseas (Outstanding)
1	Assam	23,205.70	-
2	Bihar	26,927.46	-
3	Chandigarh(UT)	1,255.80	-
4	Chhattisgarh	3,090.22	-
5	GOA	517.67	-
6	Gujarat	31,522.84	-
7	Haryana	27,224.54	-
8	Himachal Pradesh	572.50	-
9	Jharkhand	18,444.71	-
10	Karnataka	90,621.14	-
11	Kerala	13,146.45	-
12	Madhya Pradesh	7,626.21	-
13	Maharashtra	65,697.08	-
14	Meghalaya	1,719.16	-
15	New Delhi	11,696.25	-
16	Orissa	16,299.73	-
17	Pondicherry	4,533.04	-
18	Punjab	16,350.10	-
19	Rajasthan	19,176.82	-
20	Tamil Nadu	86,060.14	-
21	Tripura	7,584.79	-
22	Uttar Pradesh	22,969.31	-
23	Uttarakhand	3,878.25	-
24	West Bengal	86,996.11	-
Total		5,87,116.04	-

By Industry (excluding staff loans)

(Rs. in Lakh)

Exposure distribution by Activity			
SN	Industry Classification	Fund Based (Outstanding)	Non-Fund Based (Outstanding)
1	Agriculture & Allied Activities	913.77	-
2	Agriculture - Small & Marginal Farmers	77,314.95	-
3	Education Loan	11,324.20	-
4	Housing Loan	9,783.64	-
5	MSE – Services	4,903.12	-
6	MSE – Manufacturing	732.09	-
7	Other PSL Loans	4,82,144.26	-
Total		5,87,116.04	-

As on 31 March 2017, Bank's exposure to the segments stated below was more than 5% of the total gross credit exposure (outstanding):

Exposure distribution by Activity		
SN	Industry Classification	Percentage of total gross credit exposure
1	Agriculture – Small & Marginal Farmers	13.17%
2	Other PSL Loans #	82.12%

Other PSL loans constitute loans which have been provided to the economically weaker section.

Maturity Pattern

(Rs. in Lakh)

Residual Contractual Maturity breakdowns of Assets- Position as on 31st March 2017							
Maturity Bucket	Cash	Balances with RBI	Balances with Banks and Institutions #	Investments	Loans & Advances	Fixed Assets	Other Assets
Day 1	4,020.18	0.08	1,058.29	26,956.77	13,180.06		6.57
2 to 7 Days		32.91	41,500	175.50	11,854.92		0.01
8 to 14 Days		443.99		2,367.55	17,259.13		0.02
15 to 30 Days		600.53		3,202.14	17,819.36		6,552.73
31 Days to 2 Months		959.87		5,118.45	47,127.45		441.12
Over 2 Months and up to 3 Months		1,223.68		6,525.20	45,486.22		363.05
Over 3 Months and up to 6 Months		3,054.51	1,658.66	16,287.98	1,24,383.63		605.67
Over 6 Months and up to 1 Year		6,122.13	2,190.19	32,645.85	1,69,885.13		7,136.86
Over 1 Year and up to 3 Years		9,409.45	3,782.08	50,175.28	1,31,558.95		169.22
Over 3 Years and up to 5 Years		195.02		1,039.96	3,057.90		0.23
Above 5 Years		30.57		173.02	4,491.75	13,976.86	7,253.44
Total	4,020.18	22,072.74	50,189.22	1,44,667.70	5,86,104.49	13,976.86	22,528.92

including money at call and short notice

Movement of NPAs and Provision for NPAs (including NPIs)		31st Mar 2017
SN	Category	Amount
A	Amount of NPAs (Gross)	1,639.95
A.1	Substandard	1,468.92
A.2	Doubtful1	171.03
A.3	Doubtful2	-
A.4	Doubtful3	-
A.5	Loss	-
B	Net NPAs	179.71
C	Advances	
C.1	Gross Advances	5,87,564.73
C.2	Net Advances	5,86,104.50
C	NPA Ratios	
C.1	Gross NPAs (including NPIs) to gross advances (%)	0.28%
C.2	Net NPAs (including NPIs) to net advances (%)	0.03%
D	Movement of NPAs (Gross)	
D.1	Opening balance as on 01.02.2017	-
D.2	Additions	1,888.53
D.3	Reductions	248.58
D.4	Closing balance as on 31.03.2017	1,639.95
E	Movement of Provision for NPAs	
E.1	Opening balance as on 01.02.2017	-
E.2	Provision made during Financial year	1,664.79
E.3	Write offs/Write back excess provision	204.56
E.4	Closing balance as on 31.03.2017	1,460.23

V. Credit Risk- Disclosures for Portfolios Subject to Standardized Approach

Credit Risk Exposure by Risk Weight

Details of Gross Credit Risk Exposure (Fund based and Non-fund based) based on Risk-Weight – Position as on 31 March, 2017		
SN	Risk Weight	Amount in Lacs
1	Below 100% risk weight	69,661.52
2	100% risk weight	4,00,405.79
3	More than 100% risk weight	1,17,497.42
Total		5,87,564.73

VI. Credit Risk Mitigation- Disclosures for Standardized Approaches

Credit function has a certification process for all business and credit staff involved in the field level customer assessment for all its asset products. This training is also used to delegate role based credit approval authority to the credit team at regional and central level. A well-defined approval and deviation matrix authorizes personnel in the hierarchy to approve loans categorized on various risk elements.

The JLG and Individual Loan portfolio of the Bank is unsecured. Loans to the affordable housing segment are collateralized by a mortgage over the property financed. The Bank is in the process of developing a score card model which would facilitate operational decision making. There is a Credit Approval committee comprising senior officials of the Bank which sanctions only the credit proposals above Rs 20 lakh.

Credit Risk Mitigant

Credit risk mitigation refers to the use of methods to reduce the risk of lending to a borrower. The Bank has put in place a detailed credit appraisal process which is captured in separate product manuals and product programs. The mitigants used in the unsecured lending portfolio are as follows:

- Life insurance is mandatory for all the borrowers in the JLG segment.
- Bank works with 4 credit bureaus and ensures 100% application screening through the bureaus. State of the art paperless

- approval process, through the document management system enables a quick and uniform approval process.
- Customers with emerging credit problems are identified at an early stage through the tele-calling team and classified accordingly. Remedial actions are implemented promptly to minimize the potential loss to the company.
- A robust process for end use monitoring of funds post disbursement.
- An effective use of the centre meeting platform for its JLG portfolio to determine incipient problems and introduce risk mitigants as appropriate.

The Bank currently holds physical collateral for credit risk mitigation purposes for its affordable housing portfolio, but has no holdings in eligible financial collateral. Hence no allowance for eligible collateral has been made in the computation of capital charge

VII. Operational Risk

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent in all activities arising out of a bank's business and operations and could result in financial losses, litigation, regulatory fines or other damage to the bank. The severity of impact on the bank, its employee and customers is dependent on the efficacy with which operational risk is managed by the bank. The goal is to keep operational risk at appropriate levels, in light of the bank's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment in which it operates.

Governance and organization structure for managing operational risk

Consistent with these objectives the Board has approved an Operational Risk Management policy of USFB to achieve the following:

- Provide a comprehensive view of operational risks across business for proactively assessing key risks and initiating mitigating measures;
- Reduce 'Impact' and 'Probability' of risk events through introduction of sound practices for operational risk, embedding right sized controls in a proactive manner to minimize losses from operational failures;
- Create awareness by developing a common understanding and taxonomy of risks across the Bank and embed risk ownership by business;
- Manage capital optimally by moving to more advanced approaches.

The Bank has put in place a Board approved governance and organisational structure that specifies roles and responsibilities of employees, business, operational risk management department and other stakeholders towards operational risk management.

Risk identification, measurement, monitoring and reporting

Responsibility of identification and management of operational risk on a day-to-day basis lies with business. Operational Risk Department is responsible for designing and implementing framework and tools that help identify, manage operational risk and for assessing the design and operating effectiveness of controls. Key initiatives taken by the Bank to ensure timely identification and management of operational risks include—

- Conducting a thorough due diligence requiring input from business and all control functions before opening any new branch. This process is also followed for identification of centres for the JLG business. The field credit staffs complement these efforts through periodic update so that this does not remain a one off exercise. The robustness of this process is evidenced by the absence of USFB in pockets that were severely affected post demonetisation;
- Monthly risk scoring through an internally developed model to measure risk of each branch operation with resultant scores determining the action plan which is devised in consultation with business to ensure quick turnaround of branch operations from high/medium risk to low risk;
- Operational Risk checklist for assessment of controls in existing and new asset products and liability processes. This is used to raise awareness amongst users of associated operational risks in case of controls being compromised.
- Operational Risk Incident reporting process involving a detailed risk analysis for material incidents and to learn from errors for strengthening controls through loss and near miss data. Incident reporting is used to capture operational risk incidents in a systematic manner. This is followed by a Root Cause Analysis (RCA) of each reported incident and to book losses on identified operational risk events;
- All new products are rolled out post assessment of critical operational and compliance risks and with approval of the Product Approval Committee (PAC);
- Risk and Control Self-Assessment (RCSA) methodology that supports identification and mitigation of key risks using a bottom-up approach. Every process is reviewed for identifying 'inherent risks' on the basis of probability of occurrence & severity of impact. Related controls are assessed for design efficiency and control effectiveness to arrive at 'residual risk'. Depending on the severity of residual risks, risk acceptances are obtained from appropriate authorities;
- Internal control testing framework that assesses design and operating effectiveness of controls. This is an on-going exercise;
- Framework for on-going monitoring of risks through Key Risk Indicators (KRIs). This includes defining and monitoring Bank level KRIs followed by process level KRIs;
- Tracking of actions for timely closure of open Issues from RCSAs, control testing, risk incidents and audit;
- Periodic reporting of material risk exposures to senior management to facilitate timely mitigation.

Information Technology and Security Risk

The Chief Information Technology Officer (CISO) oversees risks related to Information Technology. The CISO reports to the Chief Risk Officer. Information Security Risk Team operates under Information Security Management System framework (ISMS) frame-

work and cyber security framework that is aligned with RBI guidelines. In the Bank, this group guides and supports implementation of strong information security principles in the areas of technology solutions, the related processes and people.

Business Continuity

The Bank has adopted robust policies on Business Continuity Management and Disaster Recovery. The Bank has formulated processes for identification of IT BCP and non-IT BCP teams, training and awareness sessions, identifying alternative premises, and coordination of contingency plans at the business unit levels and at the Bank level.

Information Security and Cyber Security

There is an independent information security group which addresses information and cyber security related risks. A well-documented, Board approved information security and cyber security policies are put in place. Periodical awareness exercise is ensured to update employees on information security practices.

Bank operates in a highly automated environment and makes use of latest technological framework for supporting various operations. Use of technology brings in newer kind of risks like business disruption, risks related to information assets, data security etc. Bank has put in a governance framework, information security practices to mitigate information technology and information system related risks which ensures preservation of Confidentiality, Integrity and Availability (CIA) of all Information assets.

IX. Interest Rate Risk in Banking Book

Interest Rate Risk in Banking Book (IRRBB) refers to the risk of loss in earnings and economic value of the Bank's banking Book as a consequence of movement in interest rates.

The Bank has identified the risks associated with the changing interest rates on its exposures in the banking book from both a short-term and long-term perspective.

The main components of the approach for identification and measurement are as under:

- The assessment takes into account both the earnings perspective and economic value perspective of interest rate risk.
- The impact on income or the economic value of equity is calculated by applying a notional interest rate shock of 200 basis points as required by RBI.
- The methods followed in measuring the interest rate risk are:
 - Earnings perspective: Earnings At Risk (EaR) combined with gap analysis.
 - Economic perspective: Gap analysis combined with duration gap analysis.

Earnings Perspective

(Rs. in Lakh)

Interest Rate Risk in the Banking Book (IRRBB)			
SN	Country	Interest Rate Shock	
		+200bps	-200bps
1	India	1,268.51	(1,268.51)
2	Overseas	-	-
Total		1,268.51	(1,268.51)

Economic Value Perspective

(Rs. in Lakh)

Interest Rate Risk in the Banking Book (IRRBB)			
SN	Country	Interest Rate Shock	
		+200bps	-200bps
1	India	(2,707.27)	2,707.27
2	Overseas	-	-
Total		(2,707.27)	2,707.27

X. Exposure related to Counterparty Credit Risk

USFB does not deal in derivatives. As at 31.3.2017 the investible surplus was placed in the Call Money Market with a select few banks. The counterparty credit risk exposure as on reporting date is as follows:

(Rs. in Lakh)

Counterparty Credit Risk Exposure		
SN	Counterparty	Amount
1	HDFC Bank Ltd.	10,000.00
2	State Bank of India	26,500.00
3	ICICI Securities Primary Dealership Ltd.	5,000.00
Total		41,500.00

Financial Statements & Independent Auditor's Report

To The Members of Ujjivan Small Finance Bank Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Ujjivan Small Finance Bank Limited (the "Bank"), which comprise the Balance Sheet as at March 31, 2017, and the Profit and Loss Account and Cash Flow Statement for the period July 04, 2016 to March 31, 2017, and a summary of significant accounting policies and other explanatory information, which we have signed under reference to this report.

Management's Responsibility for the Financial Statements

2. The Board of Directors of the Bank are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 with respect to preparation of these financial statements to give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013 ("the Act"), read with Rule 7 of the Companies (Accounts) Rules, 2014 and provisions of Section 29 of the Banking Regulation Act, 1949 as updated by Companies (Accounting Standards) Amendments Rules 2016 and circulars and guidelines issued by the Reserve Bank of India (RBI) from time to time as applicable to banks. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act and the Rules made thereunder, including the accounting standards, provisions of section 29 of the Banking Regulation Act, 1949, circulars and guidelines issued by RBI as applicable to Banks and matters which are required to be included in the audit report.
5. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence, about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Board of Directors of the Bank, as well as evaluating the overall presentation of the financial statements.
7. 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

8. In our opinion, and to the best of our information and according to the explanations given to us, the accompanying financial statements together with the notes thereon give the information required by provisions of section 29 of the Banking Regulation Act, 1949 as well as the Act and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Bank as at March 31, 2017 and its profit and its cash flow for the period July 04, 2016 to March 31, 2017.

Report on Other Legal and Regulatory Requirements

9. In our opinion, the Balance Sheet, Profit and Loss Account, and Cash Flow Statement dealt with by this report have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 read with applicable provisions of section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 as updated by Companies (Accounting Standards) Amendments Rules 2016.
10. As required by section 143(3) of the Act and section 30 of the Banking Regulation Act, 1949 we report that:
 - a) We have sought and obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
 - b) The transactions of the Bank, which have come to our notice during the course of our audit, have been within the powers of the Bank;
 - c) During the course of our audit we have visited 8 branches to examine the books of account and other records maintained at the branch and performed other relevant audit procedures. Since the key operations of the Bank are automated with the key applications integrated to the core banking system, the



audit is carried out at Bengaluru as all the necessary records and data required for the purposes of our audit are available therein;

- d) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- e) The Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
- f) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 as updated by Companies (Accounting Standards) Amendments Rules 2016 to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- g) On the basis of written representations received from the directors as on March 31, 2017 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;
- h) With respect to the adequacy of the internal financial controls over financial reporting of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" ; and
- i) With respect to the other matters to be included in

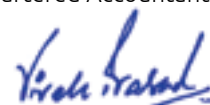
the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:

- i. The Bank has disclosed the impact, if any, of pending litigations as at March 31, 2017 on its financial position in its financial statements – Refer Schedule 12 and Note 14(vi) in Schedule 18;
- ii. The Bank has long-term contracts as at March 31, 2017 for which there were no material foreseeable losses – Refer Note 22 in Schedule 18. The Bank did not have any derivative contracts as at March 31, 2017;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank during the period July 04, 2016 to March 31, 2017 - Refer Note 23 in Schedule 18; and
- iv. The disclosure requirement as envisaged in Notification G.S.R 308(E) dated 30th March 2017 is not applicable to the Bank - Refer Note 21 in Schedule 18.

For Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

Chartered Accountants



Vivek Prasad

Partner

Bengaluru

April 26, 2017

Membership Number: 104941

Annexure A to Independent Auditors' Report

Referred to in paragraph 10(h) of the Independent Auditors' Report of even date to the members of Ujjivan Small Finance Bank Limited on the financial statements for the period July 04, 2016 to March 31, 2017

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls over financial reporting of Ujjivan Small Finance Bank Limited ("the Bank") as of March 31, 2017 in conjunction with our audit of the financial statements of the Bank for the period July 04, 2016 to March 31, 2017.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Bank'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 deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. 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.
4. 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A Bank'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 Bank'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 Bank; (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 Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. 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

8. In our opinion, the Bank 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 Bank 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 Price Waterhouse Chartered Accountants LLP

Firm Registration Number: 012754N/N500016

Chartered Accountants



Vivek Prasad

Bengaluru

Partner

April 26, 2017

Membership Number: 104941

UJJIVAN SMALL FINANCE BANK LIMITED

Balance Sheet as at March 31, 2017

(Amount in Rupees)

Particulars	Schedule	As at March 31,2017
CAPITAL AND LIABILITIES		
Capital	1	16,400,368,000
Reserves and Surplus	2	350,765
Deposits	3	2,064,117,905
Borrowings	4	62,914,038,204
Other Liabilities and Provisions	5	2,977,137,441
TOTAL		84,356,012,315
ASSETS		
Cash and Balances with Reserve Bank of India	6	2,609,292,404
Balance with Banks and Money at Call and Short Notice	7	5,018,921,686
Investments	8	14,466,770,488
Advances	9	58,610,449,498
Fixed Assets	10	1,397,685,760
Other Assets	11	2,252,892,479
TOTAL		84,356,012,315
Contingent Liabilities	12	283,360,118
Bills for collection		-
Significant Accounting Policies	17	
Notes to the Financial Statements	18	

The schedules referred to above form an integral part of the Balance sheet

The Balance Sheet has been prepared in conformity with Form A of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For **Price Waterhouse Chartered Accountants LLP**

Chartered Accountants

Firm Registration No: 012754N / N500016


Vivek Prasad

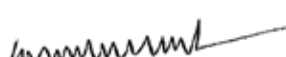
Partner

Membership No: 104941

For **Ujjivan Small Finance Bank Limited**


Sunil Patel

Chairman


Samit Ghosh

Managing Director & CEO


Vandana Viswanathan

Non-Executive Director


Anadi Charan Sahu

Non-Executive Director


Upma Goel

Chief Financial Officer


Sanjeev Barnwal

Company Secretary

Place: Bengaluru

Date : April 26, 2017

UJJIVAN SMALL FINANCE BANK LIMITED

Profit and Loss account for the period from July 04, 2016 to March 31, 2017

(Amount in Rupees)

Particulars	Schedule	Period from July 4,2016 to March 31,2017
I. INCOME		
Interest Earned	13	2,127,072,572
Other Income	14	133,956,513
Total		2,261,029,085
II. EXPENDITURE		
Interest Expended	15	1,093,583,874
Operating Expenses	16	1,114,179,593
Provisions and Contingencies	18 (Note 7.7)	52,914,853
Total		2,260,678,320
III. PROFIT		
Net profit for the period		350,765
Profit brought forward		-
Total		350,765
IV. APPROPRIATIONS		
Transfer to		
a) Statutory Reserve		87,691
b) Other Reserve		-
c) Proposed Dividend (includes tax on dividends)		-
Total		87,691
Balance Carried over to the Balance Sheet		263,074
Total		350,765
V. EARNINGS PER EQUITY SHARE (Face value of Rs.10 per share)	18 (Note 13)	
Basic (Rs)		0.001
Diluted (Rs)		0.001
Significant Accounting Policies	17	
Notes to the Financial Statements	18	

The schedules referred to above form an integral part of the Profit and Loss Account.

The Profit and Loss Account has been prepared in conformity with Form B of the Third Schedule to the Banking Regulation Act, 1949.

As per our report of even date.

For **Price Waterhouse Chartered Accountants LLP**

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad

Partner

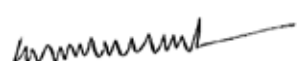
Membership No: 104941

For **Ujjivan Small Finance Bank Limited**



Sunil Patel

Chairman



Samit Ghosh

Managing Director & CEO



Vandana Viswanathan

Non-Executive Director



Anadi Charan Sahu

Non-Executive Director



Upma Goel

Chief Financial Officer



Sanjeev Barnwal

Company Secretary

Place: Bengaluru

Date : April 26, 2017

UJJIVAN SMALL FINANCE BANK LIMITED
Cash Flow Statement for the period from July 04, 2016 to March 31, 2017

(Amount in Rupees)

Particulars	Period from July 04, 2016 to March 31, 2017
A. Cash Flow from Operating Activities	
Net Profit before taxation	8,910,748
Adjustments for :	
Depreciation on Fixed assets	51,041,129
Goodwill Witten off (Refer note 3 below)	160,000,000
Loan Loss and Other Provisions	44,354,870
Amortisation of premium on HTM investments	2,361,789
Marked to Market Loss	41,966,250
Interest paid on Borrowings	1,093,583,874
Operating Profit before Working Capital changes	1,402,218,660
Adjustments for :	
(Increase) in Advances (Refer Note 3 below)	(58,654,804,369)
(Increase) in Investments (Refer Note 3 below)	(14,511,098,527)
(Increase) in Other Assets (Refer Note 3 below)	(3,015,984,825)
Increase in Deposits	2,064,117,905
Increase in Other Liabilities (Refer Note 3 below)	2,976,678,275
Cash (used in) Operations	(69,738,872,881)
Direct Taxes paid	(8,100,817)
Net Cash used in Operating Activities	(69,746,973,698)
B. Cash Flow from Investing Activities	
Proceeds from sale of Fixed Assets	-
Purchase of Fixed Assets including WIP (Refer Note 3 below)	(1,608,726,889)
Net Cash used in Investing Activities	(1,608,726,889)
C. Cash Flow from Financing Activities	
Proceeds from issue of equity shares (net of issue expenses) (Refer Note 3 below)	16,400,368,000
Increase in Borrowings (Net) (Refer Note 3 below)	62,914,038,204
Interest paid on Borrowings	(1,093,583,874)
Net Cash generated from Financing Activities	78,220,822,330
Net Increase in Cash and Cash Equivalents	6,865,121,743
Cash and Cash Equivalents at the beginning of the period	-
Cash and Cash Equivalents at the end of the period	6,865,121,743

Notes:

- 1 The above Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard 3 on Cash Flow Statements.
- 2 Cash and cash equivalents comprises of Cash in Hand and Balances with RBI (Schedule 6) and Balances with Banks and Money at Call and Short Notice (Schedule 7).

3 This includes assets/liabilities acquired on account of Business purchase agreement entered with Ujjivan Financial Services Limited dated January 12, 2017. The consideration for the same has been discharged by issue of equity shares and perpetual Non-Convertible Non-cumulative preference shares which is a non-cash transaction. Also refer schedule 18, Note 1.

4 Figures in bracket indicate cash outflow.

As per our report of even date.

For **Price Waterhouse Chartered Accountants LLP**

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad

Partner

Membership No: 104941

Place: Bengaluru

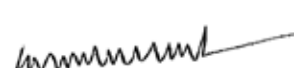
Date : April 26, 2017

For **Ujjivan Small Finance Bank Limited**



Sunil Patel

Chairman



Samit Ghosh

Managing Director & CEO



Vandana Viswanathan

Non-Executive Director



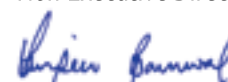
Anadi Charan Sahu

Non-Executive Director



Upma Goel

Chief Financial Officer



Sanjeev Barnwal

Company Secretary

UJJIVAN SMALL FINANCE BANK LIMITED
Notes to financial statement for the period July 04, 2016 to March 31, 2017

		(Amount in Rupees)
Particulars		As at March 31,2017
SCHEDULE-1-CAPITAL		
Authorised Capital		
1,500,000,000 Equity Shares of Rs.10 each		15,000,000,000
200,000,000 Preference Shares (Perpetual Non-Cummulative Non-Covertible) of Rs 10 each		2,000,000,000
Issued, Subscribed and Called up Capital		
1,440,036,800 Equity Shares of Rs.10 each		14,400,368,000
200,000,000 Preference Shares (Perpetual Non-Cummulative Non-Covertible) of Rs 10 each		2,000,000,000
		16,400,368,000
Paid up Capital		
1,440,036,800 Equity Shares of Rs.10 each		14,400,368,000
200,000,000 Preference Shares (Perpetual Non-Cummulative Non-Covertible) of Rs 10 each		2,000,000,000
		16,400,368,000
TOTAL		16,400,368,000
		As at March 31,2017
SCHEDULE-2 RESERVES AND SURPLUS		
I) Statutory Reserves		
Opening balance		-
Additions during the period		87,691
Deductions during period		-
Closing balance		87,691
II) Capital Reserve		
Opening balance		-
Additions during the period		-
Deductions during period for writing off Share Issue Expenses		-
Closing balance		-
III) Share Premium Account		
Opening balance		-
Additions during the period		-
Deductions during period		-
Closing balance		-
IV) General Reserve		
Opening balance		-
Additions during period		-
Deductions during period		-
Closing balance		-
V) Balance in Profit and Loss Account		263,074
TOTAL (I+II+III+IV+V)		350,765



UJJIVAN SMALL FINANCE BANK LIMITED
Notes to financial statement for the period July 04, 2016 to March 31, 2017

		<i>(Amount in Rupees)</i>
Particulars	As at March 31,2017	
SCHEDULE-3 -DEPOSITS		
A. I. Demand Deposits		
(i) From banks	-	
(ii) From others	99,554	
II. Savings Bank Deposits	32,373,177	
III. Term Deposits		
(i) From Banks	460,000,000	
(ii) From others	1,571,645,174	
TOTAL	2,064,117,905	
B. Deposits of branches		
(i) In India	2,064,117,905	
(ii) outside India	-	
TOTAL	2,064,117,905	
		As at March 31,2017
SCHEDULE-4-BORROWINGS		
I. Borrowings in India		
(i) Reserve Bank of India	-	
(ii) Other Banks	36,027,437,411	
(iii) Other Institutions and Agencies	18,636,600,793	
(iv) Non-Convertible Redeemable Debenture	8,250,000,000	
TOTAL	62,914,038,204	
II. Borrowings Outside India	-	
TOTAL	62,914,038,204	
Secured borrowings included in I and II above		47,535,305,313
		As at March 31,2017
SCHEDULE -5-OTHER LIABILITIES AND PROVISIONS		
(i) Bills payable	-	
(ii) Inter-Office Adjustments (net)	-	
(iii) Interest Accrued	600,144,508	
(iv) Others - (Standard asset Provisions Refer schedule 18 Note. No. 5.9) (Provision for Tax -Refer schedule 18 Note. No. 14(ii))	2,376,992,933	
TOTAL	2,977,137,441	



UJJIVAN SMALL FINANCE BANK LIMITED
Notes to financial statement for the period July 04, 2016 to March 31, 2017

(Amount in Rupees)

Particulars	As at March 31,2017
SCHEDULE-6-CASH AND BALANCES WITH RESERVE BANK OF INDIA	
I. Cash in Hand	402,018,352
II. Balances with Reserve Bank of India	
(i) In Current Account	2,207,274,052
(ii) In Other Accounts	-
TOTAL	2,609,292,404
	As at March 31,2017
SCHEDULE-7-BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE	
I. In India	
(i) Balances with Banks	
(a) in Current Accounts	105,829,339
(b) in Other Deposit Accounts*	763,092,347
(ii) Money at Call and Short Notice	
(a) with Banks	3,650,000,000
(b) with Other Institutions	500,000,000
TOTAL	5,018,921,686
II. Outside India	
(i) In Current Accounts	-
(ii) In Other Deposits Accounts	-
(iii) Money at Call and Short Notice	-
TOTAL	-
TOTAL (I+II)	5,018,921,686
*Amount Comprises of Fixed deposits held as lien given for securitisation.	
	As at March 31,2017
SCHEDULE-8-INVESTMENTS	
I. In India	
Gross Value	14,508,736,738
Less: Aggregate of Provision/Depreciation	41,966,250
Net value of Investments in India	14,466,770,488
Comprising:	
(i) Government Securities	14,465,770,488
(ii) Other approved Securities	-
(iii) Shares	1,000,000
(iv) Debentures and Bonds	-
(v) Subsidiaries and/or Joint Ventures	-
(vi) Others	-
TOTAL	14,466,770,488
II. Outside India	
(i) Government Securities (Including local authorities)	-
(ii) Subsidiaries and/or Joint Ventures abroad	-
(iii) Other Investments	-
TOTAL	-
TOTAL (I+II)	14,466,770,488



UJJIVAN SMALL FINANCE BANK LIMITED
Notes to financial statement for the period July 04, 2016 to March 31, 2017

(Amount in Rupees)

Particulars	As at March 31,2017
SCHEDULE-9-ADVANCES	
A (i) Bills Purchased and Discounted	-
(ii) Cash Credits, Overdrafts and Loans repayable on demand	-
(iii) Term Loans	58,610,449,498
TOTAL	58,610,449,498
B (i) Secured by Tangible Assets	1,169,770,669
(ii) Covered by Bank/Government Guarantees	-
(iii) Unsecured (Refer Schedule 18 Note 4.5)	57,440,678,829
TOTAL	58,610,449,498
C I Advances in India	
(i) Priority Sectors	58,266,266,448
(ii) Public Sectors	-
(iii) Banks	-
(iv) Others	344,183,050
TOTAL	58,610,449,498
II Advances Outside India	-
TOTAL	-
TOTAL	58,610,449,498
	As at March 31,2017
SCHEDULE -10- FIXED ASSETS	
I. Premises	
II. Other Fixed Assets (Including Furniture and Fixtures)	
At cost, at the beginning of the period	-
Additions during the period	1,721,906,071
Deductions during the period	-
Depreciation to date	355,870,487
TOTAL	1,366,035,584
III. Capital Work In Progress	31,650,176
TOTAL (I+II+III)	1,397,685,760



UJJIVAN SMALL FINANCE BANK LIMITED
Notes to financial statement for the period July 04, 2016 to March 31, 2017

(Amount in Rupees)

Particulars	As at March 31,2017
SCHEDULE 11-OTHER ASSETS	
(i) Inter Office Adjustments (Net)	-
(ii) Interest Accrued	749,417,631
(iii) Tax Paid in Advance / Tax Deducted at Source (Net of provision for tax)	-
(iv) Stationery and stamps	-
(v) Nonbanking assets acquired in satisfaction of claims	-
(iv) Others including Deferred tax assets (Refer schedule 18, Note 15)	1,503,474,848
TOTAL	2,252,892,479
	As at March 31,2017
SCHEDULE- 12 - CONTINGENT LIABILITIES	
(i) Claims against the Bank not acknowledged as debts	4,551,076
(i) Liability for partly paid investments	-
(iii) Liability on account of Outstanding Forward Exchange Contracts	-
(iv) Guarantees on behalf of Constituents	-
(v) Acceptances, Endorsements and Other Obligations	-
(vi) Other items for which the Bank is contingently liable - Capital commitments not provided	278,809,042
TOTAL	283,360,118



UJJIVAN SMALL FINANCE BANK LIMITED
Notes to financial statement for the period July 04, 2016 to March 31, 2017

(Amount in Rupees)

Particulars	For the Period from July 04, 2016 to March 31,2017
SCHEDULE 13-INTEREST EARNED	
(i) Interest /Discount on Advances /bills	1,964,356,702
(ii) Income on Investments	38,585,767
(iii) Interest on Balances With RBI and Other inter-bank funds	44,499,859
(iv) Others (Interest income on securitisation)	79,630,244
TOTAL	2,127,072,572
	For the Period from July 04, 2016 to March 31,2017
SCHEDULE- 14-OTHER INCOME	
(i) Commission, Exchange and Brokerage	105,857,611
(ii) Profit/(Loss) on Sale of Investments (net)	2,153,435
(iii) Profit/(Loss) on Revaluation of Investments	-
(iv) Profit/(Loss) on sale of Land, Building and other Assets (net)	(97,366)
(v) Profit on Exchange Transactions (net)	-
(vi) Income earned by way of Dividends etc. from subsidiaries/companies and/or joint ventures abroad/in India	-
(vii) Miscellaneous Income (Gratuity and Leave Encashment Provisions written back)	26,042,833
Total	133,956,513
	For the Period from July 04, 2016 to March 31,2017
SCHEDULE- 15-INTEREST EXPENDED	
(i) Interest On Deposits	1,417,636
(ii) Interest on Reserve Bank of India/ Inter-Bank Borrowings	941,712,196
(iii) Others (including interest on Subordinated Debts)	150,454,042
TOTAL	1,093,583,874
	For the Period from July 04, 2016 to March 31,2017
SCHEDULE 16-OPERATING EXPENSES	
(i) Payments to and Provision for Employees	507,434,275
(ii) Rent, Taxes and Lighting (Including operating lease rentals)	86,013,099
(iii) Printing and Stationery	15,771,108
(iv) Advertisement and Publicity	521,427
(v) Depreciation on Bank's Property	51,041,129
(vi) Director's Fees, Allowances and Expenses	1,990,728
(vii) Auditor's fees and Expenses	1,200,000
(viii) Law Charges	1,961,133
(ix) Postages, Telegrams, Telephones etc.	31,097,258
(x) Repairs and Maintenance	62,783,847
(xi) Insurance	4,563,099
(xii) Other expenditure (including Goodwill written off Refer Schedule 18 Note (1))	349,802,490
TOTAL	1,114,179,593

Significant Accounting policies and Notes to financial statement for the period July 04, 2016 to March 31, 2017

Schedule 17

1 CORPORATE INFORMATION

Ujjivan Small Finance Bank Limited (the "Bank") is a private sector bank domiciled in India and incorporated on July 04, 2016 under the provisions of the Companies Act, 2013 and is licensed by the Reserve Bank of India (RBI) to operate as a Small Finance Bank under the Banking Regulation Act, 1949 with effect from November 11, 2016 and commenced its business on February 01, 2017. The Bank provides Retail banking services and wide range of Financial services to economically active poor in urban and semi-urban areas. The Bank has its headquarters in Bengaluru with regional offices in New Delhi, Kolkata and Pune. The Bank operates in India and does not have a branch in any foreign country.

2 BASIS OF PREPARATION

The accompanying financial statements have been prepared under the historical cost convention except where otherwise stated, and in accordance with statutory requirements prescribed under the Banking Regulation Act 1949, circulars and guidelines issued by RBI from time to time (RBI guidelines), accounting standards referred to in Section 133 of the Companies Act, 2013 (the Act) and practices prevailing within the banking industry in India.

3 USE OF ESTIMATES

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liability) and the reported income and expenses during the period. The management believes that the estimates used in preparation of financial statements are prudent and reasonable. Future results could differ from actuals and the differences between the actual results and the estimates are recognized prospectively in which the results are known/material.

4 FIXED ASSETS (TANGIBLE AND INTANGIBLE ASSETS)

4.1 Fixed assets are stated at cost, net of accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any cost directly attributable to bringing the asset to its working condition and location for its intended use. Subsequent expenditure on fixed assets after its purchase is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance

4.2 Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. If such assets are considered to be impaired, the impairment is recognised by debiting the profit and loss account and is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets

5 DEPRECIATION AND AMORTIZATION

5.1 Depreciable amount for assets is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation on tangible fixed assets has been provided on the straight-line method as per the useful life prescribed in Schedule II to the Companies Act, 2013. Leasehold improvements are amortised over the duration of the lease. The estimated useful life of the intangible assets and the amortisation period are reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

5.2 The useful life being followed by the Bank as prescribed in Schedule II to the Companies Act, 2013 is as follows:

Asset	Useful Life as per Schedule II (years)
Computer	3
Furniture	10
Office Equipment	5
Motor Vehicle	8
Server	6
Software	6

5.3 Assets purchased/sold during the year are depreciated on a pro-rata basis for the actual number of days the asset has been put to use.

5.4 Assets costing less than Rs.5000 are fully depreciated in the year of purchase.

5.5 The salvage value considered for computing depreciation is as per Schedule II of Companies Act, 2013 (i.e 5% of Cost) except for Software and Lease hold assets.



Schedule 17

6 INVESTMENTS

Classification and valuation of the Bank's investments are carried out in accordance with RBI guidelines which are as follows:

6.1 Categorisation of Investments

The Bank classifies its investment at the time of purchase into one of the following three categories:

- (i) Held to Maturity (HTM) – Securities acquired with the intention to hold till maturity.
 - (ii) Held for Trading (HFT) – Securities acquired with the intention to trade.
 - (iii) Available for Sale (AFS) – Securities which do not fall within the above two categories.
- Subsequent shifting amongst the categories is done in accordance with RBI guidelines.

6.2 Classification of Investments

For the purpose of disclosure in the Balance Sheet, investments are classified under six groups viz., (i) Government Securities, (ii) Other Approved Securities, (iii) Shares, (iv) Debentures and Bonds, (v) Investments in Subsidiaries and Joint Ventures, and (vi) Other Investments.

6.3 Acquisition cost

- (i) Broken period interest on debt instruments is treated as a revenue item.
- (ii) Brokerage, commission, etc. pertaining to investments, paid at the time of acquisition is charged to the Profit and Loss account.
- (iii) Cost of investments is computed based on the weighted average cost method.

6.4 Valuation of Investments

(i) Held to Maturity – Each security in this category is carried at its acquisition cost. Any premium on acquisition of the security is amortised over the balance period to maturity. The amortized amount is classified under Interest earned – Income on investments (Item II of Schedule 13). The book value of the security is reduced to the extent of amount amortized during the relevant accounting period. Diminution, other than temporary, is determined and provided for each investment individually.

(ii) Held for Trading – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification is ignored, while net depreciation is provided for.

(iii) Available for Sale – Securities are valued scrip-wise and depreciation / appreciation is aggregated for each classification. Net appreciation in each classification, is ignored, while net depreciation is provided for.

(iv) Market value of government securities (excluding treasury bills) is determined on the basis of the prices / YTM declared by Primary Dealers Association of India (PDAI) jointly with Fixed Income Money Market and Derivatives Association (FIM-MDA).

(v) Treasury bills are valued at carrying cost, which includes discount amortised over the period to maturity.

(vi) Purchase and sale transaction in securities are recorded under Settlement Date method of accounting, except in the case of the equity shares where Trade Date method of accounting is followed.

(vii) Provision for non-performing investments is made in conformity with RBI guidelines.

(viii) Profit in respect of investments sold from HTM category is included in the Profit on Sale of Investments and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such profits) is appropriated from the Profit and Loss Appropriation account to Capital Reserve account.

(ix) In the event, provisions created on account of depreciation in the AFS or HFT categories are found to be in excess of the required amount in any year, the excess is credited to the Profit and Loss account and an equivalent amount (net of taxes, if any, and net of transfer to Statutory Reserves as applicable to such excess provisions) is appropriated to an Investment Reserve Account (IRA). The balance in IRA account is used to meet provision on account of depreciation in AFS and HFT categories by transferring an equivalent amount to the Profit and Loss Appropriation account as and when required.

(X) Unquoted equity shares are valued at their break-up value.

7 ADVANCES

7.1 Advances are classified as per RBI guidelines into standard, sub-standard, doubtful and loss assets after considering subsequent recoveries to date.

7.2 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.



Schedule 17

7.3 A general provision on standard assets is made in accordance with RBI guidelines. Provision made against standard assets is included in 'Other Liabilities and Provisions'.

7.4 Specific provisions for non-performing advances and floating provisions are made in conformity with RBI guidelines. In addition the Bank considers accelerated provisioning based on past experience, evaluation of securities and other related factors.

7.5 Advances exclude derecognised securitised advances.

7.6 Amounts recovered during the year against bad debts written off in earlier years are recognised in the Profit and Loss account.

7.7 Provision no longer considered necessary in the context of the current status of the borrower as a performing asset, are written back to the Profit and Loss account to the extent such provisions were charged to the Profit and Loss account.

7.8 For restructured/rescheduled assets, provision is made in accordance with guidelines issued by RBI which requires the diminution in the fair value of the assets to be provided at the time of restructuring. The restructured accounts are classified in accordance with RBI guidelines, including special dispensation wherever allowed.

7.9 Securitisation transactions and direct assignments

The securitization transactions are without recourse to the Bank. The transferred loans and such securitized receivables are de-recognized as and when these are sold (true sale criteria being fully met) and the consideration has been received by the Bank. Gains / losses are recognized only if the Bank surrenders the rights to the benefits specified in the loan contracts.

8 REVENUE RECOGNITION

8.1 Interest income is recognized in the profit and loss account on accrual basis, except in the case of non-performing assets. Interest on non-performing assets is recognized upon realization as per the prudential norms of the RBI.

8.2 Revenues from loan documentation charges are recognized upfront when it is become due.

8.3 Interest on Government securities, debentures and other fixed income securities is recognised on a period proportion basis. Income on discounted instruments is recognised over the tenor of the instrument on a constant Yield to Maturity method.

8.4 Profit / premium arising at the time of securitisation of loan portfolio is amortised over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the statement of profit and loss account net of any losses when redeemed in cash in line with the relevant Reserve Bank of India guidelines.

9 EMPLOYEE BENEFITS

9.1 **Provident Fund:** Contribution towards provident fund for certain employees is made to the regulatory authorities, where the Bank has no further obligations. Such benefits are classified as Defined Contribution Schemes as the Bank does not carry any further obligations, apart from the contributions made on a monthly basis.

9.2 **Gratuity:** The Gratuity scheme of the Bank is a defined benefit scheme and the expense for the period is recognized on the basis of actuarial valuation at the Balance Sheet date. The present value of the obligation under such benefit plan is determined based on independent actuarial valuation using the Projected Unit Credit Method which recognizes each period of service that gives rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise. Payment obligations under the Group Gratuity scheme are managed through purchase of appropriate policies from insurers.

9.3 Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the Projected Unit Credit Method. Actuarial losses/ gains are recognised in the Profit and Loss Account in the year in which they arise.

10 LEASE

10.1 Lease rentals under operating lease are charged to the Profit and Loss Account on straight line basis over the lease term.

10.2 Lease arrangements where risk and rewards incidental to ownership of an assets substantially vest with the lessor are recognised as operating leases.

11 SEGMENT REPORTING

In accordance with the guidelines issued by RBI, the Bank has adopted Segment Reporting as under:



Schedule 17

11.1 Treasury includes all investment portfolios, Profit / Loss on sale of Investments, income from money market operations. The expenses of this segment consist of interest expenses on funds borrowed from external sources as well as internal sources and depreciation / amortisation of premium on Held to Maturity category investments.

11.2 Retail Banking includes lending to and deposits from retail customers and identified earnings and expenses of the segment.

11.3 Unallocated includes Capital and Reserves and other unallocable assets, liabilities, income and expenses.

12 EARNING PER SHARE

Earnings per share is calculated by dividing the Net Profit or Loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding as at end of the period.

13 TAXES

Tax expenses comprise of current and deferred taxes. Current tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961. Deferred taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized, in general, 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; where there are unabsorbed depreciation and/or carry forward of losses under tax laws, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax asset can be realized against future taxable income.

14 PROVISIONS AND CONTINGENT LIABILITIES

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

14.2 A disclosure of contingent liability is made when there is:

i) a possible obligation arising from a past event, the existence of which will be confirmed by occurrence or non-occurrence of one or more uncertain future events not within the control of the Bank; or

ii) a present obligation arising from a past event which is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

14.3 When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

14.4 Contingent assets, if any, are not recognised in the financial statements since this may result in the recognition of income that may never be realised.

15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, balances with RBI, balances with other banks and money at call and short notice.

16 IMPAIRMENT

The carrying amount of fixed assets is reviewed at the Balance Sheet date to determine if there are any indications of impairment based on internal / external factors. In case of impaired assets, the impairment loss i.e. the amount by which the carrying amount of the asset exceeds its recoverable value is charged to the Profit and Loss account to the extent the carrying amount of assets exceeds its estimated recoverable amount.



Schedule 18

1 Business Transfer Agreement

Pursuant to the Business Transfer Agreement (BTA) dated January 12, 2017 the Bank has acquired the business of Ujjivan Financial Services Limited for a consideration of Rs 1,530 Crore .The value of assets taken over was Rs 8,610 Crore and the value of liabilities taken over are Rs 7,096 Crore.The net assets(Net of liabilities) taken over was Rs 1,514 Crore.The goodwill purchased (i.e.excess of purchase consideration settled over the net assets taken over) of 16 Crore has been written off during the current period.

1.1 Capital Infusion

During the period July 04, 2016 to March 31, 2017 the Bank has allotted share capital as follows:

a. Equity Share Capital

(Amount in Rupees except share data)

Particulars	Date of allotment	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Share capital (Rs.)
On Incorporation	July 4, 2016	50,000	10	10	500,000
Further allotment	July 30, 2016	109,986,800	10	10	1,099,868,000
Further allotment	February 10, 2017	1,330,000,000	10	10	13,300,000,000
Total		1,440,036,800			14,400,368,000

b. Preference Share Capital

Particulars	Date of allotment	No. of Shares	Face value (Rs.)	Issue price (Rs.)	Share capital (Rs.)
Allotment	February 10, 2017	200,000,000	10	10	2,000,000,000
Total		200,000,000			2,000,000,000

On January 12, 2017 an agreement to transfer business undertaking (BTA) was executed by virtue of which the business of 'Ujjivan Financial Services Limited' (UFSL) has been acquired by the Bank effective February 01, 2017 at the purchase price of Rs. 1,530 Crore and purchase price was discharged by the Bank to UFSL by issue of 1,330,000,000 equity shares, of face value of Rs. 10 each, issued at par and issue of 200,000,000 11% Perpetual non-cumulative preference shares of face value of Rs. 10 each.

1.2 Capital Adequacy Ratio

The Bank has applied more stringent Basel III capital regulations issued by RBI for computations of Capital Adequacy Ratio for the period ended March 31, 2017. However, as per operating guidelines for Small Finance Banks issued by RBI dated Oct 06, 2016, the bank has also calculated Capital Adequacy Ratio as per Basel II capital regulations for the period ended March 31, 2017. As per Basel II capital regulations, the Capital Adequacy Ratio of the bank is 19.53%.

Under Basel III Capital Regulations and operating guidelines for Small Finance Bank issued on october 6, 2016 on an on-going basis, the Bank has to maintain a Minimum Total Capital (MTC) of 15% of the total risk weighted assets (RWA). Out of the MTC, at least 7.5% shall be from Minimum Tier 1 Capital of which common equity Tier 1 capital shall be 6% and at least 1.50% from additional Tier 1 capital and remaining Tier 2 Capital shall be 7.5%.The capital adequacy ratio of the Bank is set out below:



Schedule 18

(Amount in Rupees)

Particulars	March 31, 2017
Common Equity Tier1 Capital Ratio	14.68%
Tier I Capital Ratio	16.83%
Tier II Capital Ratio	1.41%
Total Capital Ratio (CRAR)	18.24%
Total risk weighted assets	93,341,500,368
Amount of CET 1 Capital raised*	13,705,403,897
Amount of Additional Tier 1 Capital raised: of which Perpetual Non-cumulative Preference Shares(PNCPS)	2,000,000,000
Perpetual Debt Instruments (PDI)	-
Amount of Tier 2 Capital raised; of which	1,312,805,265
Debt Capital Instrument	216,666,667
Preference Share Capital Instruments [Perpetual Non-cumulative Preference Shares(PNCPS)]	-

* Different from Equity Capital (Rs 14,400,368,000)

Note: Total Risk weighted assets includes operational risk on the basis of current period's gross profit.

Note: The CRAR has reduced by 0.27% due to implicit support on securitised portfolio

2 Investments

2.1 Details of Investments

(Amount in Rupees)

Particulars	March 31, 2017
Value of Investments	
(i) Gross Value of Investments	
(a) In India	14,508,736,738
(b) Outside India,	-
(ii) Provisions for Depreciation	
(a) In India	41,966,250
(b) Outside India,	-
(iii) Net Value of Investments	
(a) In India	14,466,770,488
(b) Outside India.	-
Movement of provisions held towards depreciation on investments	
(i) Opening balance	-
(ii) Add : Provisions made during the period	41,966,250
(iii) Less : Write-off / (write-back) of excess provisions during the period	-
(iv) Closing balance	41,966,250



Schedule 18

2.2 Category wise details of Investments (Net of provision for depreciation):

(Amount in Rupees)

Particulars	As at March 31, 2017		
	HTM	AFS	HFT
i) Government securities	3,961,102,437	10,504,668,051	-
ii) Other approved securities	-	-	-
iii) Shares	1,000,000	-	-
iv) Debentures and bonds	-	-	-
v) Subsidiaries and /or Joint ventures	-	-	-
vi) Others -Security receipts, pass through certificates, etc.	-	-	-
Total	3,962,102,437	10,504,668,051	-

2.3 Details of Repos/Reverse Repos including Liquidity Adjustment Facility (LAF) transactions (in face value terms)

(Amount in Rupees)

Particulars	Minimum outstanding during the period	Maximum outstanding during the period	Daily average outstanding during the period	Balance as at March 31, 2017
Securities sold under repos				
i) Government Securities	-	-	-	-
ii) Corporate debt securities	-	-	-	-
Security purchased under reverse repo				
i) Government Securities	-	-	-	-
ii) Corporate debt securities	-	-	-	-

The above figures excludes securities sold and purchased under Liquidity Adjustment Facility (LAF) with RBI.

2.4 Non-SLR Investment Portfolio

Non-SLR Investment Portfolio as at March 31, 2017 are as follows:

(Amount in Rupees)

Issuer	Amount	Extent of private placement	Extent of 'below investment grade' securities	Extent of 'unrated' securities	Extent of 'unlisted securities
i) Public Sector Undertakings	-	-	-	-	-
ii) Financial institutions	-	-	-	-	-
iii) Banks	-	-	-	-	-
iv) Private companies	1,000,000	-	-	-	1,000,000
v) Subsidiaries/Joint ventures	-	-	-	-	-
vi) Others	-	-	-	-	-
vii) Provision held towards depreciation	-	-	-	-	-
Total	1,000,000	-	-	-	1,000,000

Note: Amounts reported above are not mutually exclusive.



Schedule 18

2.5 Non-Performing Non-SLR Investments*(Amount in Rupees)*

Particulars	As at March 31, 2017
Opening Balance	-
Additions during the period	-
Reductions during the period	-
Closing Balance	-
Total Provision held	-

2.6 Sale/transfer from HTM Category

During the period July 04, 2016 to March 31, 2017 the value of sales and transfer of securities to / from HTM category, excluding one-time transfer of securities from HTM and sale on account of Open Market Operation (OMO), has not exceeded 5% of the book value of investments held in HTM category. Hence, the related disclosures are not applicable.

3 Derivatives:

The Company has not entered into any derivatives contracts during the period July 04, 2016 to March 31, 2017.

4 Asset Quality**4.1 Non-Performing Assets:***(Amount in Rupees)*

Particulars	March 31, 2017
(i) Net NPAs to Net advances (%)	0.03%
Movement of Gross NPAs	
(a) Opening balance	-
(b) Additions (Fresh NPAs) during the period * #	188,852,686
Subtotal (A)	188,852,686
(c) Reductions during the period: #	
(i) Upgradations	2,370,382
(ii) Recoveries (excluding recoveries made from upgraded accounts)	12,239,176
(iii) Technical/ Prudential Write-offs	-
(iv) Write-offs other than those under (iii) above	10,248,467
Subtotal (B)	24,858,025
(d) Closing balance (A-B)	163,994,659
Movement of Net NPAs	
(a) Opening balance	-
(b) Additions during the period* #	28,950,038
(c) Reductions during the period #	10,978,634
(d) Closing balance	17,971,404
Movement of provisions for NPAs (excluding provisions on standard assets)	
(a) Opening balance	-
(b) Provisions made during the period*	166,478,937
(c) Write-back of excess provisions	20,455,680
(d) Closing balance	146,023,257

*Additions include NPA advances acquired as a part of the Business Transfer Agreement.

Additions and deletions does not include cases which have become NPA and subsequently moved out of NPA between the period February 1, 2017 to March 31, 2017.



Schedule 18

4.2 Technical or Prudential Write Offs:

Technical or prudential write-offs refer to the amount of non-performing assets which are outstanding in the books of the branches, but have been written-off (fully or partially) at the head office level. The financial accounting systems of the Bank are integrated and there are no write-offs done by the Bank which remain outstanding in the books of the branches.

Movement in the stock of technically or prudentially written-off accounts given below:

<i>(Amount in Rupees)</i>	
Particulars	March 31, 2017
Opening balance of technical / prudential write-offs accounts	--
Technical/Prudential write offs during the period	--
Recoveries made from previously technically / prudentially written-off accounts during the period	--
Closing balance of technical / prudential write-offs accounts	--

4.3 Divergence in Asset Classification and Provisioning for NPAs

As per the RBI notification-RBI/2016-17/283 DBR.BP.BC.No.63/21.04.018/2016-17 dated April 18,2017 an additional disclosure by way of notes to accounts regarding divergence in the asset classification and provisioning needs to be provided. Pursuant to the notification divergences observed by RBI for the financial year 2015-16 shall be made in the Notes to Accounts of Financial Statements for the year ended March 31, 2017.

As Ujjivan Small Finance Bank Limited has been incorporated on July 04, 2016 and since incorporation RBI inspection has not been carried out, the above disclosure is not applicable to the Bank for the period ended March 31, 2017.

4.4 Provision coverage ratio as at March 31, 2017 is 89.04%

4.5 Unsecured advances

The Bank has not extended any project advances where the collateral is an intangible asset such as a charge over rights, licenses, authorizations, etc. The Unsecured Advances of Rs. 57,440,678,829 disclosed in Schedule 9B (iii) are without any collateral or security.

5.CONCENTRATION OF DEPOSITS, ADVANCES, EXPOSURES AND NPA'S

5.1 Concentration of Deposits

(Amount in Rupees)

Particulars	March 31, 2017
Total Deposits to twenty largest deposits	2,029,476,272
Percentage of Deposits of twenty largest depositors to Total Deposits of the Bank	98.32%

5.2 Concentration of Advances

(Amount in Rupees)

Particulars	March 31, 2017
Total Advances to twenty largest borrowers	23,975,658
Percentage of Advances to twenty largest borrowers to Total Advances	0.04%

Advances are computed as per the definition of Credit Exposure including derivatives as prescribed in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015.



Schedule 18

5.3 Concentration of Exposures

(Amount in Rupees)

Particulars March 31, 2015	March 31, 2017
Total Exposure to twenty largest borrowers/customers	23,975,658
Percentage of Exposures to twenty largest customers to Total Exposure of the Bank on borrowers/customers	0.04%

Exposures are computed as per the definition in Master Circular on Exposure Norms DBR.No.Dir.BC.12/13.03.00/2015-16 dated July 1, 2015 and includes credit exposure.

5.4 Concentration of NPAs

(Amount in Rupees)

Particulars	March 31, 2017
Total Exposure to top four NPA accounts	700,347

5.5 Sector-wise Advances and NPA

As at March 31, 2017

(Amount in Rupees)

Sector	Gross Advances	Gross NPAs	% of Gross NPAs to Gross Advances in that sector
<u>Priority sector*:</u>			
Agriculture and Allied activities	7,822,872,792	14,381,286	0.18%
Industry	31,343,909	-	0.00%
Services	350,851,037	-	0.00%
Personal loans	50,206,811,543	149,202,951	0.30%
Sub-Total (A)	58,411,879,281	163,584,237	0.28%
<u>Non-Priority sector:</u>			
Agriculture and Allied activities	-	-	0.00%
Industry	41,864,937	-	0.00%
Services	139,460,747	410,425	0.29%
Personal loans	163,267,792	-	0.00%
-of which Housing	118,398,630	-	0.00%
Sub-Total (A)	344,593,476	410,425	0.12%
Total (A) + (B)	58,756,472,757	163,994,662	0.28%

* The above priority sector advances includes Rs. 4,927.88 Crore, the assets financed out of the outstanding grandfathered borrowings as per clause no .6.5 of the Operating guidelines for Small Finance Banks issued by Reserve Bank of India dated October 6, 2016. The bank has received an approval from RBI on 29, March, 2017 vide letter ref no. DBR.PSBD No.11487/ 16.02.006/ 2016-17, permitting the bank to retain charge on the above amount with an additional risk weight of 25% on these assets.



Schedule 18

5.6 a) Details of financial assets sold to Securitisation Company (SC) / Reconstruction Company (RC) for asset reconstruction:*(Amount in Rupees)*

Particulars	March 31, 2017
No. of accounts	-
Aggregate value of accounts sold to Securitisation Company/Reconstruction Company	-
Aggregate Consideration	-
Additional consideration realized in respect of accounts transferred in earlier years	-
Quantum of credit enhancement in the form of deposits	-
Aggregate gain /(loss) over net book value	-

b) Details of book value of investment in security receipts (SR) :*(Amount in Rupees)*

Particulars	March 31, 2017
Backed by NPAs sold by the Bank as underlying	-
Backed by NPAs sold by the other Banks / Financial Institutions / Non-Banking Financial Companies as underlying	-
Total	-

5.7 During the period, there has been no individual purchase / sale of non-performing financial assets from / to other banks.

5.8 During the period, there was no sale of assets through securitization to SC / RC .

5.9 Provision on Standard**Assets:**

Bank has followed the prudential norms on income recognition, asset classification and provisions. The excess provisions over and above the same is as per the board approved policy.

The provision on standard assets is included in 'Other Liabilities and Provisions – Others' in Schedule 5, and is not netted off from Advances.

(Amount in Rupees)

Particulars	March 31, 2017
The amount of provision held on standard assets	1,101,825,142

5.10 Floating provision*(Amount in Rupees)*

Items	March 31, 2017
Opening Balance as at beginning of the period	Nil
Provisions made during the period	Nil
Draw-down made during the period	Nil
Closing Balance as at end of the period	Nil

5.11 Disclosures on the Scheme for Sustainable Structuring of Stressed Assets (S4A), as on March 31, 2017*(Amount in Rupees)*

No. of accounts where S4A has been applied	Aggregate amount outstanding	Amount outstanding		Provision Held
		In Part A	In Part B	
Classified as Standard	Nil	Nil	Nil	Nil
Classified as NPA	Nil	Nil	Nil	Nil



Schedule 18

5.12 Disclosures on Flexible Structuring of Existing Loans

(Amount in Rupees)

Period	No. of borrowers taken up for flexibly structuring	Amount of loans taken up for flexible structuring		Exposure weighted average duration of loans taken up for flexible structuring	
		Classified as Standard	Classified as NPA	Before applying flexible structuring	After applying flexible structuring
During the period July 04, 2016 to March 31, 2017.	Nil	Nil	Nil	Nil	Nil

5.13 Disclosures on Strategic Debt Restructuring Scheme (SDR).

The Bank does not have any SDR during the period July 04, 2016 to March 31, 2017.

5.14 Disclosures on Change in Ownership outside SDR Scheme.

(Amount in Rupees)

No. of accounts where banks have decided to effect change in ownership	Amount outstanding as on the reporting date		Amount outstanding as on March 31, 2017 with respect to accounts where conversion of debt to equity/invocation of pledge of equity shares is pending		Amount outstanding as on March 31, 2017 with respect to accounts where change in ownership is envisaged by issuance of fresh shares or sale of promoters equity	
	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA	Classified as Standard	Classified as NPA
Nil	Nil	Nil	Nil	Nil	Nil	Nil

5.15 Disclosures on Change in Ownership of Projects Under Implementation.

(Amount in Rupees)

No. of project loan accounts where banks have decided to effect change in ownership	Amount outstanding as at March 31, 2017		
	Classified as standard	Classified as standard restructured	Classified as NPA
Nil	Nil	Nil	Nil



Schedule 18

5.16 Intra-Group Exposure

(Amount in Rupees)

Particulars	As at March 31, 2017
Total amount of intra-group exposure	NIL
Total amount of top-20 intra-group exposure	NIL
Percentage of Intra Group Exposure to Total Exposure of the Bank on borrower/ Customer	NIL
Details of Breach of Limit on Intra Group exposure and Regulatory action thereon, if any	Nil

5.17 Priority Sector Lending Certificates (PSLC):

(Amount in Rupees)

Particulars	For the period July 04, 2016 to March 31, 2017 PSLC Sold
1) PSLC Agriculture	107,500,000
2) PSLC Small Farmers / Marginal Farmers	-
3) PSLC Micro Enterprises	-
4) PSLC General	-

5.18 Business ratios

(Amount in Rupees)

Particulars	March 31, 2017
Interest income as a percentage to working funds	2.52%
Non-interest income as a percentage to working funds	0.16%
Operating profit as a percentage to working funds	0.06%
Return on assets	0.0004%
Business (deposits plus gross advances) per employee	5,914,099
Profit per employee	34

Notes:

- 1) Working funds are reckoned as the average of total assets as per the monthly returns in Form X filed with RBI during the period
- 2) Returns on Assets are computed with reference to average working funds.
- 3) Business per employee (deposits plus gross advances) is computed after excluding Inter-bank deposits.



UJJIVAN SMALL FINANCE BANK LIMITED
Significant Accounting policies and Notes to financial statement for the period July 04, 2016 to March 31, 2017

5.19 Disclosure on accounts subjected to Restructuring for the period ended March 31, 2017

(Amount in Rupees)

Sr No.	Type of Restructuring	Under CDR Mechanism				Under SME debt restructuring mechanism				Others				Total			
		Standard	Substan- dard	Doubt- ful	Loss	Total	Sub- stan- dard	Doubtful	Loss	Total	Stan- dard	Substan- dard	Doubt- ful	Loss	Total	Loss	Total
1	Asset Classification Details																
	Restructured Accounts as on April 1 of the FY (opening figures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Provision thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh restructuring during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Up gradation to restructured standard category during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts as on March 31 of the period (closing figures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	No. of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-



Schedule 18

6 Asset Liability Management

Maturity Pattern of certain items of Assets and Liabilities

Specified assets and liabilities as at March 31, 2017:

(Amount in Rupees)

Maturity Buckets	Loans & Advances	Investment	Securities	Deposits	Borrowings
1 day	1,318,005,592	-	-	74,544	
2 days to 7 days	1,185,492,051	-	-	72,500	95,425,542
8 days to 14 days	1,725,913,082	-	-	1,000,000,000	305,404,500
15 days to 30 days	1,781,935,588	-	-	503,341,069	1,267,669,878
31 days to 2 months	4,712,744,993	-	-	136,000	2,974,561,718
Over 2 months to 3 months	4,548,621,769	541,944,038	-	4,000	4,019,951,736
Over 3 to 6 months	12,438,362,822	2,369,677,051	-	147,600	9,398,139,996
Over 6 to 12 months	16,988,513,408	6,447,809,947	-	500,578,300	16,462,127,879
Over 1 year to 3 years	13,155,895,365	-	-	59,760,492	27,726,647,878
Over 3 years to 5 years	305,789,856	-	-	3,100	574,113,933
Over 5 years	449,174,973	5,149,305,702	-	300	89,995,144
Total	58,610,449,499	14,508,736,738	-	2,064,117,905	62,914,038,204

Note: The bucketing structure has been revised based on RBI guideline dated March 23, 2016.

7 Exposure

7.1 Exposure to Real Estate Sector:

(Amount in Rupees)

Particulars	March 31, 2017
A) Direct exposure	
i) Residential Mortgages	978,364,429
ii) Commercial Real Estate	-
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures:	
- Residential	-
- Commercial Real Estate	-
Total (A)	978,364,429
B) Indirect exposure	
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	-
Total (B)	-
Total Real Estate Exposure (A+B)	978,364,429



Schedule 18

7.2 Exposure to Capital Market:

(Amount in Rupees)

Particulars	As at March 31, 2017
Direct investment in equity shares, convertible bonds, convertible debentures and units of equity oriented mutual funds the corpus of which is not exclusively invested in corporate debt	1,000,000
Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds	-
Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security	-
Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances	-
Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	-
Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources	-
Bridge loans to companies against expected equity flows / issues	-
Underwriting commitments taken up by the banks in respect of primary issue of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds	-
Financing to stockbrokers for margin trading	-
All exposures to Venture Capital Funds (both registered and unregistered)	-
Irrecoverable payment commitments issued by custodian Banks in favour of Stock exchanges	-
Total Exposure to Capital Market	1,000,000

During the period July 04, 2016 to March 31, 2017, Bank has not converted any debt to equity as a part of strategic debt restructuring which is exempt from CME limit.

7.3 During the period there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

7.4 Disclosure of penalties imposed by RBI

During the period, RBI has not imposed any penalty on the Bank.

7.5 The Bank does not have any overseas branches and hence the disclosure regarding overseas assets, NPAs and revenue is not applicable.



Schedule 18

7.6 Disclosure of Customer/Borrower Complaints

Particulars	March 31, 2017
No. of complaints pending at the beginning of the period	-
No. of complaints received during the period	342
No. of complaints redressed during the period	229
No. of complaints pending at the end of the period	113

7.7 Provisions and Contingencies

(Amount in Rupees)

Particulars	March 31, 2017
Provision for NPA (including bad debts written off)	21,008,747
Provision for Standard Assets	23,346,123
Provision for Income tax (Net of deferred tax asset of Rs 56,54,966)	8,559,983
Total	52,914,853

Note: Provisions for depreciation on Investment (Netted off with Income from Investments)

7.8 Liquidity Coverage Ratio (LCR)

The Bank adheres to RBI guidelines relating to the Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and the LCR Disclosure Standards pursuant to the Basel III Framework on Liquidity Standards that are applicable to banks in India with effect from January 1, 2015. LCR measures the Bank's ability to manage and survive under combined idiosyncratic and market-wide liquidity stress condition that would result in accelerated withdrawal of deposits from retail as well as wholesale depositors, partial loss of secured funding, increase in collateral requirements, unscheduled draw down of unused credit lines, etc.

The Bank computes LCR in all significant currencies using the factors mentioned in RBI guidelines. High Quality Liquid Assets (HQLA) of the Bank consist of cash, unencumbered excess SLR, a portion of statutory SLR as allowed under the guidelines, cash balance with RBI in excess of statutory cash reserve requirements, and high rated corporate bonds issued by entities other than financial institutions. Bank's Balance Sheet is prepared in domestic currency.

The Asset Liability Management Committee (ALCO) of the Bank is the governing body to decide on composition of funding sources and accordingly guide different business units.

Liquidity Coverage Ratio (LCR) aims in ensuring the Bank to maintain an adequate level of unencumbered High Quality Liquid Assets (HQLAs) to meet its liquidity needs convertible into cash under significantly severe liquidity stress scenario lasting for 30 days horizon period. LCR measures the Bank's potential to stand under combined idiosyncratic and market-wide liquidity stress condition, where the Bank experiences accelerated withdrawal of deposits from retail depositors, partial loss of secured funding, increase in collateral requirements and unscheduled draw down of unused credit lines.

LCR is the ratio of unencumbered HQLAs to Net Cash Outflows over the next 30 calendar days. From Jan 1, 2017 onwards, RBI guidelines mandate computation of LCR on daily average basis, which hitherto were measured on month-ends. The following table presents the minimum LCR to be maintained, in terms of RBI guidelines.

Effective from	December 1, 2017	January 1, 2018	January 1, 2019	January 1, 2020	January 1, 2021
Minimum LCR	60%	70%	80%	90%	100%

The Bank maintains HQLA in terms of Cash, unencumbered excess SLR, proportion of statutory SLR as allowed by RBI, excess statutory cash reserve and high rated corporate bonds issued by entities other than financial institutions. For the purposes of LCR computation, the Bank has considered all inflows and outflows that may have a quantifiable impact under the liquidity stress scenario.



Schedule 18

The below mentioned table is position of Liquidity Coverage Ratio computed based on March 31, 2017. The Reserve Bank of India prudential guidelines on Capital Adequacy and Liquidity Standards - Amendments dated March 31, 2015, require the LCR data for the period ended March 31, 2017 to be computed based on simple average of monthly observations over the quarter and simple average of the month calculated on daily observations.

(Amount in Rupees)

Particulars	Month end position during the period ended March 31, 2017	
	Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets		
1. Total High Quality Liquid Assets (HQLA)	9,546,659,575	9,546,659,575
Cash Outflows		
2. Retail deposits and deposits from small business customers, of which:	32,024,791	2,009,072
(i) Stable deposits	23,868,138	1,193,407
(ii) Less stable deposits	8,156,653	815,665
3. Unsecured wholesale funding, of which:	1,579,683,320	1,578,870,045
(i) Operational deposits (all counterparties)	500,000	105,000
(ii) Non-operational deposits (all counterparties)	150,444,050	150,025,775
(iii) Unsecured debt	1,428,739,269	1,428,739,269
4. Secured wholesale funding	1,917,473,601	1,917,473,601
5. Additional requirements, of which		
(i) Outflows related to derivative exposures and other collateral requirements	-	-
(ii) Outflows related to loss of funding on debt products	-	-
(iii) Credit and liquidity facilities	465,039,787	23,251,989
6. Other contractual funding obligations	514,321,659	514,321,659
7. Other contingent funding obligations	-	-
8. Total Cash Outflows	5,244,723,053	4,772,106,262
Cash Inflows		
9. Secured lending (e.g. reverse repos)	-	-
10. Inflows from fully performing exposures	5,724,704,967	2,862,352,483
11. Other cash inflows	4,150,000,000	2,075,000,000
12. Total Cash Inflows	9,874,704,967	4,937,352,483
13. TOTAL HQLA	9,546,659,575	9,546,659,575
14. Total Net Cash Outflows	1,311,180,763	1,193,026,565
15. Liquidity Coverage Ratio (%)	728.10%	800.21%



Schedule 18

8 Employee Benefits (AS-15)

Gratuity:

Gratuity is a defined benefits plan. The Bank has obtained qualifying insurance policies from insurance company. The following table summarises the components of net expenses recognised in the Profit and Loss account and funded status and amounts recognised in the Balance Sheet on the basis of actuarial Valuation.

Details of defined benefit plan of gratuity are given below:

(Amount in Rupees)	
Changes in the present value of the obligation	March 31, 2017
Opening balance of Present Value of Obligation	-
Interest Cost	2,080,264
Current Service Cost	3,328,506
Benefits Paid	-
Actuarial loss / (gain) on Obligation	4,064,603
Acquisitions/Divestures/Transfers	169,356,598
Closing balance of Present Value of Obligation	178,829,971
Reconciliation of opening and closing balance of the fair value of the Plan Assets	
Opening balance of Fair value of Plan Assets	-
Adjustment to Opening Balance	-
Expected Return on Plan assets	1,763,270
Contributions	143,549,788
Benefits Paid	-
Actuarial Gain/(loss) Return on Plan Assets	(51,829)
Closing balance of Fair Value of Plan Assets	145,261,229
Actual Return on Plan Assets	1,711,441
Profit and Loss – Expenses	
Current Service Cost	3,328,506
Interest Cost	2,080,264
Expected Return on Plan assets	(1,763,270)
Net Actuarial loss recognized in the period	4,116,432
Expenses recognized in the Profit and Loss account	7,761,932
Funded status	100% insurance managed funds
Actuarial Assumptions	
Discount Rate	6.83%
Expected Rate of Return on Plan Assets	6.83%
Expected Rate of Salary Increase	9.00%
Employee Attrition Rate	16.40%



Schedule 18

Experience Adjustments

(Amount in Rupees)

Particulars	March 31, 2017
Plan Assets	145,261,229
Defined benefit obligation	178,829,971
Surplus/ (Deficit)	(33,568,742)
Experience adjustment gain on plan assets	22,776,393
Experience adjustment loss on plan liabilities	51,829

Note: Above details are provided for the Period July 04, 2017 to March 31, 2017, Bank has acquired the Gratuity liability as part of the Business Transfer Agreement dated January, 12, 2017 effective from February, 1, 2017 (Refer Schedule 18 Note 1). The amount charged to Profit and Loss Account for the current period is Rs 77,61,932.

9 LEAVE ENCASHMENT

The Actuarial liability of compensated absences of accumulated privileged leaves of the employees as of March 31, 2017 is given below:

(Amount in Rupees)

Particulars	March 31, 2017
Privileged Leave (Actuarial Liability)	186,474
Assumptions	-
Discount Rate	6.83%
Salary Escalation rate	9.00%



Schedule 18

10 Segment Reporting

The Bank's business segment is primarily in Retail Financing which comprises of Micro finance lending, Mortgage Finance.

The principal geographical segment is in India (Refer Schedule 17, Note 11) .

(Amount in Rupees)

SR.NO	Part A: Business segments				
	Business Segments →	Treasury	Retail Banking	Other Banking	Total
	Particulars ↓	March 31, 2017	March 31, 2017	March 31, 2017	March 31, 2017
1	Revenue	197,191,995	2,063,837,090	-	2,261,029,085
2	Un allocated Revenue	-	-	-	-
3	(less) Inter segment revenue	-	-	-	-
4	Total Income (1+2-3)	197,191,995	2,063,837,090	-	2,261,029,085
5	Result	197,191,995	(137,240,118)	-	59,951,877
6	Unallocated expenses	-	-	-	51,041,129
7	Operating profit	-	-	-	8,910,748
8	Provisions and Contingencies other than Tax expenses				-
9	Tax expenses (including deferred tax)	-	-	-	8,559,983
10	Extraordinary profit/ loss	-	-	-	-
11	Net profit (5-6-8-9)	-	-	-	350,765
	Other information:				
12	Segment assets	21,684,079,687	62,202,591,446		83,886,671,133
13	Unallocated assets	-	-	-	477,441,999
14	Total assets	-	-	-	84,364,113,132
15	Segment liabilities	-	67,949,179,418	-	67,949,179,418
16	Unallocated liabilities	-	-	-	16,414,582,949
17	Total liabilities	-	-	-	84,364,113,132

Tax paid in advance / tax deducted at source (net of provisions) , others which cannot be allocated to any segments, have been classified as unallocated assets; Depreciation on Fixed Assets has been classified as unallocated expenses. The unallocated liabilities include share capital, reserves and surplus and others.



UJJIVAN SMALL FINANCE BANK LIMITED
Significant Accounting policies and Notes to financial statement for the period July 04, 2016 to March 31, 2017
Schedule 18
11 Related Party Transactions (AS-18)

As per AS 18 Related party Disclosures notified under section 133 of the companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rule 2014, the Bank related parties during the period July 04, 2016 to March 31, 2017 are disclosed below:

Holding company :

Ujjivan Financial Services limited

Key Management Personnel (KMP) :

Mr. Samit Ghosh (Managing Director and CEO)

Ms Upma Goel (Chief Financial Officer)

Mr. Sanjeev Barnwal (Company Secretary)

Enterprise in which relatives of KMP are members :

Parinaam Foundations

Enterprise in which of KMP are members :

Ujjivan Social Foundations services

In accordance with paragraph 5 of AS - 18, the Bank has not disclosed certain transactions with relatives of key management personnel as they are in the nature of banker-customer relationship.

Ujjivan Small Finance Bank Limited (USFB) is a wholly owned subsidiary of Ujjivan Financial Services Limited. (UFSL). During the period assets amounting to Rs 8,610 Crore and liabilities Rs 7,096 Crore amounting to were transferred by UFSL to USFB via slump sale and the amount of purchase consideration was discharged by issue of Equity shares amounting to Rs.1,330 Crore and Preference shares amounting to Rs 200 Crore.

(Amount in Rupees)

Items/Related Party	Parent#	Key Management Personnel	Enterprise in which relatives of Key Management Personnel are Members@	Total
Deposit	1,000,000,000	-	-	1,000,000,000
Reimbursement of expenses - Amount Paid	14,405,561	-	-	14,405,561
Reimbursement of expenses - Amount Received	3,628,647	-	108,390	3,737,037
Inter Company Transfer- Amount Received*	119,958,575	-	-	119,958,575
Capital	16,400,368,000	-	-	16,400,368,000
Inter-set Accrued but no due	180,821	-	-	180,821
Payment of Remuneration **	-	2,703,071	-	2,703,071
Rendering of services	-	-	500,000	500,000

*Notes: Refer clause 11.3.2 of Business Transfer Agreement dated January 16, 2017 between UFSL and Bank.

** The above Remuneration excludes Bonus and Gratuity.

(Amount in Rupees)

	As at March 31, 2017
Outstanding Balance with enterprise in which relative of Key Managerial Person are Members	
Parinaam Foundations	108,390
Parent Company	
Ujjivan Financial Services	1,004,631,274
Share Capital (Investment)	16,400,368,000



Schedule 18

12 Operating leases

The future lease payments in respect of the above are as follows:

<i>(Amount in Rupees)</i>	
Particulars	As at March 31, 2017
Not later than one year	136,888,602
Later than one year but not later than five years	265,345,796
Later than 5 years	-
The total of minimum lease payments recognized in the Profit and Loss Account for the period	38,222,909
Total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases	-
Sub-lease amounts recognized in the Profit and Loss Account for the period	-
Contingent (usage based) lease payments recognized in the Profit and Loss Account for the period	-

13 Earnings per Share

The Bank reports basic and diluted earnings per Equity share in accordance with AS -20 Earning Per Share.

The computation of earnings per share is given below:

<i>(Amount in Rupees except share data)</i>	
Particulars	For the period July 04, 2016 to March 31, 2017
Net profit after tax (Rs.)	350,765
Weighted average shares outstanding – Basic (Nos.)	344,872,015
Weighted average shares outstanding – Diluted (Nos.)	344,872,015
Nominal Value of Equity Shares (Rs.)	10
Earnings per share – Basic (Rs.)	0.001
Earnings per share – Diluted (Rs.)	0.001

14 MISCELLANEOUS

(i) Provisions for taxation during the year:

<i>(Amount in Rupees)</i>	
Particulars	For the period July 04, 2016 to March 31, 2017
Provision for Income Tax	14,214,949
Deferred tax credit	(5,654,966)
Total	8,559,983

(ii) Disclosure relating to Depositor Education and Awareness Fund (DEAF):

<i>(Amount in Rupees)</i>	
Particulars	For the period July 04, 2016 to March 31, 2017
Opening balance of amounts transferred to DEAF	-
Add: Amounts transferred during the period	-
Less: Amounts reimbursed by DEAF towards claims	-
Closing balance of amounts transferred to DEAF	-



Schedule 18

(iii) Drawdown from Reserves

The Bank has not undertaken any drawdown from reserves during the period ended March 31, 2017.

(iv) FIXED ASSETS

<i>(Amount in Rupees)</i>	
Particulars	As at March 31, 2017
Fixed Assets excluding Computer Software	
Opening balance	-
Additions during the period*	1,002,386,754
Depreciation charge for the period#	280,513,677
Balance at the end of the period	721,873,077

*Additions include assets acquired as a part of the Business Transfer Agreement.

#Depreciation charge for the period is accumulated depreciation.

(v) COMPUTER SOFTWARE

The movement in fixed assets capitalized as computer software is given below:

<i>(Amount in Rupees)</i>	
Particulars	As at March 31, 2017
Opening balance	
Additions during the period*	719,519,317
Depreciation charge for the period#	75,356,810
Balance at the end of the period	644,162,507

*Additions include assets acquired as a part of the Business Transfer Agreement.

#Depreciation charge for the period is accumulated depreciation.

(vi) Description of Contingent Liabilities:

<i>(Amount in Rupees)</i>	
Particulars	As at March 31, 2017
i) Disputed taxes- Service Tax	4,226,041
ii) Claims against the company- not acknowledged as debt	325,035
iii) Capital commitments not provided	278,809,042
Total	283,360,118

(vii) Disclosure of Letters of Comfort (LoC) issued by the Bank:

The Bank has not issued any Letter of Comfort during the period from July 04, 2016 to March 31, 2017.



Schedule 18

15 Deferred Tax

In accordance with Accounting Standard -22 "Accounting for Taxes on Income", the company has recognized Rs.469,341,182/- as deferred tax asset as detailed below*:

(Amount in Rupees)

Particulars	Deferred Tax (Assets) / Liabilities as on July 4, 2016	Deferred Tax (Assets) / Liabilities as part of the Business Transfer Agreement *	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as on March 31,2017
Difference between book and tax depreciation	-	8,444,639	29,572,682	38,017,321
Provision for Employee benefits	-	(64,154,646)	(16,837,659)	(80,992,305)
Provision for doubtful assets/ standard assets	-	(406,463,105)	(10,468,902)	(416,932,007)
Others	-	(1,513,104)	(7,921,087)	(9,434,191)
Net Deferred Tax (Asset) / Liability	-	(463,686,216)	(5,654,966)	(469,341,182)

* Pursuant to the Business Transfer Agreement dated January 12, 2017 the Bank has acquired Deferred Tax Asset (Net off Deferred Tax Liability) amounting to Rs .463,686,216.

16 QUANTITATIVE DISCLOSURES:

The quantitative disclosures cover the Bank's Whole Time Directors and Key Risk Takers. Key Risk Takers are individuals who can materially set, commit or control significant Amounts of the Bank's resources, and / or exert significant influence over its risk profile. The Bank's Key Risk Takers include Whole Time Directors, Group Heads, Business Heads directly reporting to the Managing Director and select roles in the Bank's Treasury and Investment Banking functions.

16.1 Disclosure on Remuneration

The Board of Directors, in their meeting held on January 19, 2017, approved the formation of Nomination and Remuneration Committee (NRC). The NRC presently comprises four members, all of them are Independent Directors. .On Remuneration aspects, the mandate of the Nomination and Remuneration Committee is overseeing the framing ,review and implementation of the Banks's Compensation policy for Whole Time Director/Chief Executive Officers/Risk Takers and control function staff for ensuring effective alignment between remuneration and risks .The Committee also ensures that level and composition of remuneration is reasonable and sufficient ,relationship of remuneration to performance is clear and meets appropriate performance benchmarks.The Nomination and Remuneration Committee reviews compensation policies of the Bank with a view to attract, retain and motivate employees.

16.2 Compensation Policy

The Compensation Policy is formulated by the Board in alignment with the RBI guidelines and covers all components of compensation including fixed pay, variable pay, perquisites, retirement benefits as Provident Fund and Gratuity, Long term incentive plans and Employee Stock Options.

The key objectives of the policy are:

- Ensure compliance with applicable laws, rules and regulations as well as 'Fit and Proper criteria' of directors before their appointment.
- Institutionalize a mechanism for the appointment/ removal/ dismissal of directors and lay down selection criteria for appointment of director.
- Formulate criteria for determining qualifications, positive attributes and independence of directors .
- Retain, motivate and promote talent and to ensure long term sustainability of talented Key Managerial Person.
- Devise a policy on Board diversity.
- Develop and regularly review succession plan for the Board.
- Formulate the criteria for evaluation of performance of all the Directors on the Board .
- Establish standards on compensation/ remuneration including fixed and variable, which are in alignment with the applicable rules and regulations and is based on the trends and practices of remuneration prevailing in the industry .
- Define internal guidelines for payment of perquisites to the directors and Key Managerial Person.

Schedule 18

16.3 Awards passed by the Banking Ombudsman:

Particulars	Period July 04, 2016 to March 31, 2017
No. of unimplemented Awards at the beginning of the period	NIL
No. of Awards passed by the Banking Ombudsman during the period	NIL
No. of Awards implemented during the period	NIL
No. of unimplemented Awards at the end of the period	NIL

16.4 Movement in provision for frauds included under other liabilities:

(Amount in Rupees)

Particulars	March 31, 2017
Opening provision	-
Provision during the year*	7,720,200
Utilisation / Write back of provision	-
Closing provision	7,720,200

* Provision during the year includes the liabilities acquired as part of the Business Transfer Agreement (BTA)

17 Other Disclosures

Particulars	For the period July 04, 2016 to March 31, 2017
Number of meetings held by RC during the July 04, 2016 to March 31, 2017 and remuneration paid to its members	During the period July 04, 2016 to March 31, 2017, three Remuneration Committee were held. The members of the Remuneration Committee were paid aggregate sitting fees of Rs.2,80,000 for three meetings.
Number of employees having received a variable remuneration award during the period July 04, 2016 to March 31, 2017.	No employees belonging to the category of WTD / CEO / Risk Takers/Other Control function staff had received a variable remuneration award
Number and total amount of 'sign on' awards made during the July 04, 2016 to March 31, 2017.	Nil
Details of guaranteed bonus if any paid as sign on bonus	Nil
Details of severance pay in addition to the accrued benefits	Nil
Total amount of outstanding deferred remuneration split into cash, shares and share linked instruments and other forms	Nil



Schedule 18

Particulars	For the period July 04, 2016 to March 31, 2017
Total amount of deferred remuneration paid out in the July 04, 2016 to March 31, 2017.	Nil
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and implicit adjustments.	Nil
Total amount of reductions during the FY due to ex – post explicit adjustments	Nil
Total amount of reductions during the FY due to ex – post implicit adjustments	Nil

Particulars	31-Mar-17
Number of meetings held by the Nomination Remuneration Committee during the financial year and remuneration paid to its members	3
Number of employees having received a variable remuneration award during the financial period	Nil
Number and total amount of sign-on awards made during the financial period	Nil
Number and total amount of guaranteed bonuses awarded during the financial period	Nil
Details of severance pay, in addition to accrued benefits, if any	Nil
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Nil
Total amount of deferred remuneration paid out in the financial period	Nil
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and / or implicit adjustments	Nil
Total amount of reductions during the financial year due to ex-post explicit adjustments	Nil
Total amount of reductions during the financial year due to ex-post implicit adjustments	Nil

18 Disclosure on remuneration to Non-Executive Directors:

The Non-Executive Directors are paid Sitting Fees for attending meetings of the Board and its Committees at the rate of Rs. 50,000 per Board meeting, at the rate of Rs. 40,000 per committee meeting . An amount of Rs. 17.1 Lakhs was paid as sitting fees to the Non-Executive Directors during the July 04, 2016 to March 31, 2017.

(Amount in Rupees)

Name of Director	Remuneration
Mr.Sunil Vinayak Patel	390,000
Ms. Vandana Viswanathan	270,000
Prof. Nandlal I.Sarada	310,000
Mr. Biswamohan Mahapatra	270,000
Mr. Luis Miranda	180,000
Mr. Prabal Sen	190,000
Mr. Anadi Charan Sahu	100,000
Total	1,710,000



Schedule 18

- 19** The Micro, Small and Medium Enterprises Development Act, 2006 that came into force from October 2, 2006, provides for certain disclosures in respect of Micro, Small and Medium enterprises. There have been no reported cases of delays in payments to micro and small enterprises or interest payments due to delays in such payments.

20 Corporate Social Responsibility

As per Sec 135 (1) of the Companies Act "Every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director". Further, the company should spend, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy. Since the bank is in the first year of its incorporation thus last two years of profit are not available, therefore the payment of CSR doesn't apply to the Bank as average profit of last 3 years is not available.

- 21** As the Company is a Banking Company, the disclosure of details relating to Specified Bank Notes (SBNs) as per Notification No. G.S.R. 308(E) dated March 30, 2017 issued by the Ministry of Corporate Affairs (MCA) is not applicable.

- 22** The Bank has a process whereby periodically all long term contract are assessed for material foreseeable losses. At the period end, the Bank has reviewed and ensured that adequate provision as required under any law / accounting standards for material foreseeable losses on such long term contracts has been made in the books of account as at March 31, 2017.

23 Investor education and protection fund

There is no amount required to be transferred to Investor Education and Protection Fund by the Bank.

24 Securitization Transaction

The Bank has not issued any letter of comfort during the year ended March 31, 2017.

25 Comparative figures

These Financial Statements are drawn for the period from July 04, 2016 to March 31, 2017. Being the first reporting period after incorporation of the Bank, there are no previous period figures.

For **Price Waterhouse Chartered Accountants LLP**

Chartered Accountants

Firm Registration No: 012754N / N500016



Vivek Prasad

Partner

Membership No: 104941

Place: Bengaluru

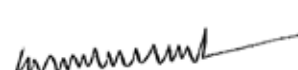
Date : April 26, 2017

For **Ujjivan Small Finance Bank Limited**



Sunil Patel

Chairman



Samit Ghosh

Managing Director & CEO



Vandana Viswanathan

Non-Executive Director



Anadi Charan Sahu

Non-Executive Director



Upma Goel

Chief Financial Officer



Sanjeev Barnwal

Company Secretary

NOTES

[illegible]





Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Koramangala, Bengaluru - 560 095.
Tel: +91 80 4071 2121 | Fax: +91 80 4146 8700 | Website: www.ujjivansfb.in
Customer Service Number: 1800 208 2121