



SPANDANA SPOHOORTY FINANCIAL LIMITED

Our Company was incorporated as Spandana Spohoorty Innovative Financial Services Limited ("SSIFSL") on March 10, 2003 at Hyderabad, Andhra Pradesh, India as a public limited company under the Companies Act, 1956. A certificate of commencement of business was issued to SSIFSL on November 11, 2003 by the Registrar of Companies, Andhra Pradesh and Telangana at Hyderabad ("RoC"). On October 16, 2004, the Reserve Bank of India ("RBI") granted a certificate of registration bearing registration no. N-09.00414 to our Company, for the registration of our Company as a non-deposit accepting non banking financial company ("NBFC") under Section 45IA of the Reserve Bank of India Act, 1934. Subsequently, pursuant to a special resolution dated November 26, 2007 passed by our shareholders, the name of our Company was changed to Spandana Spohoorty Financial Limited. Pursuant to a letter dated December 26, 2007, the RBI granted its no objection to the change of name of our Company to Spandana Spohoorty Financial Limited and a fresh certificate of incorporation consequent to change of name was issued by the RoC to our Company on January 3, 2008. Further, a fresh certificate of registration bearing registration no. N-09.00414 pursuant to the change of name was issued by the RBI on January 11, 2008. Our Company was granted NBFC – Microfinance Institution ("NBFC-MFI") status by the RBI with effect from April 13, 2015 and a modified certificate of registration bearing registration no. N-09.00414 was issued by the RBI to this effect. For further details of the changes in the name and registered office of our Company, see "History and Certain Corporate Matters" on page 143 and for further details of the registrations in relation to the business of our Company, see "Government and Other Approvals" on page 336.

Registered and Corporate Office: Plot No: 31 & 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad 500 032, Telangana, India

Tel: +91 40 4812 6666; **Fax:** +91 40 4438 6640

Contact Person: Rakesh Jhinjharla (Company Secretary and Compliance Officer); **E-mail:** secretarial@spandanaindia.com; **Website:** www.spandanaindia.com

Corporate Identity Number: U65929TG2003PLC040648

OUR PROMOTERS: PADMAJA GANGIREDDY AND KANGCHENJUNGA LIMITED

INITIAL PUBLIC OFFER OF UP TO [●] EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF OUR COMPANY FOR CASH AT A PRICE OF ₹[●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹[●] PER EQUITY SHARE) AGGREGATING UP TO ₹[●] MILLION ("OFFER"), COMPRISING A FRESH ISSUE OF UP TO [●] EQUITY SHARES AGGREGATING UP TO ₹4,00,00,000 MILLION ("FRESH ISSUE") AND AN OFFER FOR SALE OF UP TO 13,146,595 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION, COMPRISING OF AN OFFER FOR SALE OF UP TO 8,817,567 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY KANGCHENJUNGA LIMITED ("CORPORATE PROMOTER SELLING SHAREHOLDER"), UP TO 1,423,114 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY PADMAJA GANGIREDDY ("INDIVIDUAL PROMOTER SELLING SHAREHOLDER"), UP TO 1,177,000 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY VIJAYA SIVA RAMI REDDY VENDIDANDI ("VSRRV"), UP TO 1,158,142 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY VALIANT MAURITIUS PARTNERS FDI LIMITED ("VALIANT"), 196,284 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY HELION VENTURE PARTNERS II, LLC ("HELION II"), UP TO 191,704 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY KEDAARA CAPITAL ALTERNATIVE INVESTMENT FUND – KEDAARA CAPITAL AIF – 1 ("KEDAARA AIF-1") AND UP TO 182,784 EQUITY SHARES AGGREGATING UP TO ₹[●] MILLION BY HELION VENTURE PARTNERS, LLC ("HELION") (TOGETHER, "INVESTOR SELLING SHAREHOLDERS" AND, TOGETHER WITH THE CORPORATE PROMOTER SELLING SHAREHOLDER, THE INDIVIDUAL PROMOTER SELLING SHAREHOLDER, KEDAARA AIF – 1, VSRRV, HELION II, HELION AND VALIANT, "SELLING SHAREHOLDERS" AND SUCH OFFERED SHARES, "OFFERED SHARES") AGGREGATING UP TO ₹[●] MILLION ("OFFER FOR SALE").

THE FACE VALUE OF THE EQUITY SHARES IS ₹10 EACH. THE PRICE BAND, THE AMOUNT OF RETAIL DISCOUNT, IF ANY AND MINIMUM BID LOT, WILL BE DECIDED BY OUR COMPANY AND SELLING SHAREHOLDERS, IN CONSULTATION WITH THE GCBRLMS AND THE BRLMS AND WILL BE ADVERTISED IN ALL EDITIONS OF [●]. ALL EDITIONS OF [●] AND [●] EDITIONS OF [●] (WHICH ARE WIDELY CIRCULATED ENGLISH, HINDI AND TELUGU DAILY NEWSPAPERS RESPECTIVELY, TELUGU BEING THE REGIONAL LANGUAGE OF TELANGANA, WHERE OUR REGISTERED OFFICE IS LOCATED) AT LEAST FIVE WORKING DAYS PRIOR TO THE BID/ OFFER OPENING DATE AND SHALL BE MADE AVAILABLE TO BSE LIMITED ("BSE") AND NATIONAL STOCK EXCHANGE OF INDIA LIMITED ("NSE", AND TOGETHER WITH BSE, "STOCK EXCHANGES") FOR THE PURPOSE OF UPLOADING ON THEIR RESPECTIVE WEBSITES.*

* Retail Discount of ₹[●] to the Offer Price may be offered to Retail Individual Bidders.

In case of any revision in the Price Band, the Bid/ Offer Period will be extended by at least three additional Working Days after such revision in the Price Band, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Offer Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release, and also by indicating the change on the website of the GCBRLMs and the BRLMs and at the terminals of the other members of the Syndicate and by intimation to Self-Certified Syndicate Banks, the Registered Brokers and Share Transfer Agents and Collecting Depository Participants.

The Offer is being made in terms of Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, as amended ("SCRR"). The Offer is being made through the Book Building Process, in compliance with Regulation 26(1) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended ("SEBI ICDR Regulations"), wherein not more than 50% of the Offer shall be allocated on a proportionate basis to QIBs ("QIB Portion"), provided that our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis ("Anchor Investor Portion"), at the Anchor Investor Allocation Price. At least one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the remaining Net QIB Portion for proportionate allocation to QIBs. Further, not less than 15% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. All Bidders, other than Anchor Investors, shall mandatorily participate in this Offer through the Application Supported by Blocked Amount ("ASBA") process by providing details of their respective bank accounts which will be blocked by the Self-Certified Syndicate Banks ("SCSBs"). Anchor Investors are not permitted to participate in the Offer through ASBA Process. For details, see "Offer Procedure" on page 363.

RISKS IN RELATION TO THE FIRST OFFER

This being the first public offer of our Company, there has been no formal market for the Equity Shares. The face value of each Equity Share is ₹10 and the Floor Price is [●] times the face value and the Cap Price is [●] times the face value. The Offer Price (determined and justified by our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, on the basis of the assessment of market demand for the Equity Shares by way of the Book Building Process, as stated under "Basis for Offer Price" on page 87) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active or sustained trading in the Equity Shares or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in the Offer unless they can afford to take the risk of losing their entire investment. Investors are advised to read the risk factors carefully before taking an investment decision in the Offer. For taking an investment decision, investors must rely on their own examination of our Company and the Offer, including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page 17.

ISSUER'S AND SELLING SHAREHOLDERS' ABSOLUTE RESPONSIBILITY

Our Company, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Red Herring Prospectus contains all information with regard to our Company and the Offer, which is material in the context of the Offer, that the information contained in this Draft Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect. Each Selling Shareholder, severally and not jointly, accepts responsibility for only such statements and undertakings specifically confirmed or undertaken by such Selling Shareholder in this Draft Red Herring Prospectus in relation to itself and/or its portion of its Offered Shares and confirms that such statements are true and correct in all material aspects and are not misleading in any material respect. However, each Selling Shareholder does not assume any responsibility for any other statements, including without limitation, any and all of the statements made by or in relation to our Company, the other Selling Shareholder, or any other person(s) in this Draft Red Herring Prospectus.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on BSE and NSE. Our Company has received an 'in-principle' approval from BSE and NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively. For the purposes of the Offer, the Designated Stock Exchange shall be [●]. A signed copy of the Red Herring Prospectus and the Prospectus shall be delivered for registration to the RoC in accordance with Section 26(4) of the Companies Act 2013. For details of the material contracts and documents available for inspection from the date of the Red Herring Prospectus up to the Bid/ Offer Closing Date, see "Material Contracts and Documents for Inspection" on page 493.

GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS

BOOK RUNNING LEAD MANAGERS

REGISTRAR TO THE OFFER

AXIS CAPITAL	ICICI Securities	IIFL	JM FINANCIAL	IndusInd Bank	YES SECURITIES	KARVY Computershare
Axis Capital Limited 8th Floor, Axis House C-2 Wadia International Centre P. B. Marg, Worli Mumbai 400 025 Maharashtra, India Tel : +91 22 4325 2183 Fax : +91 22 4325 3000 E-mail: ssfl ipo@axiscap.in Investor grievance E-mail: complaints@axiscap.in Website: www.axiscapital.co.in Contact Person: Simran Gadh SEBI Registration No.: INM0000112029	ICICI Securities Limited ICICI Centre, H. T. Parekh Marg Churchgate Mumbai 400 020 Maharashtra, India Tel: +91 22 2288 2460 Fax: +91 22 2282 6580 E-mail: spandana.ipa@icicisecurities.com Investor grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Shekher Asnani Rupesh Khant SEBI Registration No.: INM000011179	IIFL Holdings Limited 10th Floor, IIFL Centre, Kamala City, Senapati Bapat Marg Lower Parel (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4600 Fax: +91 22 2493 1073 E-mail: spandanaipo@iiflcap.com Website: www.iiflcap.com Contact Person: Vishal Bangard/ Pranay Doshi SEBI Registration No.: INM000010940	JM Financial Limited 7th Floor, Cnergy Appasaheb Marathe Marg Prabhadevi Mumbai 400 025 Maharashtra, India Tel: +91 22 6630 3030 Fax: +91 22 6630 3330 E-mail: ssfl ipo@jmfml.com Investor grievance E-mail: grievance.ibd@jmfml.com Website: www.jmfml.com Contact Person: Prachee Dhuri SEBI Registration No.: INM000010361	IndusInd Bank Limited 11th Floor, One Indiabulls Centre Tower 1, 841 Senapati Bapat Marg Elphinstone (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 7143 2208 Fax: +91 22 7143 2270 E-mail: joshi.rahul@indusind.com Investor grievance E-mail: investmentbanking@indusind.com Website: www.indusind.com Contact Person: Rahul Joshi SEBI Registration No.: INM000005031	YES Securities (India) Limited IFC, Tower 1 & 2, Unit No. 602 A, 6th Floor, Senapati Bapat Marg Elphinstone (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 3012 6776 Fax: +91 22 2421 4508 E-mail: spandana.ipa@yesssecuritiesltd.in Investor Grievance E-mail: igc@yesssecuritiesltd.in Website: www.yesinvest.in Contact Person: Nikhil Bhiwarpurkar SEBI Registration No.: INM000012227	Karvy Computershare Private Limited Karvy Selenium Tower B Plot 31-32, Gachibowli Financial District, Nanakramguda Hyderabad 500 032 Telangana, India Tel: +91 40 6716 2222 Fax: +91 40 2343 1551 E-mail: spandana.ipa@karvy.com Investor grievance E-mail: einward.ris@karvy.com Website: www.karisma.karvy.com Contact Person: M. Murali Krishna SEBI Registration No.: INR000000221

BID/ OFFER PROGRAMME

BID/ OFFER OPENS ON	[●] ⁽¹⁾	BID/ OFFER CLOSING ON	[●] ⁽²⁾

⁽¹⁾ Our Company and the Selling Shareholders may, in consultation with the GCBRLMs and the BRLMs, consider participation by Anchor Investors in accordance with the SEBI ICDR Regulations. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/ Offer Opening Date

⁽²⁾ Our Company and the Selling Shareholders may, in consultation with the GCBRLMs and the BRLMs, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

This Draft Red Herring Prospectus uses certain definitions and abbreviations which, unless the context otherwise indicates or implies, shall have the meaning as provided below. References to any legislation, act, regulation, rules, guidelines or policies shall be to such legislation, act or regulation, rules, guidelines and policies as amended from time to time. In case of any inconsistency between the definitions given below and the definitions contained in the General Information Document, the definitions given below shall prevail.

The words and expressions used but not defined herein shall have the meaning as is assigned to such terms under the Companies Act, 2013 the SEBI ICDR Regulations, the SCRA, the Depositories Act or the rules and regulations made thereunder, unless the context otherwise indicates or implies.

General Terms

Term	Description
“our Company”, “the Company”, or “the Issuer”	Spandana Sphoorty Financial Limited, a public limited company incorporated under the Companies Act, 1956 and having its registered office at Plot No: 31 & 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad 500 032, Telangana, India
“we”, “us” or “our”	Unless the context otherwise indicates or implies, refers to our Company and its Subsidiary

Company and Selling Shareholders Related Terms

Term	Description
Abhiram Marketing	Abhiram Marketing Services Limited
Articles of Association/ AoA	Articles of Association of our Company, as amended
Amendment Agreement	Amendment agreement dated June 21, 2018 entered into amongst Kangchenjunga, Kedaara AIF - 1, Padmaja Gangireddy, Vijaya Siva Rami Reddy Vendidandi, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, JM Financial Trustee Company Private Limited, Valiant Mauritius Partners FDI Limited, Helion Venture Partners II LLC, Helion Venture Partners LLC and our Company
Audit Committee	The audit committee of our Board as described in “Our Management” on page 152
Board/Board of Directors	Board of directors of our Company, including a duly constituted committee thereof
Caspian Financial	Caspian Financial Services Limited
CCPS	Compulsorily convertible preference shares of our Company of face value of ₹10 each
Class A CCPS	Class A 0.001% CCPS of our Company having a face value of ₹10 each
Class A1 CCPS	Class A1 0.001% CCPS of our Company having a face value of ₹10 each
Class B CCPS	Class B 0.001% CCPS of our Company having a face value of ₹10 each
Corporate Promoter or Corporate Promoter Selling Shareholder or Kangchenjunga	Kangchenjunga Limited
Criss Financial	Criss Financial Holdings Limited
CSR Committee	The corporate social responsibility committee of our Board as described in “Our Management” on page 152
DTDs	Debenture trust deeds entered into by our Company
Director(s)	Director(s) of our Company
Eligible Employee(s)	A permanent employee of our Company, and a Director who qualifies for issue of options under the Spandana ESOP Plan 2018 and who fulfill the conditions as decided by the Nomination and Remuneration Committee
Equity Shares	Equity Shares of our Company of face value of ₹10 each
FY18 Series A OCRPS	FY18 Series A 0.001% OCRPS of our Company having a face value of ₹10 each
FY18 Series B OCRPS	FY18 Series B 0.001% OCRPS of our Company having a face value of ₹10 each
FY19 Series A OCRPS	FY19 Series A 0.001% OCRPS of our Company having a face value of ₹10 each
FY19 Series B OCRPS	FY19 Series B 0.001% OCRPS of our Company having a face value of ₹10 each

Term	Description
Gross AUM	Gross AUM represents our total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) comprising the outstanding of loan portfolio held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization or assignment as at the end of the relevant year, excluding (in both cases) loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012. Gross AUM is a Non-GAAP Financial Measure (see “ <i>Certain Conventions, Presentation Of Financial, Industry And Market Data And Currency Of Presentation – Non-GAAP Financial Measures</i> ” on page 13)
Gross AUM (including the old AP Portfolio)	Gross AUM (including the old AP Portfolio) represents the total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization as at the end of the relevant year, including loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012. Gross AUM is a Non-GAAP Financial Measure (see “ <i>Certain Conventions, Presentation Of Financial, Industry And Market Data And Currency Of Presentation – Non-GAAP Financial Measures</i> ” on page 13)
Group Companies	The group companies of our Company, as covered under the applicable accounting standards and other companies as considered material by our Board, if any, in accordance with the materiality policy dated June 14, 2018. For details, see “ <i>Our Group Companies</i> ” on page 174
Helion	Helion Venture Partners, LLC
Helion II	Helion Venture Partners II, LLC
Independent Directors	Independent directors on our Board, and eligible to be appointed as independent directors under the provisions of the Companies Act and the SEBI Listing Regulations. For details of the Independent Directors, see “ <i>Our Management</i> ” on page 152
Individual Promoter/ Individual Promoter Selling Shareholder	The individual promoter of our Company, Padmaja Gangireddy
IPO Committee	IPO committee of our Board constituted pursuant to the resolution of our Board dated May 15, 2018
JM Financials	JM Financial Investment Managers Limited
JM Financial Products	JM Financial Products Limited
Kedaara AIF – 1	Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF – 1
Kedaara Capital	Kedaara Capital I Limited
Key Management Personnel	Key management personnel of our Company in terms of Regulation 2(1)(s) of the SEBI ICDR Regulations and Section 2(51) of the Companies Act, 2013 and as disclosed in “ <i>Our Management</i> ” on page 152
Nomination and Remuneration Committee	The nomination and remuneration committee of our Board as described in “ <i>Our Management</i> ” on page 152
MD/ Executive Director/ Managing Director	The managing director of our Company, Padmaja Gangireddy
Memorandum of Association/ MoA	Memorandum of association of our Company, as amended
Nominee Director	Directors appointed on our Board by identified Shareholders in accordance with the AoA
OCCRPS	Optionally convertible cumulative redeemable preference shares of our Company having a face value of ₹10 each
Preference Shares	Preference shares of our Company of face value ₹10 each
Promoters	The promoters of our Company namely, Padmaja Gangireddy and Kangchenjunga
Promoter OCRPS	FY18 Series A OCRPS, FY18 Series B OCRPS, FY19 Series A OCRPS, FY19 Series B OCRPS and Series C OCRPS
Promoter Group	The entities constituting the promoter group of our Company in terms of Regulation 2(1)(zb) of the SEBI ICDR Regulations. For details, see “ <i>Our Promoters and Promoter Group</i> ” on page 170
Registered Office	Registered and corporate office of our Company located at Plot No: 31 & 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad 500 032, Telangana, India
Registrar of Companies/ RoC	Registrar of Companies, Andhra Pradesh and Telangana situated at Hyderabad
Restated Consolidated Financial Statements	Restated consolidated summary statement of assets and liabilities, the restated consolidated summary statement of profit and loss and the restated consolidated summary statement of cash flows as at and for the

Term	Description
	Fiscal ended March 31, 2018, together with the annexures thereto, prepared as per Indian GAAP and restated as per the SEBI ICDR Regulations
Restated Financial Statements	Collectively, the Restated Consolidated Financial Statements and the Restated Standalone Financial Statements
Restated Standalone Financial Statements	The restated standalone summary statement of assets and liabilities, the restated standalone summary statement of profits and losses and the restated standalone summary statement of cash flows as at and for the Fiscals ended March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 together with the annexures thereto, prepared as per Indian GAAP and restated as per the SEBI ICDR Regulations
Risk Management Committee	The risk management committee of our Board as described in “Our Management” on page 152
Shareholders	Equity shareholders of our Company from time to time
Series C OCRPS	Series C 0.001% OCRPS of our Company having a face value of ₹10 each
Shareholders’ Agreement	Shareholders’ agreement dated March 29, 2017, entered into amongst Kangchenjunga, Kedaara AIF - 1, Padmaja Gangireddy, Vijaya Siva Rami Reddy Vendidandi, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, JM Financial Trustee Company Private Limited, Lok Advisory Services Private Limited, Valiant Mauritius Partners FDI Limited, Helion Venture Partners II, LLC, Helion Venture Partners, LLC and our Company, as amended pursuant to the amendment agreement dated April 16, 2018 and the Amendment Agreement
SIDBI	Small Industries Development Bank of India
Spandana ESOP Plan 2018	Employee Stock Option Plan 2018 of our Company
Spandana ESOP Scheme 2018	Employee Stock Option Scheme 2018 of our Company
Stakeholders’ Relationship Committee	The stakeholders’ relationship committee of our Board as described in “Our Management” on page 152
Subsidiary	Caspian Financial Services Limited
Statutory Auditors	Statutory auditors of our Company, namely, S.R. Batliboi & Co. LLP, Chartered Accountants

Offer Related Terms

Term	Description
Acknowledgement Slip	The slip or document issued by the Designated Intermediary(ies) to a Bidder as proof of registration of the Bid/ Bid cum Application Form
Allottee	A successful Bidder to whom the Equity Shares are Allotted
Allot/ Allotment/ Allotted	Unless the context otherwise requires, allotment of the Equity Shares pursuant to the Fresh Issue and transfer of the Offered Shares by the Selling Shareholders pursuant to the Offer for Sale to the successful Bidders
Allotment Advice	Note or advice or intimation of Allotment sent to the successful Bidders who have been or are to be Allotted the Equity Shares after the Basis of Allotment has been approved by the Designated Stock Exchange
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion in accordance with the requirements specified in the SEBI ICDR Regulations and the Red Herring Prospectus
Anchor Investor Allocation Price	The price at which Equity Shares will be allocated to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which will be decided by our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs on the Anchor Investor Bid/ Offer Period
Anchor Investor Bidding Date	The day being one Working Day prior to the Bid/ Offer Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed
Anchor Investor Form	The form used by an Anchor Investor to Bid in the Anchor Investor Portion in accordance with the requirements specified under the SEBI ICDR Regulations and the Red Herring Prospectus
Anchor Investor Offer Price	Final price at which the Equity Shares will be Allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Offer Price but not higher than the Cap Price The Anchor Investor Offer Price will be decided by our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs

Term	Description
Anchor Investor Portion	Up to 60% of the QIB Portion which may be allocated by our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price
Application Supported by Blocked Amount or ASBA	An application, whether physical or electronic, used by Bidders, other than Anchor Investors, to make a Bid authorising an SCSB to block the Bid Amount in the ASBA Account
ASBA Account	An account maintained with an SCSB and specified in the ASBA Form submitted by ASBA Bidders for blocking the Bid Amount mentioned in the Bid cum Application Form
ASBA Bid	A Bid made by an ASBA Bidder
ASBA Bidder(s)	Bidders (other than Anchor Investors) in the Offer who intend to submit their Bid through the ASBA process
ASBA Form	An application form, whether physical or electronic, used by ASBA Bidders to make Bids which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
Axis Capital	Axis Capital Limited
Banker(s) to the Offer	Collectively, the Escrow Collection Bank(s), the Public Offer Account Bank(s) and the Refund Bank(s)
Basis of Allotment	Basis on which Equity Shares will be Allotted to successful Bidders under the Offer and which is described in “Offer Procedure” on page 363
Bid	An indication to make an offer during the Bid/ Offer Period by an ASBA Bidder, or on the Anchor Investor Bidding Date by an Anchor Investor pursuant to submission of the Bid cum Application Form to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto as permitted under the SEBI ICDR Regulations in accordance with the Red Herring Prospectus and Bid cum Application Form The term “Bidding” shall be construed accordingly
Bid/ Offer Closing Date	Except in relation to any Bids received from the Anchor Investors, the date after which the Designated Intermediaries will not accept any Bids for the Offer, which shall be notified in all editions of the English national daily newspaper [●], all editions of the Hindi national daily newspaper [●], and [●] editions of the Telugu daily newspaper [●], each with wide circulation (Telugu being the regional language of Telangana, where our Registered Office is located) and in case of any revisions, the extended Bid/Offer Closing Date shall also be notified on the websites and terminals of the Syndicate Members, as required under the SEBI ICDR Regulations Our Company and the Selling Shareholders may, in consultation with the GCBRLMs and the BRLMs, consider closing the Bid/ Offer Period for QIBs one Working Day prior to the Bid/ Offer Closing Date in accordance with the SEBI Regulations which shall also be notified by advertisement in the same newspapers where the Bid/ Offer Opening Date was published, in accordance with the SEBI ICDR Regulations
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form and unless otherwise stated or implied, includes an ASBA Bidder and Anchor Investor
Bid Amount	The highest value of optional Bids indicated in the Bid cum Application Form and payable by the Bidder or blocked in the ASBA Account of the Bidder as the case may be, upon submission of the Bid
Bid cum Application Form	The Anchor Investor Form or the ASBA Form, as the context may require
Bid Lot	[●] Equity Shares
Bid/ Offer Opening Date	Except in relation to any Bids received from the Anchor Investors, the date on which the Designated Intermediaries shall start accepting Bids for the Offer, which shall be notified in all editions of the English national daily newspaper [●], all editions of the Hindi national daily newspaper [●], and [●] editions of the Telugu daily newspaper [●], each with wide circulation (Telugu being the regional language of Telangana, where our Registered Office is located), and in case of any revision, the revised Bid/ Offer Opening Date also to be notified on the website and terminals of the Syndicate and SCSBs, as required under the SEBI ICDR Regulations
Bid/ Offer Period	Except in relation to Anchor Investors, the period between the Bid/ Offer Opening Date and the Bid/ Offer Closing Date, inclusive of both days, during which Bidders can submit their Bids, including any revisions thereof
Bidding Centres	Centres at which the Designated Intermediaries shall accept the ASBA Forms, i.e. Designated Branches for SCSBs, Specified Locations for the Syndicate, Broker Centres for Registered Brokers, Designated RTA Locations for RTAs and Designated CDP Locations for CDPs
Book Building Process	Book building process, as provided in Schedule XI of the SEBI ICDR Regulations, in terms of which the Offer is being made

Term	Description
Book Running Lead Managers or BRLMs	The book running lead managers to the Offer, being IndusInd Bank Limited and Yes Securities (India) Limited
Broker Centres	Broker centres of the Registered Brokers where Bidders can submit the Bid cum Application Forms to Registered Brokers The details of such Broker Centres, along with the names and contact details of the Registered Brokers are available on the respective websites of the Stock Exchanges (www.bseindia.com and www.nseindia.com), as updated from time to time
CAN/ Confirmation of Allocation Note	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, after the Anchor Investor Bidding Date
Cap Price	The higher end of the Price Band, above which the Offer Price and Anchor Investor Offer Price will not be finalised and above which no Bids will be accepted (including any revisions thereof)
Client ID	Client identification number maintained with one of the Depositories in relation to demat account
Collecting Depository Participant or CDP	A depository participant as defined under the Depositories Act, 1996 and registered with SEBI, who is eligible to procure Bids at the Designated CDP Locations in terms of circular no. CIR/ CFD/ POLICYCELL/ 11/ 2015 dated November 10, 2015 issued by SEBI
Cut-Off Price	Offer Price, which shall be any price within the Price Band finalised by our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs Only Retail Individual Bidders are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price
Demographic Details	The demographic details of the Bidders such as their respective addresses, occupation, PAN, name of the Bidder's father/ husband, investor status, MICR Code and bank account details
Designated Branches	Such branches of the SCSBs which shall collect the Bid cum Application Forms used by the ASBA Bidders, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 , updated from time to time, or at such other website as may be prescribed by SEBI from time to time
Designated CDP Locations	Such locations of the CDPs where ASBA Bidders can submit the ASBA Forms, a list of which, along with names and contact details of the Collecting Depository Participants eligible to accept ASBA Forms are available on the websites of the respective Stock Exchanges (https://www.bseindia.com and https://www.nseindia.com), as updated from time to time
Designated Date	The date on which the Escrow Collection Banks transfer funds from the Escrow Accounts, and the SCSBs transfer funds from the ASBA Accounts, to the Public Offer Account or the Refund Account, as appropriate, in terms of the Red Herring Prospectus
Designated Intermediaries	Collectively, the members of the Syndicate, Sub-Syndicate/ agents, SCSBs, Registered Brokers, the CDPs and RTAs, who are authorised to collect Bid cum Application Forms from the Bidders, in relation to the Offer
Designated RTA Locations	Such centres of the RTAs where Bidders can submit the Bid cum Application Forms. The details of such Designated RTA locations, along with names and contact details of the RTAs are available on the respective websites of the Stock Exchanges (https://www.bseindia.com and https://www.nseindia.com/)
Designated Stock Exchange	[●]
Draft Red Herring Prospectus or DRHP	This draft red herring prospectus dated June 25, 2018, issued in accordance with the SEBI ICDR Regulations, which does not contain complete particulars of the price at which the Equity Shares will be Allotted and the size of the Offer, including any addenda or corrigenda thereto
Eligible FPIs	FPIs from such jurisdictions outside India where it is not unlawful to make an offer / invitation under the Offer and in relation to whom the Bid cum Application Form and the Red Herring Prospectus constitutes an invitation to subscribe to the Equity Shares
Eligible NRIs	NRIs from such jurisdictions outside India where it is not unlawful to make an offer or invitation under the Offer and in relation to whom the Bid cum Application Form and the Red Herring Prospectus will constitute an invitation to purchase the Equity Shares offered there
Escrow Account	Account opened with the Escrow Collection Bank(s) and in whose favour Anchor Investors can transfer money through direct credit or NACH or NEFT or RTGS in respect of the Bid Amount when submitting a Bid
Escrow Agreement	The agreement dated [●] amongst our Company, the Selling Shareholders, the Registrar to the Offer, GCBRLMs and the BRLMs, the Syndicate Members, the Escrow Collection Bank(s) and the Refund Bank(s) for collection of the Bid Amounts and where applicable, remitting refunds (if any) on the terms and conditions thereof
Escrow Collection Bank	A bank, which is a clearing member and registered with SEBI as a banker to an offer and with whom the Escrow Account will be opened, in this case being [●]

Term	Description
First/ sole Bidder	The Bidder whose name appears first in the Bid cum Application Form or the Revision Form and in case of joint Bids, whose name appears as the first holder of the beneficiary account held in joint names
Floor Price	The lower end of the Price Band, subject to any revision thereto, at or above which the Offer Price and the Anchor Investor Offer Price will be finalised and below which no Bids will be accepted and which shall not be less than the face value of Equity Shares
Fresh Issue	The fresh issue of up to [●] Equity Shares aggregating up to ₹4,000.00 million by our Company pursuant to the terms of the Red Herring Prospectus
General Information Document/ GID	The General Information Document for investing in public issues, prepared and issued in accordance with the circular (CIR/ CFD/ DIL/ 12/ 2013) dated October 23, 2013 notified by SEBI, and updated pursuant to the circular (CIR/ CFD/ POLICYCELL/ 11/ 2015) dated November 10, 2015, the circular (CIR/ CFD/ DIL/ 1/ 2016) dated January 1, 2016, (SEBI/ HO/ CFD/ DIL/ CIR/ P/ 2016/ 26) dated January 21, 2016 and (SEBI/HO/CFD/DIL2/CIR/P/2018/22) dated February 15, 2018, notified by SEBI and included in “Offer Procedure” on page 363
Global Co-ordinators and Book Running Lead Managers or GCBRLMs	The global co-ordinators and book running lead managers to the Offer namely, Axis Capital Limited, ICICI Securities Limited, IIFL Holdings Limited and JM Financial Limited
ICICI Securities	ICICI Securities Limited
IndusInd	IndusInd Bank Limited
Individual Promoter Selling Shareholder	Padmaja Gangireddy
IIFL Holdings	IIFL Holdings Limited
JM Financial	JM Financial Limited
Monitoring Agency	[●]
Mutual Fund Portion	5% of the Net QIB Portion or [●] Equity Shares which shall be available for allocation to Mutual Funds only on a proportionate basis, subject to valid Bids being received at or above the Offer Price
Mutual Funds	Mutual funds registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996
Net Proceeds	Proceeds of the Fresh Issue less our Company’s share of the Offer expenses For further information about use of the Offer proceeds and the Offer expenses, see “Objects of the Offer” on page 89
Net QIB Portion	The portion of the QIB Portion less the number of Equity Shares Allotted to the Anchor Investors
Non-Institutional Bidders	All Bidders, that are not QIBs or Retail Individual Investors, who have Bid for Equity Shares for an amount of more than ₹200,000
Non-Institutional Portion	The portion of the Offer being not less than 15% of the Offer consisting of [●] Equity Shares which shall be available for allocation on a proportionate basis to Non-Institutional Bidders, subject to valid Bids being received at or above the Offer Price
Non-Resident	A person resident outside India, as defined under FEMA and includes FPIs, NRIs, FVCIs and multilateral and bilateral development financial institutions
Offer	The initial public offer of up to [●] Equity Shares for cash at a price of ₹[●], aggregating up to ₹[●] million comprising the Fresh Issue and the Offer for Sale
Offer Agreement	The agreement dated June 25, 2018 amongst our Company, the Selling Shareholders, the GCBRLMs and the BRLMs, pursuant to which certain arrangements are agreed to in relation to the Offer
Offer for Sale	The offer for sale of up to 13,146,595 Offered Shares aggregating up to ₹[●] million by the Selling Shareholders in terms of the Red Herring Prospectus For further details in relation to Selling Shareholders, see “The Offer” on page 59
Offer Price	The final price at which Equity Shares will be Allotted in terms of the Red Herring Prospectus The Offer Price will be decided by our Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs on the Pricing Date in accordance with the Book-Building Process and the Red Herring Prospectus
Offered Shares	13,146,595 Equity Shares, comprising of up to 8,817,567 Equity Shares aggregating up to ₹[●] million by the Corporate Promoter Selling Shareholder, up to 1,423,114 Equity Shares aggregating up to ₹[●] million by the Individual Promoter Selling Shareholder, up to 1,177,000 Equity Shares aggregating up to ₹[●] million by Vijaya Siva Rami Reddy Vendidandi, up to 1,158,142 Equity Shares aggregating up to ₹[●] million by Valiant, up to 196,284 Equity Shares aggregating up to ₹[●] million by Helion II, up to 191,704 Equity Shares

Term	Description
	aggregating up to ₹[●] million by Kedaara AIF – 1, and up to 182,784 Equity Shares aggregating up to ₹[●] million by Helion
Price Band	Price band of a minimum price of ₹[●] per Equity Share (Floor Price) and the maximum price of ₹[●] per Equity Share (Cap Price) including revisions thereof The Price Band and the minimum Bid Lot size for the Offer will be decided by our Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs and will be advertised at least five Working Days prior to the Bid/ Offer Opening Date, in all editions of the English national daily newspaper [●], all editions of the Hindi national daily newspaper [●] and [●] editions of the Telugu daily newspaper [●] (Telugu being the regional language of Telangana, where our Registered Office is located), each with wide circulation at least five Working Days prior to the Bid/ Offer Opening Date with the relevant financial ratios calculated at the Floor Price and at the Cap Price, and shall be made available to the Stock Exchanges for the purpose of uploading on their respective websites
Pricing Date	The date on which our Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs, will finalise the Offer Price
Prospectus	The prospectus to be filed with the RoC on or after the Pricing Date in accordance with Section 26 of the Companies Act, 2013, and the SEBI ICDR Regulations containing, <i>inter alia</i> , the Offer Price, the size of the Offer and certain other information, including any addenda or corrigenda thereto
Public Offer Account(s)	Account(s) to be opened with the Public Offer Account Bank(s) under Section 40(3) of the Companies Act, 2013, to receive monies from the Escrow Account and ASBA Accounts on the Designated Date
Public Offer Account Bank(s)	The bank(s) with whom the Public Offer Account(s) will be opened for collection of Bid Amounts from the Escrow Account and ASBA Accounts on the Designated Date, in this case being [●]
QIB Portion or QIB Category	The portion of the Offer (including the Anchor Investor Portion) being not more than 50% of the Offer or [●] Equity Shares to be Allotted to QIBs on a proportionate basis
Qualified Institutional Buyers or QIBs	Qualified Institutional Buyers as defined under Regulation 2(1)(zd) of the SEBI ICDR Regulations
Red Herring Prospectus or RHP	The Red Herring Prospectus to be issued in accordance with Section 32 of the Companies Act, 2013 and the SEBI ICDR Regulations, which will not have complete particulars of the price at which the Equity Shares shall be allotted (including any addenda or corrigenda thereto) and which shall be filed with the RoC at least three Working Days before the Bid/ Offer Opening Date and will become the Prospectus upon filing with the RoC on or after the Pricing Date
Refund Account(s)	The account(s) opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Bank(s)	The Banker(s) to the Offer with whom the Refund Account(s) will be opened, in this case being [●]
Refunds through electronic transfer of funds	Refunds through NACH, direct credit, NEFT, RTGS or unblocking ASBA Accounts, as applicable
Registered Brokers	Stock brokers registered with SEBI and the stock exchanges having nationwide terminals, other than the Members of the Syndicate and eligible to procure Bids at the Broker Centres in terms of Circular No. CIR/CFD/ 14/ 2012 dated October 4, 2012 issued by SEBI
Registrar Agreement	The agreement dated June 22, 2018, entered into amongst our Company, the Selling Shareholders and the Registrar to the Offer, in relation to the responsibilities and obligations of the Registrar to the Offer pertaining to the Offer
Registrar to the Offer/ Registrar	Karvy Computershare Private Limited
Registrar and Share Transfer Agents or RTAs	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations in terms of circular no. CIR/ CFD/ POLICYCELL/ 11/ 2015 dated November 10, 2015 issued by SEBI
Retail Individual Bidder(s)/ Retail Individual Investor(s)/ RII(s)/ RIB(s)	Bidders (including HUFs applying through their kartas and Eligible NRIs) whose Bid Amount for Equity Shares in the Offer is not more than ₹200,000 in any of the bidding options in the Offer
Retail Portion	The portion of the Offer being not less than 35% of the Offer or [●] Equity Shares, available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations
Revision Form	Form used by the Bidders, to modify the quantity of the Equity Shares or the Bid Amount in any of their Bid cum Application Forms or any previous Revision Form(s), as applicable QIB Bidders and Non-Institutional Bidders are not allowed to modify their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders can revise their Bids during the Bid/ Offer Period and withdraw their Bids until the Bid/ Offer Closing Date

Term	Description
Self-Certified Syndicate Bank(s) or SCSB(s)	The banks registered with SEBI, which offer the facility of ASBA, a list of which is available on the website of SEBI at https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=35 and updated from time to time and at such other websites as may be prescribed by SEBI from time to time
Selling Shareholders	The Corporate Promoter Selling Shareholder, the Individual Promoter Selling Shareholder, Vijay Siva Rami Reddy Vendidandi, Valiant, Helion, Helion II and Kedaara AIF - 1
Share Escrow Agent	Share escrow agent appointed pursuant to the Share Escrow Agreement, in this case being, [●]
Share Escrow Agreement	The agreement dated [●] amongst the Selling Shareholders, our Company and the Share Escrow Agent in connection with the deposit of the Offered Shares by the Selling Shareholders in a share escrow account and credit of such Offered Shares to the demat account of the Allottees in accordance with the Basis of Allotment
Specified Locations	Bidding centres where the Syndicate shall accept ASBA Forms a list of which is included in the ASBA Form
Stock Exchanges	BSE and the NSE
Sub-Syndicate centres	The sub-syndicate members, if any, appointed by the GCBRLMs and the BRLMs and the Syndicate Members, to collect Bid cum Application Forms and Revision Forms
Syndicate Agreement	The agreement dated [●] amongst the GCBRLMs and the BRLMs, the Syndicate Members, the Registrar to the Offer, our Company and the Selling Shareholders in relation to the collection of Bid cum Application Forms by the Syndicate Members
Syndicate Members	Intermediaries registered with SEBI who are permitted to carry out activities as an underwriter, namely, [●]
Syndicate or Members of the Syndicate	The GCBRLMs, the BRLMs and the Syndicate Members
Underwriters	[●]
Underwriting Agreement	The agreement dated [●] among the Underwriters, our Company and the Selling Shareholders to be entered into on or after the Pricing Date but prior to filing of Prospectus
VSRRV	Vijaya Siva Rami Reddy Vendidandi
Working Day	All days other than second and fourth Saturdays of the month, Sundays or public holidays, on which commercial banks in Mumbai are open for business; provided however, with reference to (a) the time period between the announcement of Price Band the Bid/ Offer Closing Date, 'Working Day' shall mean all days, except Saturday, Sunday and public holidays on which commercial banks in Mumbai are open for business; and (b) the time period between the Bid/ Offer Closing Date and the listing of the Equity Shares on the Stock Exchanges, shall mean all trading days of Stock Exchanges, excluding Sundays and bank holidays, as per the SEBI Circular SEBI/ HO/ CFD/ DIL/ CIR/ P/ 2016/ 26 dated January 21, 2016
Yes Securities	Yes Securities (India) Limited

Technical/ Industry Related Terms/ Abbreviations/ Terms relating to our business

Term	Description
ALM	Asset Liability Management
AMA	Average Managed Assets
AUM	Assets Under Management
Average Effective Cost of Borrowing	For Fiscal 2016, Average Effective Cost of Borrowing, as defined by the RBI, is our total finance costs less interest income on margin money deposits placed as collateral during the year divided by our monthly average total borrowings less our monthly average of margin money deposits placed as collateral for borrowings For Fiscal 2017 and 2018, Average Effective Cost of Borrowing, as defined by the RBI, is our total finance costs less interest income on margin money deposits placed as collateral during the year divided by our monthly average total borrowings Average Effective Cost of Borrowing is a Non-GAAP Financial Measure (see "Certain Conventions, Presentation Of Financial, Industry And Market Data And Currency Of Presentation- Non-GAAP Financial Measures" on page 13)
BM	Branch Manager
CA	Credit Assistant
CDR	Corporate Debt Restructuring
CRAR	Capital-to-risk weighted assets ratio
CRR	Cash Reserve Ratio
CSR	Corporate Social Responsibility

Term	Description
DM	Divisional Manager
FDI Policy	Consolidated FDI Policy Circular of 2017, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, dated August 28, 2017
Gross Non-Performing Asset or Gross NPA or GNPA	Gross NPA represents the non-performing portfolio loans outstanding (gross) as of the last day of the relevant year (including loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012)
GLP	Gross Loan Portfolio
ICRA	ICRA Limited
JLG	Joint Liability Group
KYC	Know-Your-Customer
MFI	Micro Finance Institution
MFIN	Micro Finance Institution Network
MSE	Micro & Small Enterprises
MSME	Micro, Small and Medium Enterprises
MUDRA	Micro Units Development and Refinance Agency
Master Directions	Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time
NBFC	Non-Banking Financial Company
NBFC – MFI	Non-Banking Financial Company – Micro Finance Institution
NBFC – ND – SI	Systemically Important Non-Deposit Accepting NBFC
Net Asset Value per equity share or NAV per equity share	Net Asset Value per equity share = $\frac{\text{Net worth as at the end of the year} - \text{preference share capital}}{\text{Number of equity shares outstanding at the end of the year}}$ NAV per equity share is a Non-GAAP Financial Measure (see "Certain Conventions, Presentations Of Financial, Industry and Market Data and Currency Of Presentation – Non-GAAP Financial Measures" on page [●])
Net Worth	Net Worth represents our restated net worth as of the last day of the relevant year Net Worth is a Non-GAAP Financial Measure (see "Certain Conventions, Presentations Of Financial, Industry and Market Data and Currency Of Presentation – Non-GAAP Financial Measures" on page [●])
NGO	Non-governmental Organization
NII	Net Interest Income
NIM	Net Interest Margin
NPA	A “non-performing asset”, i.e., an asset for which interest or principal payment has remained overdue for a period of 90 days or more
Net PAR 90+ (excluding the old AP Portfolio)	Net PAR 90+ represents the non-performing portfolio loans outstanding (net) as of the last day of the relevant year i.e. non-performing portfolio loans outstanding (gross) as reduced by the provision for such non-performing assets (including provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012)
Net PAR 90+ Ratio (excluding the old AP Portfolio)	Net PAR 90+ Ratio (excluding the old AP Portfolio) Ratio represents Net PAR 90+ (excluding the old AP Portfolio) (as defined above) as a percentage of Gross AUM as at the date mentioned
PAR	Portfolio at Risk
PSL	Priority Sector Lending
RBI Benchmark	Represents the RBI benchmark in relation to the interest rate that we charge on our microfinance loans: as per RBI regulations, the interest rates charged by us on our microfinance loans is required to be the lower of (i) 10% margin above our cost of funds or (ii) 2.75 times the average base rate of the five largest commercial banks by assets (as notified every quarter by the RBI)
Return on Net Worth or RoNW	RoNW = Net profit after tax, as restated for the year, attributable to equity shareholders / Net Worth (excluding revaluation reserve), as restated, at the end of the year Return on Net Worth is a Non-GAAP Financial Measure (see "Certain Conventions, Presentations Of Financial, Industry and Market Data and Currency Of Presentation – Non-GAAP Financial Measures" on page [●])

Term	Description
Rural Area	All areas that are not Urban Areas
SFB	Small Finance Bank
Urban Area	All areas within a state that are either state capitals or district headquarters

Conventional and General Terms or Abbreviations

Term	Description
₹ / Rs./ Rupees/ INR	Indian Rupees
AGM	Annual general meeting of shareholders convened in accordance with the provisions of the Companies Act, 2013
AIF	Alternative Investment Fund as defined in and registered with SEBI under the Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012
AML	Anti-money laundering
AS/ Accounting Standards	Accounting standards issued by the Institute of Chartered Accountants of India, as notified by the MCA and as applicable to our Company
Banking Regulation Act	Banking Regulation Act, 1949
Bn/ bn	Billion
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CIN	Corporate Identity Number
Companies Act	Companies Act, 1956 and Companies Act, 2013, as applicable
Companies Act, 1956	Companies Act, 1956, along with the relevant rules made thereunder
Companies Act, 2013	Companies Act, 2013, along with the relevant rules made thereunder
Depositories	Collectively, the NSDL and the CDSL
Depositories Act	The Depositories Act, 1996
DIN	Director Identification Number
DP ID	Depository Participant's Identification
DP/ Depository Participant	A depository participant as defined under the Depositories Act
ECB	External Commercial Borrowing
EGM	Extraordinary General Meeting of shareholders convened in accordance with the provisions of the Companies Act, 2013
EPS	Earnings Per Share determined in accordance with applicable accounting standards
Equity Listing Agreement	Listing Agreement to be entered into with the Stock Exchanges on which the Equity Shares are to be listed in the form prescribed under the applicable law
FCNR	Foreign Currency Non-Resident
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended, read with rules and regulations thereunder
Financial Year/ Fiscal/ Fiscal Year/ FY	Unless stated otherwise, the period of 12 months ending March 31 of that particular year
FIPB	The erstwhile Foreign Investment Promotion Board
FPI(s)	Foreign Portfolio Investors as defined under the SEBI FPI Regulations
FVCI	Foreign Venture Capital Investors as defined and registered under the SEBI FVCI Regulations
GoI/ Government	Government of India
GST	Goods and Services Tax
HUF	Hindu Undivided Family
ICAI	The Institute of Chartered Accountants of India
IFRS	International Financial Reporting Standards
Income Tax Act	The Income Tax Act, 1961
India	Republic of India
Ind AS	Indian Accounting Standards (Ind AS)

Term	Description
Indian Accounting Standard Rules	The Companies (Indian Accounting Standards) Rules, 2015
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial public offering
IRDA	Insurance Regulatory and Development Authority of India
IST	Indian Standard Time
IT	Information Technology
MCA	Ministry of Corporate Affairs, Government of India
MoU	Memorandum of Understanding
Mn/ mn	Million
M-Cril	Micro-Credit Ratings International Limited
N.A./ NA	Not Applicable
NABARD	National Bank for Agricultural and Rural Development
NAV	Net Asset Value
NBFC Directions	Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 dated September 1, 2016, as amended from time to time
NCDs	Non-convertible debentures
NEFT	National Electronic Fund Transfer
NR	Non-Resident
NRE Account	Non-Resident External accounts
NRI	A person resident outside India, who is a citizen of India or a person of Indian origin, and shall have the meaning ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2000
NRO Account	Non-Resident Ordinary accounts
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA. OCBs are not allowed to invest in the Offer
p.a.	Per annum
P/ E Ratio	Price/ Earnings Ratio
PAN	Permanent Account Number
PAT	Profit After Tax
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended
RTGS	Real Time Gross Settlement
Regulation S	Regulation S under the U.S. Securities Act
Rule 144A	Rule 144A under the U.S. Securities Act
SCRA	Securities Contracts (Regulation) Act, 1956, as amended
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended
SEBI	Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992, as amended
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investments Funds) Regulations, 2012, as amended
SEBI Debt Listing Regulations	SEBI (Issue and Listing of Debt Securities) Regulations, 2008
SEBI ESOP Regulations	Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended
SEBI FPI Regulations	Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
SEBI FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended
SEBI ICDR Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009

Term	Description
SEBI Listing Regulations	Securities and Exchange Board of India (Listing Obligations And Disclosure Requirements) Regulations, 2015, as amended
SEBI Mutual Fund Regulations	Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended
SEBI Portfolio Manager Regulations	Securities and Exchange Board of India (Portfolio Managers) Regulations, 1993, as amended
SEBI Stock Broker Regulations	Securities and Exchange Board of India (Stock Brokers and Sub-Brokers) Regulations, 1992, as amended
SEBI VCF Regulations	Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as amended
Securities Act	U.S. Securities Act, 1933
SIDBI	Small Industries Development Bank of India
Stamp Act	Indian Stamp Act, 1899
State Government	The government of a state in India
Stock Exchanges	Collectively, the BSE and the NSE
Systemically Important NBFC	A non-banking financial company registered with the Reserve Bank of India and having total assets of more than ₹5,000.00 million as per the last audited financial statements
STT	Securities Transaction Tax
Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, as amended
TAN	Tax deduction account number
U.S./ USA/ United States	United States of America
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
U.S. Securities Act	U.S. Securities Act of 1933
USD/ US\$	United States Dollars
VCFs	Venture Capital Funds as defined in and registered with SEBI under the SEBI VCF Regulations

Notwithstanding the foregoing, terms in “*Summary of Industry*”, “*Statement of Special Tax Benefits*”, “*Objects of the Offer*”, “*Financial Statements*”, “*Basis for Offer Price*”, “*Industry Overview*”, “*Regulations and Policies*”, “*History and Certain Corporate Matters*”, “*Outstanding Litigation and Material Development*”, “*Offer Procedure*” and “*Main Provisions of Articles of Association*” on pages 42, 90, 89, 187, 87, 92, 135, 143, 330, 363 and 400 respectively, shall have the meaning given to such terms in such sections.

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references in this Draft Red Herring Prospectus to “India” are to the Republic of India, and all references to “USA”, “US” and “United States” are to the United States of America, together with its territories and possessions.

Unless stated otherwise, all references to page numbers in this Draft Red Herring Prospectus are to the page numbers of this Draft Red Herring Prospectus.

Financial Data

Unless stated otherwise or unless the context requires otherwise, and to the extent applicable, the financial data in this Draft Red Herring Prospectus is derived from our Restated Financial Statements prepared in accordance with the Companies Act and Indian GAAP and restated in accordance with the SEBI ICDR Regulations.

In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All figures in decimals and all percentage figures, unless otherwise specified, have been rounded off to the second decimal place and accordingly there may be consequential changes in this Draft Red Herring Prospectus on account of rounding adjustments.

Our Company’s Financial Year commences on April 1 and ends on March 31 of the next year; accordingly, all references to a particular “Financial Year”/ “Fiscal”/ “FY”, unless stated otherwise, are to the 12 month period ended on March 31 of that year.

We prepare our financial statements in accordance with Indian GAAP, which differs in some material respects from IFRS and U.S. GAAP. Accordingly, the degree to which our Restated Financial Statements, as included in this Draft Red Herring Prospectus, will provide meaningful information is entirely dependent on the reader’s level of familiarity with the Companies Act, 2013, Indian GAAP and the SEBI ICDR Regulations. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

Indian GAAP also differs in certain material respects from Ind AS which will be applicable to our Company for financial periods commencing April 1, 2018. Given that Ind AS differs in many respects from Indian GAAP, our financial statements prepared and presented in accordance with Ind AS relating to any period subsequent to April 1, 2018, may not be comparable to our historical financial statements prepared under Indian GAAP. In the event that any of our historical financial statements, including our financial statements for Fiscal 2018 are required to be also prepared in accordance with Ind AS, such historical Ind AS financial statements may vary from our historical India GAAP financial statements, and there can be no assurance that such variation will not be material. See “*Summary of Certain Significant differences between Indian GAAP and Ind AS*” and “*Risk Factors - We may be adversely impacted by the transition to IND AS for periods beginning from April 1, 2018*” on pages 300 and 39, respectively.

Any percentage amounts, as set forth in “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 17, 118 and 303, respectively, and elsewhere in this Draft Red Herring Prospectus, to the extent applicable, have been calculated on the basis of our Restated Financial Statements prepared in accordance with the Companies Act and Indian GAAP and restated in accordance with the SEBI ICDR Regulations.

Non-GAAP Financial Measures

We have included certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance (together, “**Non-GAAP Financial Measures**” and each, a “**Non-GAAP Financial Measure**”) in this Draft Red Herring Prospectus, for example, in the chapter “*Selected Statistical Information*” on page 179. These Non-GAAP Financial Measures are not required by or presented in accordance with Indian GAAP.

We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. However, note that these non-GAAP financial measures and other statistical information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies. See also “*Risk Factors - In this Draft Red Herring Prospectus, we have included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and*”

therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies” on page 32.

Currency and Units of Presentation

All references to:

- “Rupees” or “₹” or “INR” or “Rs.” are to the Indian Rupee, the official currency of the Republic of India.
- “US\$” or “USD” are to the United States Dollar, the official currency of the United States.

Our Company has presented certain numerical information in this Draft Red Herring Prospectus in “million” or “billion” units, or in absolute number where the number have been too small to present in million unless as stated, otherwise, as applicable. One million represents 1,000,000, one billion represents 1,000,000,000 and one crore represents 10,000,000. However, figures sourced from third party industry sources may be expressed in denominations other than millions or may be rounded off to other than two decimal points in the respective sources, and such figures have been expressed in this Draft Red Herring Prospectus in such denominations or rounded off to such number of decimal points as prescribed in such respective sources.

Exchange Rates

This Draft Red Herring Prospectus contains conversions of certain other currency amounts into Indian Rupees that have been presented solely to comply with the SEBI ICDR Regulations. These conversions should not be construed as a representation that these currency amounts could have been, or can be converted into Indian Rupees, at any particular rate or at all.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the Rupee and the USD (in Rupees per USD):

Currency	As on March 31, 2014 (₹)	As on March 31, 2015 ⁽¹⁾ (₹)	As on March 31, 2016 ⁽¹⁾ (₹)	As on March 31, 2017 ⁽¹⁾ (₹)	As on March 31, 2018 (₹)
1 USD	60.09	62.59	66.33	64.84	65.04

(Source: RBI website)

(1) In the event that March 31 of any of the respective years is a public holiday, the previous calendar day not being a public holiday has been considered

Industry and Market Data

Unless stated otherwise, industry and market data used in this Draft Red Herring Prospectus has been obtained or derived from publicly available information as well as industry publications and sources.

Industry publications generally state that the information contained in such publications has been obtained from publicly available documents from various sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe the industry and market data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified by us or the GCBRLMs and the BRLMs or any of their affiliates or advisors. The data used in these sources may have been reclassified by us for the purposes of presentation. Data from these sources may also not be comparable. Such data involves risks, uncertainties and numerous assumptions and is subject to change based on various factors, including those discussed in “Risk Factors – Third-party industry and industry-related statistical data and peer comparison and benchmarking of our Company with major microfinance players presented in this Draft Red Herring Prospectus may be incomplete, incorrect or unreliable” on page 32. Accordingly, investment decisions should not be based solely on such information.

The chapters “Summary of Industry”, “Summary of our Business”, “Industry Overview”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 42, 46, 92, 118 and 303, respectively contain data and statistics from the report titled “Microfinance Sector in India” prepared by ICRA Limited, which is subject to the following disclaimer:

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

In accordance with the SEBI ICDR Regulations, “Basis for Offer Price” on page 87 includes information relating to our peer group companies. Such information has been derived from publicly available sources, and we, the GCBRLMs or the BRLMs have not independently verified such information.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the business of our Company is conducted, and methodologies and assumptions may vary widely among different industry sources.

Further, in accordance with Regulation 51A of the SEBI ICDR Regulations, and SEBI Listing Regulations, as applicable, our Company may be required to undertake an annual updation of the disclosures made in this Draft Red Herring Prospectus and make it publicly available in the manner specified by SEBI.

Time

Unless otherwise stated, all references to time in this Draft Red Herring Prospectus are to Indian Standard Time.

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain “forward-looking statements”. These forward-looking statements generally can be identified by words or phrases such as “aim”, “anticipate”, “believe”, “expect”, “estimate”, “intend”, “likely”, “objective”, “plan”, “project”, “will”, “will continue”, “will pursue” or other words or phrases of similar import. Similarly, statements that describe our Company’s strategies, objectives, plans or goals are also forward-looking statements.

All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. For the reasons described below, we cannot assure investors that the expectations reflected in these forward-looking statements will prove to be correct. Therefore, investors are cautioned not to place under reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance.

Actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with the expectations with respect to, but not limited to, regulatory changes pertaining to the industry in which our Company has businesses and its ability to respond to them, its ability to successfully implement its strategy, its growth and expansion, technological changes, its exposure to market risks, general economic and political conditions in India and globally which have an impact on its business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in laws, regulations and taxes and changes in competition in its industry. Important factors that could cause actual results to differ materially from our Company’s expectations include, but are not limited to, the following:

- our operations being concentrated in a few states and adverse developments in those states adversely affecting our business;
- our business being disrupted by state regulations;
- our microfinance loans being unsecured;
- our business being adversely affected by increase in our NPA portfolio;
- competitions from other financial institutions adversely affecting our profitability;
- downgrade of our credit rating increasing our borrowing costs;
- no assurance that we will be able to access capital when required; and
- our inability to efficiently manage our growth.

For further discussion of factors that could cause the actual results to differ from the expectations, see “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 17, 118 and 303, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual gains or losses could materially differ from those that have been estimated.

We cannot assure investors that the expectations reflected in these forward-looking statements will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements and not to regard such statements as a guarantee of future performance.

Forward-looking statements reflect the current views of our Company as of the date of this Draft Red Herring Prospectus and are not a guarantee of future performance. These statements are based on the management’s beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. Neither our Company, our Directors, the Selling Shareholders, the GCBRLMs, BRLMs nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition.

In accordance with regulatory requirements, our Company, the GCBRLMs and the BRLMs will ensure that investors in India are informed of material developments from the date of registration of the Red Herring Prospectus with the RoC until the receipt of final listing and trading approvals from the Stock Exchanges. Each of the Selling Shareholders (severally and not jointly) will ensure that the Bidders in India are informed of material developments in relation to the statements relating to undertakings specifically confirmed or undertaken by such Selling Shareholder in relation to them or their portion of the Offered Shares in this Draft Red Herring Prospectus until the listing and commencement of trading permission by the Stock Exchanges.

SECTION II: RISK FACTORS

An investment in the Equity Shares involves a high degree of risk. You should carefully consider each of the following risk factors and all other information set forth in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. You should read this chapter together with "Industry Overview", "Our Business", "Regulations and Policies", "Selected Statistical Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 92, 118, 135, 179 and 303, respectively, as well as the financial statements, including the annexures thereto, and other financial information included elsewhere in this Draft Red Herring Prospectus. You should consult your tax, financial and legal advisors about the particular consequences to you of an investment in the Equity Shares.

The risks and uncertainties described below are not exhaustive. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have a material adverse effect on our business, prospects, financial condition, results of operations and cash flows. If any or a combination of the following risks, or other risks that we are not currently aware of or believe to be material, occur, our business prospects, financial condition, results of operations and cash flows could suffer, the trading price of, and the value of your investment in, our Equity Shares could decline, and you may lose all or part of your investment. In making an investment decision, you must rely on your own examination of our Company and the terms of this Offer, including the merits and risks involved.

This Draft Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our results could differ materially from such forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this document.

Unless otherwise indicated or the context requires otherwise, the financial information included in this chapter are based on our Restated Standalone Financial Statements as of and for the years ended March 31, 2014, 2015, 2016, 2017 and 2018 included in this Draft Red Herring Prospectus. For further information, see "Financial Statements" on page 187.

INTERNAL RISK FACTORS

Risks Relating to Our Business

1. ***Our operations are concentrated in the states of Karnataka, Madhya Pradesh, Orissa, Maharashtra and Chhattisgarh and any adverse developments in these states could have an adverse effect on our business, financial condition, results of operations and cash flows.***

As of March 31, 2018, we conducted our operations through 694 branches in India, of which 128, 120, 120, 92 and 61 branches, were located in Karnataka, Madhya Pradesh, Orissa, Maharashtra and Chhattisgarh, respectively. As of March 31, 2018, 22.38%, 22.00%, 18.79%, 13.68% and 7.45%, respectively, of our Gross AUM originated in Karnataka, Madhya Pradesh, Orissa, Maharashtra and Chhattisgarh. While we endeavor to manage and monitor our concentration risk at the district level, we are susceptible to risks relating to concentration in these states and in the event of a regional slowdown in the economic activity in one or more of these states, or any other developments including political unrest, disruption or sustained economic downturn that make our products in any of these states less beneficial, we may experience an adverse impact on our business, financial condition, results of operations and cash flows. Further, the market for our products in these states may fluctuate and be subject to, market and regulatory developments that are different for various states of India. There can be no assurance that the demand for our products will grow and will not decrease in the future in these states.

2. ***Our business, financial condition, cash flows and results of operations have been adversely affected in the past by certain state regulations. There can be no assurance that similar disruptions will not occur in the states in which we operate, which may have an adverse impact on our business, financial condition and results of operations.***

In the past, our business operations have been severely impacted by regulatory action. In October 2010, the AP government passed the AP Microfinance Ordinance to put in place extremely stringent operating guidelines in response to the allegedly coercive collection practices adopted by MFIs in the formerly unified Andhra Pradesh. After the implementation of the ordinance, loan collections in the formerly unified Andhra Pradesh dropped severely and the asset quality across the industry deteriorated sharply. At this time, we had a large exposure to the formerly unified Andhra Pradesh as most of our loans originated from that state. As a result, we had to make provisions for our outstanding portfolio originating from Andhra Pradesh, which had a materially adverse effect on our business. We were also unable to service our debt due to cash flow shortages, which led to our lenders referring us for corporate debt restructuring (which we exited in March 2017). For further details on the background and aftermath of the AP Microfinance Ordinance, see "Industry Overview" on page 92 and for details in relation to our restructuring and other agreements in relation to CDR, see "History and Certain Corporate Matters – Other Agreements" on page 150. While NBFC-MFIs are currently regulated by the RBI, the respective state government of the states where we operate may pass laws either *suo moto*, or in response to any legal action initiated against the NBFC-MFIs of a state, which impact

the business of NBFC-MFIs. There can be no assurance that any such actions taken by the state governments in these states will not adversely impact our business, financial condition and results of operations.

3. ***Microfinance loans are unsecured and are susceptible to various operational, credit and political risks which may result in increased levels of NPAs, thereby adversely affecting our business, results of operation and financial condition.***

The focus client segment for our micro-loans is women in Rural Areas. As of March 31, 2018, 99.72% of our clients were women. Our clients typically have limited sources of income, savings and credit histories and as a result, are usually adversely affected by declining economic conditions. Further, for most of our loans, our clients do not provide any collateral or security for their borrowings as the RBI has mandated that loans given by NBFC-MFIs should be collateral free for the purpose of "Qualifying Assets". Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. Furthermore, although we use credit bureau reports to check certain background information such as the total indebtedness of each potential client and her existing repayment/ default history, the information in such reports may be incomplete or unreliable and accordingly the credit risk analyses we carry out on potential clients may be limited.

Further, we rely primarily on non-traditional guarantee mechanisms rather than any tangible assets such as collateral. Most of our loans involve a joint liability mechanism whereby borrowers form an informal joint liability group and provide joint and several guarantees for loans obtained by each member of the group. Such joint liability arrangements are likely to fail if there is no meaningful personal relationship or bond among members of such group, if there is irregular participation in group meetings, if inadequate risk management procedures have been employed, or as a result of adverse external factors such as natural calamities. As a result, our clients potentially present a higher risk of loss in case of a credit default compared to that of borrowers in other asset-backed financing products. In addition, the microfinance business is susceptible to various political and social risks, including political interference in the working of MFIs at the district, state or national level; adverse publicity or litigation relating to the microfinance sector; public criticism of the microfinance sector; introduction of a stringent regulatory regime; or religious beliefs relating to loans and interest payments, which adversely affect repayment by our clients and may have an adverse effect on our business prospects and future financial performance.

Due to the underlying profile of our clients, we may, in the future, experience increased levels of non-performing assets and related provisions and write-offs, which would materially and adversely impact our business and results of operations.

4. ***An increase in our portfolio of NPAs and/or our provisions may adversely affect our business, results of operations and cash flows.***

Our management of credit risk involves having appropriate credit policies, underwriting standards, approval processes, loan portfolio monitoring, collection and remedial management, provisioning policies and an overall architecture for managing credit risk. If the credit quality of our clients deteriorates or our provisioning levels increase, it could have an adverse effect on our business, results of operations and financial condition. In addition, even if our policies and procedures are appropriate, we may not be able to anticipate future economic or financial developments or downturns, which could lead to an increase in our NPAs. A number of factors outside of our control affect our ability to limit NPAs, including developments in the Indian and global economy, domestic or global turmoil, decline in agricultural productivity, decline in business or client confidence, competition, changes in client behavior and demographic patterns, various central and state government decisions, changes in interest rates and exchange rates and changes in regulations, including with respect to regulations requiring us to lend to certain sectors identified by the RBI, or the Government of India. In addition, the expansion of our business may cause our NPAs to increase and the overall quality of our loan portfolio to deteriorate.

Our credit quality is also susceptible to other external events that impact the industry as a whole. For example, in the aftermath of the AP Microfinance Ordinance, we had to make provisions for our outstanding portfolio of loans from the formerly unified Andhra Pradesh, which significantly affected our results of operations and financial condition. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Our Credit Quality and Levels of Provisions and Write-offs*" on page 307.

Pursuant to the RBI guidelines and our accounting policies, we make provisions against standard assets, which are recognized under provisions and write-offs in our restated summary statement of assets and liabilities and restated summary statement of profit and loss. Any increase in our provisions may materially and adversely affect our business, results of operations and cash flows. For further details of our provisioning policies, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies*" on page 309). The RBI further requires us to classify and, depending on the duration of non-payment of dues, make a provision on loans that become NPAs. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases.

In addition to the relevant minimum regulatory provision, we also consider our internal estimates for loan losses and risks inherent in the loan portfolio when deciding on the appropriate level of provisioning. This determination requires that we make estimates. Any incorrect estimation may result in our provisions not being adequate to cover any further increase in the amount of NPAs or any further deterioration in our NPA portfolio. Further, the RBI may introduce regulations reducing the provisioning requirements in relation to a class or classes of borrowers, which will impact our ability to create an appropriate level of provisioning.

The following table shows our NPA and PAR levels for the periods mentioned:

Metric	As of		
	March 31, 2018 (standalone)	March 31, 2017 (standalone)	March 31, 2016 (standalone)
Gross NPA ⁽¹⁾ (₹ in million)	8,588.70	8,819.20	8,005.70
Net NPA ⁽²⁾ (₹ in million)	12.20	368.30	10.30
Gross PAR 90+ (excluding the old AP Portfolio) ⁽³⁾ (₹ in million)	655.60	843.70	12.80
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽⁴⁾ (%)	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽⁵⁾ (₹ in million)	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽⁶⁾ (%)	0.03%	2.81%	0.08%

Figures disclosed above are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

- (1) Gross NPA represents the non-performing portfolio loans outstanding (gross) as of the last day of the relevant year (including loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
 - (2) Net NPA represents the non-performing portfolio loans outstanding (net) as of the last day of the relevant year i.e. non-performing portfolio loans outstanding (gross) as reduced by the provision for such non-performing assets (including provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
 - (3) Gross PAR 90+ (excluding the old AP Portfolio) represents total loan outstanding that are overdue for 90 days or more (including any such loan outstandings that form part of our securitized loan portfolio), excluding loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
 - (4) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents "Gross PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM as at the date mentioned
 - (5) Net PAR 90+ (excluding the old AP Portfolio) represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
 - (6) Net PAR 90+ Ratio (excluding the old AP Portfolio) represents "Net PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned.
- If our NPAs increase, we will be required to increase our provisions, which could materially adversely affect our financial condition, profitability and results of operations.

If our NPAs increase, we will be required to increase our provisions, which could materially adversely affect our financial condition, profitability and results of operations.

5. **Competition from MFIs, banks and other financial institutions, as well as state-sponsored social programs, may adversely affect our profitability and position in the Indian microcredit lending industry.**

We face significant competition from other MFIs and banks in India (including SFBs), as the microfinance industry is characterized by low barriers to entry. For details, see "Our Business – Our Competition" on page 133. Many of the institutions with which we compete may be larger in terms of business volume or may have greater assets, higher geographical penetration and better access to, and lower cost of, funding than we do. In certain areas, they may also have better brand recognition and larger client bases than us. We anticipate that we may encounter greater competition as we continue expanding our operations in India, and this may result in an adverse effect on our business, results of operations and financial condition.

Traditional banks also participate in microfinance by financing the loan programs of self-help groups often in partnership with NGOs, or through certain state-sponsored social programs as well as through their own operations pursuant to the JLG model. Further, most SFBs which received approval from the RBI for the commencement of SFB operations are focused on low and middle income individuals and micro, small and medium enterprises. In addition, of late, some commercial banks are also beginning to directly compete with for-profit MFIs for lower income segment clients in certain geographies. Further, disruption from digital platforms could also have an adverse effect on our business model and the success of our products and services that we offer to our clients. We face threats to our business from newer business models that leverage technology to bring together savers and borrowers. We may not be competitive in facing up to the challenges from such newer entrants. Increasing competition may adversely affect our business, financial condition and results of operations. In addition, as competition amongst micro-finance players increases, borrowers may take more than one loan from different micro-finance players, which may adversely affect our asset quality or the asset quality of the industry as a whole.

6. ***Any downgrade of our credit ratings may increase our borrowing costs and constrain our access to capital and debt markets and, as a result, may adversely affect our net interest margin and our results of operations.***

The cost and availability of funds is dependent, among other factors, on our short-term and long-term credit ratings. Credit ratings reflect a rating agency's opinion of our financial strength, operating performance, industry position, and ability to meet our obligations. Any future performance issues for our Company or the industry may result in a downgrade of our credit ratings, which may in turn lead to an increase in our borrowing costs and constrain our access to capital and debt markets and, as a result, may adversely affect our net interest income and net interest margin. In addition, any downgrade of our credit ratings could result in additional terms and conditions being included in any additional financing or refinancing arrangements in the future.

During the year ended March 31, 2011, credit ratings were reduced for MFIs operating in Andhra Pradesh as a result of a crisis in the MFI industry, which also impacted our fundraising activities and our business and financial results. As noted above in *"— Our business, financial condition, cash flows and results of operations have been adversely affected in the past by certain state regulations. There can be no assurance that similar disruptions will not occur in the states in which we operate, which may have an adverse impact on our business, financial condition and results of operations."* the AP government in October 2010 passed the AP Microfinance Ordinance, placing extremely stringent operating guidelines on MFIs operating in that state. In December 2010, in the aftermath of the Microfinance Ordinance, CRISIL downgraded our credit rating from A-/P1 to BBB/P3+ and placed us on "Rating Watch with Negative Implications". The industry as a whole was greatly impacted, and we had to resort to CDR due to the decline in loan collections, asset quality and fresh disbursements. We exited CDR in 2017. Further, in 2016, as a result of a number of factors, including the Government of India's demonetization measures, the credit ratings of a number of NBFC-MFIs were downgraded. For further details, see *"Industry Overview"* on page 92. There is no assurance that our credit ratings will not be downgraded in the future. Any such development in the future may adversely affect our business operations, future financial performance and the price of our Equity Shares.

7. ***There can be no assurance that we will be able to access capital as and when we need it and at a cost favorable for our growth.***

Our liquidity and profitability are, in large part, dependent upon our timely access to capital and costs associated with raising capital. Our funding requirements have historically been met from a combination of term loans, working capital facilities, assignment or securitization of our portfolio to banks and financial institutions, proceeds from issuance of non-convertible debentures, subordinated debt as well as equity contributions. Any change in the RBI regulations on priority sector lending, or our inability to maintain relationships with such banks and financing institutions could adversely affect our business, results of operations and financial condition. Our business depends and will continue to depend on our ability to access diversified low cost funding sources. As a financial services company, we face certain additional regulatory restrictions on our ability to obtain financing from banks. For further information, see *"Regulations and Policies"* on page 135.

If we are unable to access the necessary amounts of capital, it may adversely impact our ability to grow our overall business and may even require us to curtail or withdraw from some of our current business operations. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates on our loans to clients. Our ability to raise funds on acceptable terms and at competitive rates continues to depend on various factors, including the regulatory environment and policy initiatives in India, liquidity in the market, developments in the international markets affecting the Indian economy, investors' and/ or lenders' perception of demand for debt and equity securities of NBFCs and MFIs, and our current and future results of operations and financial condition. There can also be no assurance that we would be able to raise adequate additional capital in the future on terms favorable to us, or at all, and this may hamper and adversely impact our growth plans.

8. ***If we are unable to manage our growth effectively, our financial, accounting, administrative, operational and technology infrastructure, as well as our business and reputation could be adversely affected.***

Our growth strategy includes organic business growth and branch expansion, which may further constrain our capital and human resources, and make asset quality management increasingly important. As we move to newer geographies, we may not be able to maintain the level of our NPAs or the quality of our portfolio. We will need to continue to enhance and improve our financial, accounting, information technology, administrative/ risk management and operational infrastructure and internal capabilities in order to manage the future growth of our business effectively. There can be no assurance that the network infrastructure required for communication with the centralized system can be expanded in scale to meet any increase in the volume of our transactions. Further, we may be unable to develop adequate infrastructure or devote sufficient financial resources or develop and attract talent to manage our growth.

We may not be able to implement the necessary improvements in a timely manner, or at all, and we may encounter deficiencies in existing systems and controls. If we are unable to manage our future expansion successfully, our ability to provide products and services to our clients would be adversely affected, and, as a result, our reputation could be damaged and our business and results of operations materially and adversely impacted.

9. ***Our success depends, in large part, upon our management team and skilled personnel and on our ability to attract and retain such persons.***

We are highly dependent on the continued services of our management team, including our Individual Promoter. We are also dependent on our experienced members of our Board of Directors. Our future performance is dependent on the continued service of these persons. The RBI also mandates NBFCs to have in place supervisory standards to ensure that their directors have appropriate qualifications, technical expertise and a sound track record, and such requirements will make it more difficult for us to replace our directors if and when we have to. We may not be able to replace our Board of Directors with similarly experienced professionals, which could materially and adversely impact the quality of our management and leadership team.

If one or more of these key personnel are unwilling or unable to continue in their present positions, we may not be able to replace them with persons of comparable skills and expertise.

We also face a continuing challenge to hire and assimilate skilled personnel. Competition for management and other skilled personnel is intense, and we may not be able to attract and retain the personnel we need in the future. The loss of key personnel or our inability to replace key personnel may restrict our ability to grow, to execute our strategy, to raise the profile of our brand, to raise funding, to make strategic decisions and to manage the overall running of our operations, which would have a material adverse impact on our results of operations and financial position.

10. ***There is outstanding litigation against our Company, our Directors, one of our Promoters and one of our Group Companies which, if adversely determined, could affect our business and results of operations.***

Our Company, our Directors one of our Promoters and one of our Group Companies are involved in certain legal proceedings. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable and include amounts claimed jointly and severally from us and other parties. Should any new developments arise, such as any change in applicable Indian law or any rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements that could increase expenses and current liabilities. Any adverse decision in any of these proceedings may have an adverse effect on our business, results of operations and financial condition.

A summary of pending litigation in relation to criminal matters, tax matters, actions by regulatory or statutory authorities and material civil litigation involving us, our Directors and one of our Promoters and one of our Group Companies, as applicable, as at the date of this Draft Red Herring Prospectus is set out below. There are no pending proceedings in relation to criminal matters, tax matters, actions by regulatory or statutory authorities and material civil litigation involving our Subsidiary.

Litigation against our Company

Nature of proceedings	Number of cases	Amount to the extent quantifiable (₹ million)
Criminal	1	1.02
Civil	1	271.39
Direct tax matters	2	46.43
Indirect tax matters	5	99.20
Action by regulatory/ statutory authorities	4	3.89

Litigation by our Company

Nature of proceedings	Number of cases	Amount to the extent quantifiable (₹ million)
Criminal	790	66.41
Civil	1	-
Direct tax matters	5	253.38

Litigation against our Directors

Name of Director	Nature of proceedings	Number of cases	Amount to the extent quantifiable (₹ million)
Padmaja Gangireddy	Criminal	2	-
	Civil litigation	1	271.29
Abanti Mitra	Civil litigation	1	271.29

Litigation by our Directors

Name of Director	Nature of proceedings	Number of cases	Amount to the extent quantifiable (₹ million)
Padmaja Gangireddy	Criminal	2	-

Litigation against our Promoters

Name of Promoter	Nature of proceedings	Number of cases	Amount to the extent quantifiable (₹ million)
Padmaja Gangireddy	Criminal	2	-
	Civil litigation	1	271.29

Litigation by our Promoters

Name of Promoter	Nature of proceedings	Number of cases	Amount to the extent quantifiable (₹ million)
Padmaja Gangireddy	Criminal	2	-

Litigation by our Group Companies

Nature of proceedings	Number of cases	Amount to the extent quantifiable (₹ million)
Criminal	100	2.02
Civil	Nil	Nil

For further details on the outstanding litigation against our Company, our Directors and our Promoters and our Group Companies, see "Outstanding Litigation and Material Developments" on page 330.

11. ***We require various statutory and regulatory approvals, licenses, registrations and permissions to conduct our business and an inability to obtain or maintain such approvals, licenses, registrations and permissions in a timely manner, or at all, may adversely affect our operations.***

We require various approvals, licenses, registrations and permissions to operate our business, including a registration for our company with the RBI as an NBFC-MFI as well as various other corporate actions. We are also required to comply with the prescribed requirements, including classification of NPAs and provisioning, KYC requirements, ticket sizes, qualifying assets and other internal control mechanisms. For further information, see "Regulations and Policies" on page 135. In future, we will be required to maintain such permits and approvals and obtain new permits and approvals for any proposed expansion strategy or diversification into additional business lines or new financial products. There can be no assurance that the relevant authorities will issue any of such permits or approvals in a timely manner, or at all, and/ or on favorable terms and conditions. Our failure to comply with the terms and conditions of such permits or approvals and/ or to maintain or obtain the required permits or approvals may result in an interruption of our business operations and may have a material adverse effect on our business operations, future financial performance and price of our Equity Shares.

In the event that we are unable to comply with the requirements, we may be subject to regulatory actions by the RBI, including the levy of fines or penalties and/ or the cancellation of our license to operate as an NBFC-MFI. Any levy of fines or penalties or the cancellation of our license to operate as an NBFC-MFI may adversely affect our business, prospects, results of operations, financial condition and the trading price of our Equity Shares. In addition, we require various registrations to operate our branches in the ordinary course of business, such as those required to be obtained or maintained under applicable legislations governing shops and establishments, professional tax, labor related registrations and trade licenses of the particular state in which they operate. Some of these approvals may have expired, and our company has either applied, or is in the process of applying for renewals of them. For further information on our key approvals and licenses, see "Government and Other Approvals" on page 336. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, our business may be adversely affected.

12. ***We may face various risks associated with our large number of branches and widespread network of operations which may adversely affect our business, financial condition and results of operations.***

As of March 31, 2018, we operate across 15 states in India through 694 branches and 2,746 Credit Assistants.

As a consequence of our large network, we may be exposed to certain risks, including, amongst others:

- preserving our asset quality and managing our NPAs as our geographical presence increases and our client profile changes;

- developing and improving our product delivery channels;
- upgrading, expanding and securing our technology platform;
- complying with regulatory requirements such as KYC and AML norms;
- maintaining high levels of client satisfaction;
- difficulties arising from coordinating and consolidating corporate and administrative functions;
- delay in the transfer of data amongst various locations;
- higher technology support costs to achieve last mile connectivity;
- operational risks including integration of internal controls and procedures;
- failure to manage third-party service providers in relation to any outsourced services;
- difficulties in the integration of new branches with our existing branch network;
- difficulties in supervising local operations from our centralized locations;
- risks relating to lack of infrastructure in rural areas, where we operate;
- difficulties in hiring and training skilled personnel in sufficient numbers to operate the new branches locally and management to supervise such operations from centralized locations; and
- unforeseen legal, regulatory, property, local taxation, labor or other issues.

Any of the above reasons may result in our failure to manage our expansive presence, which may materially and adversely affect our brand, reputation, business, financial condition and results of operations.

13. ***We are subject to certain conditions and restrictions in terms of our financing arrangements, which could restrict our ability to conduct our business and operations in the manner we desire. We also require consents from our lenders to undertake certain activities in relation to the Offer and have not received such consents from one of our lenders.***

As of March 31, 2018, we had total current and non-current borrowings aggregating to ₹15,834.39 million, comprising of non-current long-term borrowings amounting to ₹4,893.94 million, short-term borrowings amounting to ₹0.40 million and current maturities of long-term borrowings amounting to ₹10,940.05 million. Incurring indebtedness is a direct consequence of the nature of our business, and having large outstanding borrowings portfolio may have significant implications on our business and results of operations, including, inter alia:

- low availability of cash flow for working capital, capital expenditures and other general corporate requirements;
- affecting our ability to obtain additional financing in the future at reasonable terms;
- triggering provisions of cross-default across multiple financing arrangements;
- adverse and onerous implications (including limitations to the use of funds in the relevant facility) in the event of inability to comply with financial and other covenants specified in the financing agreements;
- the right to recall loans by our lenders; and
- reduction in the ability to respond to changing business, regulatory and economic conditions.

Some of the financing arrangements entered into by us also include conditions that require us to obtain the respective lender's consent prior to carrying out certain activities. These covenants vary depending on the requirements of the financial institution extending the loan, and may be, inter alia, in relation to: (i) any change in capital structure; (ii) to approach capital markets for mobilizing additional sources, either as debt or equity; (iii) change in the nature or scope of business or operations other than in the normal course of business; (iv) investment by way of subscription to share capital of, or lending or advances to or placing deposits with any other concern; (v) formulation of any scheme of amalgamation with any other borrower or reconstruction; (vi) alteration in the management or the charter documents; (vii) change in control or ownership of our Company; (viii) repayment/ prepayment of all or part of the borrowings availed by our Company; (ix) redeeming, purchasing, buying-back, retiring, returning or repaying any of our

Company's equity share capital or paying any dividend to our Company's shareholders; (x) dilution of the Promoter's shareholding in the Company; change in accounting method as policies followed by the Company; and (xii) change in key management personnel of the Company.

In connection with certain activities in relation to the Offer, we are yet to receive consent and waiver letter from one of our existing lenders.

Further, under certain financing arrangements, we are required to maintain specific credit ratings and other financial ratios, which may restrict or delay certain actions or initiatives that we may propose to take in the ordinary course of business.

Failure to observe the covenants under our financing arrangements or failure to obtain necessary waivers may lead to the termination of our credit facilities, acceleration of amounts due under such facilities, trigger cross-default provisions and the enforcement of security provided. There can be no assurance that we would be able to persuade our lenders to grant extensions or refrain from exercising such rights which may adversely affect our operations and cash flows. During any period in which we are in default, we may be unable to raise, or face difficulties raising, further financing or generate sufficient cash to fund our liquidity requirements. In relation to our historic loan defaults leading to corporate debt restructuring, please see "*Our business, financial condition, cash flows and results of operations have been adversely affected in the past by state regulations. There can be no assurance that similar disruptions will not occur in the states in which we operate, which may have an adverse impact on our business, financial condition and results of operations.*"

In addition to the CDR, in the past, we have entered into certain settlement agreements with certain collecting agents, with respect to irregular payments on our part. As on date of this Draft Red Herring Prospectus, we do not have any liabilities arising out of these settlements, however, there can be no assurance that in the future we may comply with provisions of any such agreements, which in turn may have an adverse impact on our credit rating, business operations and future financial operations.

Our lenders also have the ability to recall or accelerate all or part of the amounts owed by us, subject to the terms of the financing arrangement. Such recalls may be contingent on happening of an event beyond our control and there can be no assurance that we will be able to persuade our lenders to give us extensions or to refrain from exercising such recalls. A recall notice may also lead to an event of default under an existing financing arrangement. There can be no assurance that we will be able to repay our loans in full, or at all, at the receipt of a recall or acceleration notice, or otherwise. Our inability to comply with the conditions prescribed under the financing arrangements, or repay the loans as per the repayment schedule, may have an adverse impact on our credit rating, business operations and future financial performance. Further, if we are unable to service our existing debt, our ability to raise debt in the future will be adversely affected, which will have a significant adverse effect on our results of operations, financial condition and our business.

14. ***Any deterioration in the performance of any pool of receivables assigned or securitized to banks and other institutions may adversely impact our financial performance.***

We may in the ordinary course of business to obtain improve liquidity and minimize risks, assign or securitize a portion of our receivables from our loan portfolio to banks and NBFCs. Such securitization/ assignment transactions are undertaken by us on the basis of our internal estimates of funding requirements, and may vary from time to time. The outstanding value of our loans securitized was ₹6,846.03 million, ₹0.00 million and ₹0.00 million as at March 31, 2018, 2017 and 2016, respectively. Any change in the RBI or other government regulations in relation to assignments securitisations by NBFCs could have an adverse impact on our assignment/ securitisation initiatives.

However, in the event the bank or NBFC does not realise the receivables due under loans that have been securitized/ assigned, the relevant bank or NBFC can enforce the underlying credit enhancements assured by us. Further, any deterioration in the performance of any batch of receivables assigned to banks and NBFCs could adversely affect our credibility and therefore our ability to conduct further assignments and securitizations. We may also be named as a party in legal proceedings initiated by an assignee in relation to the securitized assets. Should a substantial portion of our securitized/ assigned loans be put back to us, it could have an adverse effect on our financial condition and results of operations.

15. ***Any failure or material weakness of our internal control systems could cause significant operational errors, which would materially and adversely affect our profitability and reputation.***

We are responsible for establishing and maintaining adequate internal measures commensurate with the size and the complexity of our operations. Our internal or concurrent audit functions are equipped to make an independent and objective evaluation of the adequacy and effectiveness of internal controls on an ongoing basis to ensure that business personnel adhere to our policies, compliance requirements and internal circular guidelines. While we periodically test and update our internal control systems as necessary, we are exposed to operational risks arising from the potential

inadequacy or failure of internal processes or systems, and our actions may not be sufficient to guarantee effective internal controls in all circumstances. Given our volume of transactions, it is possible that errors may repeat or compound before they are discovered and rectified. For instance, our statutory auditor's report for the year ended March 31, 2014 noted that our internal control system for rendering of services was inadequate as certain deficiencies had been noted in appropriating collections and recoveries in respect of loan balances to the respective client accounts. Our management information systems and internal control procedures that are designed to monitor our operations and overall compliance may not identify every instance of non-compliance or suspicious transaction. If internal control weaknesses are identified, our actions may not be sufficient to correct such internal control weakness. We face operational risks in our business and there may be losses due to deficiencies in the credit sanction process, inaccurate financial reporting, fraud and failure of critical systems and processes. In addition, we carry out certain processes manually, which may increase the risk that human error, tampering or manipulation will result in losses that may be difficult to detect. As a result, we may suffer material losses. Such instances may also adversely affect our reputation, thereby adversely impacting our business, results of operations and financial condition.

16. ***We depend on the accuracy and completeness of information provided by credit bureaus about clients and counterparties for our credit assessment and risk management. Any misrepresentation, errors in or incompleteness of such information could adversely affect our business and financial performance.***

To ascertain the creditworthiness of potential borrowers, we depend on credit information companies or credit bureaus, and our reliance on any misleading information may affect our judgement of credit worthiness of potential borrowers, which may affect our business, prospects, results of operations and financial condition. We may receive inaccurate or incomplete information as a result of negligence or fraudulent misrepresentation. Our risk management measures may not be adequate to prevent or deter such activities in all cases, which may adversely affect our business prospects, financial condition and results of operations.

Moreover, the availability of accurate and comprehensive credit information of our focus client segment in India is limited, which reduces our ability to accurately assess the credit risk associated with such lending. Difficulties in assessing credit risks associated with our day-to-day lending operations may lead to an increase in the level of our NPAs, which could materially and adversely affect our business prospects, financial condition and results of operations.

17. ***As an NBFC-MFI, we are subject to periodic inspections by the RBI. Non-compliance with observations made by the RBI during these inspections could expose us to penalties and restrictions.***

As an RBI- registered NBFC-MFI, we are subject to periodic inspections by the RBI to verify the correctness or completeness of our business and operations, internal controls, and any statement, information or particulars furnished to the RBI.

We will continue to be subject to inspections by the RBI, in the course of which the RBI may report on divergences (if any) from regulatory requirements applicable to NBFCs. For instance, in the past, the RBI has made observations in its inspection reports, *inter alia*, in relation to: (i) a difference in assessed NOF and reported NOF; (ii) variations in CRAR assessments; (iii) imposition of condition restricting the number of installments before which repayment can be made without incurring a penalty being against the spirit of the RBI instructions; (iv) the Company not putting in place policies in relation to the due diligence of the portfolio being purchased; and (v) breach of limits on branch level cap for portfolio outstanding. While we have responded to the observations made by the RBI in its inspection reports on an ongoing basis, and have not received any adverse remarks following the submission of our responses in the past, there can be no assurance that we will be able to respond to the observations made by the RBI in its inspection report in the future to its satisfaction, or that the RBI will not make an adverse remark or impose a penalty as a consequence of such inspections.

There can be no assurance that the RBI would not make adverse observations, including on divergences, in the future. If we are unable to resolve such deficiencies and other matters to the RBI's satisfaction, we could be exposed to penalties and restrictions, and our ability to conduct our business may be adversely affected.

18. ***We face the threat of fraud and cyber-attacks targeted at disrupting our services, such as hacking, phishing and trojans, and/ or theft of sensitive internal data or client information. This may cause damage to our reputation and adversely impact our business and financial results.***

Our systemic and operational controls may not be adequate to prevent adverse impact from frauds, errors, hacking and system failures. Further, our internet platforms are exposed to being hacked or compromised by third-parties, resulting in thefts and losses to our clients and us. Some of these cyber threats from third-parties include: (i) hacking – wherein attackers seek to hack into our website with the primary intention of causing reputational damage to us by disrupting services; (ii) data theft – wherein cyber criminals may attempt to intrude into our network with the intention of stealing our data or information; and (iii) advanced persistent threat – a network attack in which an unauthorized person gains access to our network and remains undetected for a long period of time with an intention to steal our data or

information. The frequency of such cyber threats may increase in the future with the increased digitization of our services. Not only are we exposed to such risks from our own actions or those of our employees, but from actions of our third-party service providers, whom we do not control. If we become the target of any of such cyber-attacks, it could materially and adversely affect our business, financial condition and results of operations.

A significant system breakdown or system failure caused by intentional or unintentional acts would have an adverse impact on our revenue-generating activities and lead to financial loss. Further, since we review and retain, in our ordinary course of business, sensitive personal data of our clients for diligence and KYC checks (including AADHAAR data), any security breaches in our systems could give rise to regulatory liability or litigation. In addition, any breakdown, breach or hacking of the information technology platforms of key resources used by us in our lending operations, including credit-bureaus, could adversely affect our operations and the quality of our portfolio.

In June 2017, the RBI issued master directions on information technology frameworks for NBFCs. These directions prescribe measures to be adopted by NBFCs to minimize cyber risk, including adoption of IT strategy policies (overseen by a strategy committee), information and cyber security protocols and policies, and reporting of cyber-security incidents and breaches to the RBI from time to time. Any cyber-security breach could also subject us to additional regulatory scrutiny and expose us to civil litigation and related financial liability.

19. ***We did not have adequate controls for managing our compliances as a result of which there have been non-compliances with respect to certain provisions of the Companies Act and corporate actions taken by us in the past.***

In the past, our controls and compliances for managing our secretarial records have been inadequate as a result of which there have been non-compliances with certain provisions of the Companies Act, 1956, and failure in maintaining certain corporate and regulatory records by our Company. For instance, in the past, we have not complied with the provisions of the Unlisted Public Companies (Preferential Allotment) Rules, 2003, as amended, with respect to certain allotments undertaken by us on a preferential basis. Further, in the past, we have declared dividend against OCCRP which were issued pursuant to the terms and conditions of the Master Restructuring Agreement dated September 24, 2011 for certain years during which our Company was not profitable, which was not permitted under the provisions of the Companies Act, 1956. For details, see “History and Certain Corporate Matters – Other Agreements” and “Capital Structure— History of Preference Share Capital” on pages 150 and 72 respectively. This violation was subsequently compounded. In the past, there has been a period longer than six months during which our Company did not have a chief financial officer. As of the date of this Draft Red Herring Prospectus, we have made a compounding application in relation to this violation.

While no legal proceedings or regulatory action has been initiated against our Company in relation to the aforementioned non-compliances as of the date of this Draft Red Herring Prospectus, we cannot assure you that no legal proceedings or regulatory actions will be initiated against us in the future in relation to these non-compliances, which may have an adverse impact on our business, financial condition and reputation. Further, there can be no assurance that the non-compliance for which we have filed for compounding will be compounded in a timely manner or at all or that we will not be subjected to penalty or liabilities with respect to non-compliances under the Companies Act. The imposition of any liability on us on account of such non-compliances, including their re-occurrence, could adversely affect our business and reputation.

20. ***Our business is vulnerable to interest rate risk, and volatility in interest rates could have a material adverse effect on our net interest income, net interest margin and our financial performance.***

Our results of operations depend to a large extent on the level of our net interest income as our primary revenue source is interest income. Net interest income is the difference between our revenue from operations and our finance costs. The differential between the interest rates that we charge on interest-earning assets (i.e., our portfolio loans) and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have a significant impact on our results of operations. During the years ended March 31, 2017 and 2018, interest on portfolio loans represented 92.28% and 82.26% of our total revenues, respectively. Changes in market interest rates affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our portfolio loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. Further, such increase in interest rates could impact our ability to raise low cost funds as compared to some of our competitors which may have access to lower cost deposits. The differences between repricing maturities of rate sensitive liabilities and rate sensitive assets, called repricing gaps, exposes our business to interest rate risk. As per RBI regulations, the interest rates charged by us on our microfinance loans is required to be the lower of (i) 10% margin above our cost of funds or (ii) 2.75 times the average base rate of the five largest commercial banks by assets (as notified every quarter by the RBI) (“**RBI Benchmark**”). Our business is also exposed to interest rate risk in the form of non-uniform movement in different interest rates that are used for pricing of our assets and liabilities. The following table represents the RBI Benchmark and the maximum interest rates we charge on our micro-finance loans disbursements for the periods mentioned

	Quarter ended March 31, 2018 (in %)	Quarter ended December 31, 2017 (in %)	Quarter ended September 30, 2017 (in %)	Quarter ended June 30, 2017 (in %)
RBI Benchmark	24.64	24.92	25.35	25.71
Maximum rate of interest charged on our disbursement	24.64	24.92	25.35	25.71

A sustained decline in the RBI Benchmark may adversely impact our ability to charge interest on our microfinance loans at our desired rates, which may adversely affect our interest income from portfolio loans.

As the repricing maturities of our liabilities and assets are spread over different time periods, we are exposed to interest rate risk in the form of non-parallel movement in yield curves. Further, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, it could lead to a reduction in our net interest income (representing our revenue from operations as reduced by our finance costs) and net interest margin. The quantum of the changes in interest rates for our assets and liabilities may also be different, leading to a decrease in the interest margin.

21. ***We handle cash in a high volume of transactions occurring through a dispersed network of branches; as a result, we are exposed to operational risks, including fraud, petty theft and embezzlement. Further, our employees may be the target of violent crime, such as thefts and robberies, which may adversely affect our business, operations and our ability to recruit and retain employees.***

As we handle a large amount of cash through a high volume of transactions taking place across our branch network, we are exposed to the risk of fraud or other misconduct by employees, third parties or any outsiders. This risk is further exacerbated by the high level of autonomy on the part of our loan officers and back-end managers, which our business model requires. In addition, we do not have a cash-in-transit insurance policy, which also exacerbates the risk.

In the past, we have discovered a few cases of theft and fraud by either third parties or employees. In the year ended March 31, 2018, there were instances of cash embezzlement amounting to ₹0.24 million and fake loans amounting to ₹6.54 million. For further details, please see “Annexure 28 (Related Standalone Statement of Additional Information) – f. Information on instances of fraud” of our Restated Standalone Financial Information on page 290.

Fraud and other misconduct can be difficult to detect and deter. Given the high volume of transactions we process on a daily basis, certain instances of fraud and misconduct may go unnoticed or may only be discovered and successfully rectified after substantial delays. Even when we discover such instances of fraud or theft and pursue them to the full extent of the law or with our insurance carriers, there can be no assurance that we will recover any of the amounts involved in these cases. Our reputation could be adversely affected by fraud committed by employees, clients or outsiders, or by our perceived inability to properly manage fraud-related risks. We make a provision/ write off in our financial statements for 100% of the value of any fraud discovered by us in the period in which they are discovered or reported. Further, to the extent that our employees are subject to violent attacks, theft or robbery in the course of their duties, our ability to service such areas will be adversely affected and our employee recruiting and retention efforts may be curtailed, which would negatively impact our expansion and growth plans. In addition, if certain areas of India pose a significantly higher risk of crime or political strife and instability, our ability to service such areas will be adversely affected and our expansion and growth may be curtailed. Our dependence upon automated systems to record and process transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect.

22. ***Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, financial condition and results of operations.***

Our operations are subject to various risks inherent to the finance industry, as well as theft, robbery, acts of terrorism and other force majeure events. None of our insurance policies are assigned in favor of any third-party. We may not have identified every risk and further may not be insured against every risk, including operational risk that may occur and the occurrence of an event that causes losses in excess of the limits specified in our policies, or losses arising from events or risks not covered by insurance policies or due to the same being inadequate, could materially harm our financial condition and future results of operations. There can be no assurance that any claims filed will be honored fully or timely under our insurance policies. Also, our financial condition may be affected to the extent we suffer any loss or damage that is not covered by insurance or which exceeds our insurance coverage. In particular, we do not maintain direct insurance coverage over our loan portfolio. In addition, we may not be able to renew certain of our insurance policies upon their expiration, either on commercially acceptable terms or at all.

23. ***We depend on our brand recognition, and failure to maintain and enhance awareness of our brand would adversely affect our ability to retain and expand our base of clients.***

We believe that any damage to our reputation could substantially impair our reputation and our ability to maintain or grow our business, or have a material adverse effect on our overall business, financial condition and results of operations. If we fail to maintain brand recognition with our target clients due to any issues with our product offerings, a deterioration in service quality, or otherwise, or if any premium in value attributed to our business or to the brands under which our services are provided declines, market perception and client acceptance of our brands may also decline. Any negative news affecting us might also affect our reputation and brand value. In such an event, we may not be able to compete for clients effectively, and our business, financial condition and results of operations may be adversely affected.

In addition, we also face the risk of our brand name being misused for fraudulent purposes, which may adversely affect our reputation.

24. ***The examination report of our Statutory Auditors on the Restated Financial Statements makes references to certain qualifications.***

In their examination report on our Restated Financial Statements, our Statutory Auditors have made references to certain audit qualifications included in the auditors' report pursuant to Rule 11(d) of Companies (Audit and Auditors) Amendment Rules, 2017 on the standalone financial statements for the year ended March 31, 2017 and annexures to the auditors' reports issued under the Companies (Auditor's Report) Order, 2016, 2015 and 2003, as applicable, on the standalone financial statements for the years ended March 31, 2018, 2017, 2016, 2015 and 2014. For further details of these qualifications, see the examination of our Statutory Auditors in the section "*Financial Information – Financial Statements*" on page 187. Investors should consider these matters while evaluating our financial position, cash flows and results of operations.

25. ***We have had negative cash flows in the past and may continue to have negative cash flows in the future.***

The following table sets forth our cash flow for the periods indicated:

	For the year ended March 31,		
	2018	2017	2016
	(<i>₹ in million</i>)		
Net cash generated/ (used in) Operating Activities	(10,838.82)	(821.97)	1,137.63
Net cash generated/ (used in) Investing Activities	(55.48)	(12.19)	(93.99)
Net cash generated/ (used in) Financing Activities	9,018.13	3,382.07	(1,281.28)
Net increase/ (decrease) in Cash and Cash Equivalents	(1,876.17)	2,547.91	(237.64)

For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" on pages 303. We cannot assure you that our net cash flows will be positive in the future.

26. ***We have certain contingent liabilities that have not been provided for in our financial statements, which, if they materialize, may adversely affect our results of operations, financial condition and cash flows.***

As of March 31, 2018, we had the following contingent liabilities in accordance with Accounting Standard 29 issued by ICAI which have not been provided for:

Particulars	As at March 31, 2018
Claims made by Service Tax department	48.67
Credit enhancements provided towards securitisation transactions	1,832.33
Total	1,881.00

There can be no assurance that we will not incur similar or increased levels of contingent liabilities in the future. If the aforementioned contingent liabilities materialize, our profitability and cash flows may be adversely affected.

27. ***We rely on third-party service providers who may not perform their obligations satisfactorily or in compliance with law or may discontinue providing service which may adversely impact our operations.***

We enter into arrangements with third-party vendors, separate employees and independent contractors to provide services that include, among others, telecommunications infrastructure services and software services. We also enter into agreements with credit bureaus for availing credit assessment and other services. We cannot guarantee that there will be no disruptions in the provision of such services or that these third-parties will adhere to their contractual obligations. If there is a disruption in the third-party services, or if the third-party service providers discontinue their service agreements with us, our business, financial condition and results of operations will be adversely affected. In case of any dispute, we cannot assure you that the terms of such agreements will not be breached, and this may result

in litigation or other costs. On November 9, 2017, the RBI issued the 'Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs' ("**Outsourcing Directions**"). Pursuant to the Outsourcing Directions, the RBI has directed NBFCs to put in place necessary safeguards for the activities outsourced by them. In this regard, NBFCs are required to put in place a comprehensive, board-approved outsourcing policy which incorporates criteria for selection of activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operation of these activities. Further, in case NBFCs have back-office and service arrangements/ agreements with group entities, e.g. sharing of premises, legal and other professional services, hardware and software applications etc., the NBFCs are required to have a board-approved policy prior to entering into such arrangements with group entities, which shall cover demarcation of sharing resources (for example, premises and personnel). Further, a central record of all material outsourcing that is readily accessible for review by the board and senior management of the NBFC shall be maintained, and records shall be updated promptly and half yearly reviews shall be placed before the board or risk management committee.

Further, certain of our agreements, including an agreement with a credit bureau, require us to indemnify our counterparties for certain losses, and limit contractual or other liabilities of our counterparties to fees or other amounts received by them from us for a certain period of time. If such indemnities are invoked, or if our counterparties limit their liabilities to an extent that our losses are not fully recovered, we may incur additional costs. Such additional costs, in addition to the cost of entering into agreements with third-parties in the same industry, may materially and adversely affect our business, financial condition and results of operations.

28. ***If we are unable to register our trademarks and tradenames in a timely manner, others may be able to use our trademarks and tradenames which may adversely impact our brand.***

We have applied for trademark registration of our brand names, "Spandana", "Spandana Sphoorty" and "SSFL" as trademarks, as well as an image consisting of coined word "Spandana" with emblem as a device mark. However, these trademarks are not registered in our name as of the date of this Draft Red Herring Prospectus, and any unauthorized or inappropriate use of our brand, trademarks and domain names by others, in their corporate names or product brands or otherwise could harm our brand image, competitive advantages and business and dilute or harm our reputation and brand recognition. If a dispute arises with respect to any of our intellectual property rights or proprietary information, we will be required to produce evidence to defend or enforce our claims, and we may become party to litigation, which may strain our resources and divert the attention of our management. The absence of any registered trademark could limit our ability to defend against any claims of passing-off or infringement. We cannot assure you that any infringement claims that are material will not arise in the future or that we will be successful in defending any such claims when they arise.

Our efforts to protect our intellectual property or proprietary information and the measures we take to identify potential infringement of our intellectual property may not be adequate to detect or prevent infringement, misappropriation or unauthorized use. For example, there were previous instances where third parties have used the "Spandana" name in a fraudulent and unauthorized manner. Any such misappropriation or duplication of our name, corporate logos or other intellectual property or proprietary information may disrupt our business, distract management and employees, reduce revenues and increase expenses. In addition, we may also become subject to infringement claims. Even if claims against us are not meritorious, any legal, arbitral or administrative proceedings that we may be required to initiate or defend in this regard may be time-consuming, costly and harmful to our reputation, and there is no assurance that such proceedings will ultimately be determined in our favor. Furthermore, the application of laws governing intellectual property rights in India is continuously evolving and there may be instances of infringement or passing-off of our brand in Indian markets. Our failure to adequately protect our brand, trademarks and other related intellectual property rights may adversely affect our business, financial condition and results of operations.

29. ***We are subject to the risks associated with all our premises (barring one branch, which is owned by us), including our Registered Office, being leased. If we are unable to renew existing leases or relocate our operations on commercially reasonable terms, there may be an adverse effect on our business, financial conditions and operations.***

Our Registered Office has been taken on lease from Spandana Rural and Urban Development Organization, one of our related parties, and almost all our branches operate from premises taken on lease and license basis. Termination of or failure to renew lease agreements with a fixed term of lease for these premises on terms and conditions favorable to us or at all, may require us to shift the registered and corporate office and the concerned branch offices to new premises, and we may incur substantial rent escalation and relocation costs as a result. This might adversely affect our business operations and make us incur additional expenses. We may also face the risk of being evicted in the event that our landlords allege a breach on our part of the terms of the lease agreements.

30. ***Incorrect actuarial valuations of retirement benefits carried out by independent actuaries and/ or changes in our defined benefit gratuity plan's liabilities and obligations could have a materially adverse effect on our financial condition.***

We operate a defined benefit gratuity plan for eligible employees. Under the defined benefit plans, there is an obligation to pay defined future benefits from the time of retirement. The calculation of the net obligation is based on valuations made by external actuaries who are qualified to do such valuations and estimations. These valuations rely on assumptions about a number of variables, including discount rate and mortality rates and salary increases. While we carry out our own procedures, we rely on the valuations done by actuaries. Actuarial risk arises as estimated value of the defined benefit scheme liabilities may increase due to changes in actuarial assumptions.

In addition, the defined benefit gratuity plan is administered by a third party and funded with an insurance company in the form of qualifying insurance policy. Should the value of assets to liabilities in respect of the defined benefit scheme operated by us record a deficit, due to either a reduction in the value of the defined benefit gratuity plan's assets (depending on the performance of financial markets) and/ or an increase in the defined benefit gratuity plan's liabilities due to changes in legislation, mortality assumptions, discount rate assumptions, inflation, the expected rate of return on scheme assets, or other factors, this could result in us having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of our business and reduce our capital resources.

31. ***Our results of operations could be adversely affected as a result of any disputes with our employees.***

Our operations are personnel-driven, and we place a lot of emphasis on the effective training of our personnel in communication and service orientation skills. However, a failure to train and motivate our employees may lead to an increase in our employee attrition rates and erode the quality of client service. We employ 4,045 full-time employees as of March 31, 2018. There can be no assurance that there will not be any future disruptions in our operations due to any disputes with our employees. We depend on our branch-level employees for sourcing, disbursements and collections and client liaison, and significant attrition at any of our branches could adversely impact our operations.

Further, in the event of a labor dispute, protracted negotiations and strike action may impair our ability to carry on our day-to-day operations, which could materially and adversely affect our business, future financial performance and results of operations.

32. ***Our Promoters and Directors have entered into, and may enter into ventures that may lead to real or potential conflicts of interest with our business.***

Our Promoters may become involved in ventures that may potentially compete with our Company. The interests of our Promoters may conflict with the interests of our other Shareholders and our Promoters may, for business considerations or otherwise, cause our Company to take actions, or refrain from taking actions, in order to benefit themselves instead of our Company's interests or the interests of its other Shareholders and which may be harmful to our Company's interests or the interests of our other Shareholders, which may materially adversely impact our business, financial condition and results of operations. For instance, our Individual Promoter, Padmaja Gangireddy, owns 68.31% shareholding in Abhiram Marketing, one of our Group Companies engaged in the business of consumer goods, whose retail products are sold at our branches (and from whom we receive a sales commission). There is no assurance that the interests of Abhiram Marketing will align with our business interests. Further, our Individual Promoter, Padmaja Gangireddy owns 69.18% shareholding in our Group Company, Criss Financial Holdings Limited. Criss Financial Holdings Limited is in the same line of business as our Company. We have entered into letter of intent to acquire our Group Company Criss Financial Holdings Limited. Criss Financial Holdings Limited has submitted an application to RBI for change of control and management. Post approval from RBI and our acquisition of Criss Financial Holdings Limited, it will become a subsidiary of our Company.

Our Individual Promoter holds 3.82% of the equity share capital of Saggraha Management Services Private Limited, which acts as a business correspondent to banks and carries on activities similar to our Company for and on behalf of such principal banks. In addition to our Managing Director, some of our Directors are also associated with entities in the same line of business as our Company. Jagadish Capoor, our Independent Director, is a director on the board of Manappuram Finance Limited. Bharat Dhirajlal Shah, our Independent Director, is also a director on the board of Digikredit Finance Private Limited and Salisbury Investments Private Limited. Darius Dinshaw Pandole, our Nominee Director, is a director on the board of Credibility Financial Services Private Limited. Ramchandra Kasargod Kamath, our Nominee Director, is a director on the board of New Opportunity Consultancy Private Limited, which acts as a business correspondent to banks and carries on activities similar to our Company for and on behalf of such principal banks.

We have entered into a Memorandum of Understanding with Abhiram Marketing, one of our Group Companies, engaged in the business of consumer goods whereby we have leveraged our customer network to provide marketing and distribution services to Abhiram Marketing with respect to certain consumer durables products and services of

Abhiram Marketing selected by us for a commission of 13.00% on the sales. Also see “Our Business” and “Our Group Companies” on pages 118 and 174, respectively. In terms of the MoU, our branches and officers serve as business points for Abhiram Marketing to sell its products and services to our clients. While we have the discretion to select Abhiram Marketing’s products and services proposed to be sold to our clients, any client dissatisfaction towards products sold by Abhiram Marketing at our branches and offices may result in dissatisfaction of our clients in approaching our branches as a whole and may have adverse effect on our business and results of operations.

Further, we hold such products in our branches and offices physically in trust of Abhiram Marketing. Any risk with respect to unsold inventory, storage, damage, cancellation, non-payment of dues by clients, product/service failure with respect to the products sold by Abhiram Marketing may result in dispute, litigation and non-payment of commission in terms of the MoU, which may affect our business operations at branches.

33. ***Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that we will be able to pay dividends in the future.***

We currently intend to invest our future earnings, if any, to fund our growth. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. In addition, any dividend payments we make are subject to the prior consent of certain of our lenders pursuant to the terms of the agreements we have with them. We have not paid any dividends historically on our Equity Shares and there can be no assurance that we will be able to pay dividends in the future.

34. ***We have in the last 12 months issued Equity Shares at a price that could be lower than the Offer Price.***

As on date of this DRHP, no Equity Shares have been issued by our Company at a price that could be lower than the Offer Price during the last twelve months, except as disclosed below:

Date of Allotment	No. of Equity Shares	Face Value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of Consideration	Reason for Allotment
March 8, 2018	1,307,425	10	235.48	Cash	Preferential allotment
May 15, 2018	9,979,615	10	235.48	Cash	Conversion of Class A CCPS
May 15, 2018	5,062,542	10	235.48	Cash	Conversion of Class A1 CCPS
May 15, 2018	89,48,425	10	238.67	Cash	Conversion of Class B CCPS
June 20, 2018	1,135,085	10	235.48	Cash	Conversion of Series C OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series A OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series B OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series A OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series B OCRPS
June 20, 2018	1,488,544	10	235.48	Cash	Conversion of convertible share warrants
June 21, 2018	2,127,570	10	235.48	Cash	Private placement

For further details regarding such issuances of Equity Shares, see “Capital Structure—Notes to Capital Structure” on page 64.

35. ***We may undertake strategic investments or divestments, acquisitions and joint ventures, which may not perform in line with our expectations.***

We may, depending on our management's view and market conditions, pursue strategic investments or divestments, undertake acquisitions and enter into joint ventures. For example, we have entered into an agreement to acquire our Group Company Criss Financial Holdings Limited. Criss Financial Holdings Limited has submitted an application to RBI for change of control and management. Post approval from RBI and our acquisition of Criss Financial Holdings Limited, it will become a subsidiary of our Company.

We may in the future enter into various acquisitions including the acquisition of certain portfolios or accounts, in its entirety or part thereof, from other banks, NBFCs or other financial institutions. Since we may only be able to undertake limited diligence on the security and collateral of such acquired accounts, there are no assurances that the asset quality, creditworthiness of such borrowers or the security and collateral provided under these portfolios and accounts are of a similar level to our existing borrowers, portfolios or accounts. This may result in difficulties should

any of such portfolios or accounts enter into default, which might materially and adversely affect our business, financial condition and results of operations.

We cannot assure you that we will be able to undertake or continue such strategic investments or divestments, acquisitions (including by way of a merger, or share or asset acquisition) or joint ventures in the future, either on terms acceptable to us or at all. Moreover, we may require different regulatory approval for acquisitions, and we cannot guarantee that we will receive such approvals in a timely manner, or at all. Any inability to identify suitable acquisition targets or investments or failure to complete such transactions may adversely affect our competitiveness or growth prospects.

We may have future plans to be involved in new businesses, including complementary businesses, services and products, and we may enter into strategic partnerships or joint ventures with parties that we believe can provide access to new markets, technology, capabilities or assets.

These new businesses may subject us to many risks, and we can provide no assurances that any such ventures will be successful or meet our expectations. In addition, these new ventures may require different regulatory approvals, and we cannot assure you that we will be able to procure such approvals, either in a timely manner or at all. If these new ventures are not successful, we may suffer losses, dilute value to shareholders or may not be able to take advantage of appropriate investment opportunities or conclude transactions on terms commercially acceptable to us. These ventures may require significant investments of capital and we may not realize our expected (or any) returns on these investments. Our management may also need to divert its attention from our operations in order to integrate such new businesses, which may affect the quality of operational standards and our ability to retain the business of our existing clients. We could also have difficulty in integrating the acquired products, services, solutions, technologies, management and employees into our operations. We may face litigation or other claims arising out of our new businesses, including disputes with regard to additional payments or other closing adjustments. These difficulties could disrupt our ongoing business, distract our management and employees, and increase our expenses. As a result, our business, financial condition and results of operations could be materially adversely affected.

36. ***Third-party industry and industry-related statistical data and peer comparison and benchmarking of our Company with major microfinance players presented in this Draft Red Herring Prospectus may be incomplete, incorrect or unreliable.***

Neither we, nor any of the GCBRLMs and the BRLMs have independently verified the data obtained from the official and industry publications and other industry sources referred in this Draft Red Herring Prospectus and therefore, while we believe them to be true, there can be no assurance that they are complete or reliable. Such data may also be produced on different bases from those used in the industry publications we have referenced. In particular, neither we, nor any of the GCBRLMs and the BRLMs, nor any other person associated with the offer has verified the information from the report titled "Microfinance Sector in India" prepared by ICRA, which has been prepared pursuant to an engagement between ICRA and our Company. Therefore, discussions of matters relating to India, its economy, our industry and our benchmarking in comparison with major microfinance players in this Draft Red Herring Prospectus are subject to the caveat that the statistical and other data upon which such discussions are based may be incomplete or unreliable or prepared on non-comparable bases. Industry sources and publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry sources and publications may also base their information on estimates, projections, forecasts and assumptions that may prove to be incorrect. In addition, the peer benchmarking conducted by ICRA Research in relation to major MFIs and SFBs (and included in the section "Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters" on page 109) may not be exhaustive due to the unavailability of data for two players (CreditAccess Grameen Limited and Jana Small Finance Bank) as on March 31, 2018. Accordingly, benchmarking may be inaccurate and unreliable. Further, the metrics used by ICRA for the peer comparison may not be directly comparable due to differences in accounting policies amongst the peers or other reasons.

While industry sources take due care and caution while preparing their reports, they do not guarantee the accuracy, adequacy or completeness of the data or report and do not take responsibility for any errors or omissions or for the results obtained from using their data or report. Accordingly, investors should not place undue reliance on, or base their investment decision on this information. See "Industry Overview" on page 92.

37. ***In this Draft Red Herring Prospectus, we have included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies.***

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this Draft Red Herring Prospectus (in particular in the section on Selected Statistical Information). We compute and disclose such non-GAAP financial measures and other statistical information relating

to our operations and financial performance as we consider such information to be useful measures of our business and financial performance. We have also included in this Draft Red Herring Prospectus financial information that may be different from those followed by other financial services companies. For further information, see "Selected Statistical Information" on page 179. These non-GAAP financial measures and other statistical and other information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the financial services industry. Therefore, such information may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other NBFCs, NBFC-MFIs, SFBs and other financial services companies.

38. ***We have entered into, and will continue to enter into, related party transactions.***

In the ordinary course of our business, we enter into and will continue to enter into transactions with related parties. While we believe that all such related party transactions that we have entered into are legitimate business transactions conducted on an arms' length basis, there can be no assurance that we could not have achieved more favorable terms had such arrangements not been entered into with related parties. It is likely that we may enter into related party transactions in the future. Although all related party transactions that we may enter into post-listing, will be subject to Board or Shareholder approval, as necessary under the Companies Act, 2013 and the SEBI Listing Regulations, we cannot assure you that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations or that we could not have achieved more favorable terms if such transactions had not been entered into with related parties

For further details regarding our related party transactions, see "Related Party Transactions" on page 177.

39. ***We expect to be classified as a passive foreign investment company for U.S. federal income tax purposes.***

We expect to be classified as a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which could result in materially adverse consequences, including additional tax liability and tax filing obligations, for a U.S. investor relative to an investment in a company that is not a PFIC.

EXTERNAL RISK FACTORS

Risks Relating to Regulations

1. ***We operate in a highly regulated environment.***

We operate in a highly regulated environment in which we are regulated by the RBI, the MCA, the Registrar of Companies and other domestic and international regulators. Accordingly, legal and regulatory risks are inherent and substantial in our business. As we operate under licenses or registrations obtained from appropriate regulators, we are subject to actions that may be taken by such regulators in the event of any non-compliance with any applicable policies, guidelines, circular, notifications and regulations issued by the relevant regulators.

Being regulated, we are subject to regular scrutiny and supervision by their respective regulators, such as regular inspections that may be conducted by the RBI. The requirements imposed by regulators are designed to ensure the integrity of the financial markets and to protect investors and depositors. Any non-compliance with regulatory guidelines and directions may result in substantial penalties and reputational impact, which may affect the price of our Equity Shares. Among other things, in the event of being found non-compliant, we could be fined or prohibited from engaging in certain business activities.

In addition, we are also exposed to the risk of us or any of our employees being non-compliant with insider trading rules or engaging in front running in securities markets. In the event of any such violations, regulators could take regulatory actions, including financial penalties against us and the concerned employees. This could have a materially adverse financial and reputational impact on us.

Any change to the existing legal or regulatory framework will require us to allocate additional resources, which may increase our regulatory compliance costs and direct management attention and consequently affect our business.

For more information, see "Regulations and Policies" on page 135.

2. ***We may be affected by competition laws, the adverse application or interpretation of which could adversely affect our business.***

The Competition Act, 2002, of India, as amended ("Competition Act") regulates, inter alia, practices having an appreciable adverse effect on competition in the relevant market in India ("AAEC"). Under the Competition Act, any formal or informal arrangement, understanding or action in concert, which causes or is likely to cause an AAEC is considered void and may result in the imposition of substantial penalties. Further, any agreement among competitors

which directly or indirectly involves the determination of purchase or sale prices, limits or controls production, supply, markets, technical development, investment or the provision of services or shares the market or source of production or provision of services in any manner, including by way of allocation of geographical area or number of clients in the relevant market or directly or indirectly results in bid-rigging or collusive bidding is presumed to have an AAEC and is considered void. The Competition Act also prohibits abuse of a dominant position by any enterprise.

On March 4, 2011, the Government notified and brought into force the combination regulation (“**Merger Control**”) provisions under the Competition Act with effect from June 1, 2011. These provisions require acquisitions of shares, voting rights, assets or control or mergers or amalgamations that cross the prescribed asset and turnover based thresholds to be mandatorily notified to and pre-approved by the Competition Commission of India (“**CCI**”). Additionally, on May 11, 2011, the CCI notified Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011, as amended, which sets out the mechanism for implementation of the Merger Control regime in India.

The Competition Act aims to, among others, prohibit all agreements and transactions which may have an AAEC in India. Consequently, all agreements entered into by us could be within the purview of the Competition Act. Further, the CCI has extra-territorial powers and can investigate any agreements, abusive conduct or combination occurring outside India if such agreement, conduct or combination has an AAEC in India. However, the impact of the provisions of the Competition Act on the agreements entered into by us cannot be predicted with certainty at this stage. However, since we pursue an acquisition driven growth strategy, we may be affected, directly or indirectly, by the application or interpretation of any provision of the Competition Act, or any enforcement proceedings initiated by the CCI, or any adverse publicity that may be generated due to scrutiny or prosecution by the CCI or if any prohibition or substantial penalties are levied under the Competition Act, it would adversely affect our business, results of operations and prospects.

3. ***QIBs and Non-Institutional Investors are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid, and Retail Individual Investors are not permitted to withdraw their Bids after Bid/Offer Closing Date.***

Pursuant to the SEBI ICDR Regulations, QIBs and Non-Institutional Investors are required to block the Bid Amount on submission of the Bid and are not permitted to withdraw or lower their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after submitting a Bid. Similarly, Retail Individual Investors can revise or withdraw their Bids at any time during the Bid/Offer Period and until the Bid/Offer Closing Date, but not thereafter. Therefore, QIBs and Non-Institutional Investors will not be able to withdraw or lower their Bids following adverse developments in international or national monetary policy, financial, political or economic conditions, our business, results of operations, cash flows or otherwise at any stage after the submission of their Bids.

4. ***Our ability to raise foreign funds may be constrained by Indian law.***

As an Indian NBFC ND-SI, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, there can be no assurance that any required regulatory approvals for borrowing in foreign currencies will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

5. ***Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, across the multiple jurisdictions we operate in may materially adversely affect our business and financial performance.***

Our business and financial performance could be materially adversely affected by changes in the laws, rules, regulations or directions applicable to us and our general and microfinance businesses, or the interpretations of such existing laws, rules and regulations, or the promulgation of new laws, rules and regulations.

The governmental and regulatory bodies may notify new regulations and/ or policies, which may require us to obtain approvals and licenses from the government and other regulatory bodies, impose onerous requirements and conditions on our operations, in addition to those which we are undertaking currently, or change the manner in which we conduct KYC or authenticate our customers. Any such changes and the related uncertainties with respect to the implementation of new regulations may have a material adverse effect on our business, financial condition and results of operations.

In addition, unfavorable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing our business, operations and investments in our Company by non-residents, could result in us being deemed to be in contravention of such laws and/ or may require us to apply for additional approvals.

Tax and other levies imposed by the central and state governments in India that affect our tax liability include central and state taxes and other levies, income tax, turnover tax, goods and service tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. The final determination of our tax liabilities involves the interpretation of local tax laws and related regulations in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. For instance:

- On February 23, 2018, the RBI released the ‘Ombudsman Scheme for Non-Banking Financial Companies, 2018’ (“**NBFC Ombudsman Scheme**”). Under the NBFC Ombudsman Scheme, any client or person can file a complaint with the ombudsman on various grounds like non-payment or inordinate delay in payment of interest, non-repayment of deposits, lack of transparency in loan agreement, non-compliance with RBI directives on fair practices code for NBFCs, levying of charges without sufficient notice to the clients and failure or delay in returning the securities documents despite repayment of dues etc. Where the ombudsman decides to allow the complaint, the Award passed shall contain the direction/s, if any, to the NBFC for specific performance of its obligations and in addition to or otherwise, the amount, if any, to be paid by the NBFC to the complainant by way of compensation for any loss suffered by the complainant, arising directly out of the act or omission of the NBFC. The ombudsman may, also award compensation not exceeding one hundred thousand rupees to the complainant, taking into account the loss of time, expenses incurred, harassment and mental anguish suffered by the complainant.
- The General Anti Avoidance Rules ("**GAAR**") came into effect from 1 April 2017. The tax consequences of the GAAR provisions being applied to an arrangement may result in a denial of tax benefit amongst other consequences. In the absence of any precedents on the subject, the application of these provisions is uncertain. If the GAAR provisions are made applicable to us, it may have an adverse tax impact on us; and
- The Government of India has implemented a comprehensive national goods and services tax ("**GST**") regime with effect from 1 July 2017 that combines taxes and levies by the Central and State Governments into a unified rate structure. Any future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. If the tax costs associated with certain transactions because of a particular tax risk materializing are greater than anticipated, it could affect the profitability of such transactions.

Further, as of March 31, 2018, we had a total of 4,045 full-time employees. Our full-time employees are employed by us and are entitled to statutory employment benefits, such as defined benefit gratuity plan, among others. In addition to our full-time employees, we empanel agencies for our outsourcing requirements and also engage persons on a contractual basis.

We are subject to various labor laws and regulations governing our relationships with our employees and contractors, including in relation to minimum wages, working hours, overtime, working conditions, hiring and terminating the contracts of employees and contractors, contract labor and work permits.

A change of law that requires us to increase the benefits to the employees from the benefits now being provided may create potentially liability for us. Such benefits could also include provisions which reduce the number of hours an employee may work for or increase in number of mandatory casual leaves, which all can affect the productivity of the employees.

A change of law that requires us to treat and extend benefits to our outsourced personnel, and personnel retained on a contractual basis, similar to our full-time employees may create potential liability for us. If we fail to comply with current and future health and safety and labor laws and regulations at all times, including obtaining relevant statutory and regulatory approvals, this could materially and adversely affect our business, future financial performance and results of operations.

6. *In order to support and grow our business, we must maintain a minimum capital to risk weighted assets ratio, and a lack of access to the capital markets may prevent us from maintaining an adequate ratio.*

As an NBFC-MFI, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("**CRAR**") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. Our ability to support and grow our business would become limited if the CRAR is low. Our CRAR as of March 31, 2016 and 2014 was negative. Further, in the past we have been unable to maintain the minimum amount of NOF and CRAR prescribed by the RBI. In view of the challenges being faced by us, the RBI had given an exemption to us for not maintaining minimum NOF and a regulatory forbearance for not maintaining minimum CRAR for a period of two years till March 31, 2016 which was subsequently extended till March 31, 2017 vide RBI letter dated November 30, 2016. There is no assurance that we will receive similar exemptions if our NOF or CRAR falls below the minimum prescribed percentage.

While we may access the capital markets to offset any declines to our CRAR, we may be unable to access the markets at the appropriate time or the terms of any such financing may be unattractive due to various reasons attributable to changes in the general environment, including political, legal and economic conditions.

As we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II capital in order to continue to meet applicable CRAR with respect to our business. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favorable to us, and this may adversely affect the growth of our business. In addition, any changes in the RBI or other government regulations in relation to securitizations and/ or assignments, by NBFCs in general or MFIs specifically could have an adverse impact on our assignment and securitization plans in the future. This may result in non-compliance with applicable capital requirements, which could have a material adverse effect on our business prospects, financial condition and results of operations.

If we are unable to meet any existing or new and revised requirements, our business, future financial performance and the price of our Equity Shares could be adversely affected.

7. *Any non-compliance with mandatory AML and KYC policies could expose us to additional liability and harm our business and reputation.*

In accordance with the requirements applicable to us, we are mandated to comply with applicable AML and KYC regulations in India. These laws and regulations require us, among other things, to adopt and enforce AML and KYC policies and procedures. For further details, see "*Regulations and Policies*" on page 135. While we have adopted policies and procedures aimed at collecting and maintaining all AML and KYC related information from our clients in order to detect and prevent the use of our business networks for illegal money-laundering activities, there may be instances where we may be used by other parties in attempts to engage in money-laundering and other illegal or improper activities.

Although we believe that we have adequate internal policies, processes and controls in place to prevent and detect AML activity and ensure KYC compliance, and have taken necessary corrective measures, there can be no assurance that we will be able to fully control instances of any potential or attempted violation by other parties and may accordingly be subject to regulatory actions including imposition of fines and other penalties by the relevant government agencies to whom we report. Our business and reputation could suffer if any such parties use or attempt to use us for money-laundering or illegal or improper purposes and such attempts are not detected or reported to the appropriate authorities in compliance with applicable regulatory requirements.

Risks Relating to India

1. *Any deterioration in the general economic conditions in India and globally could adversely affect our business and results of operation*

Our results of operations and financial condition depend significantly on global macro-economic conditions and the health of the Indian economy.

We derive all our revenue from our operations in India and the performance and growth of our business is significantly dependent on the performance of the Indian economy. In the past, the Indian economy has been affected by global economic uncertainties, liquidity crisis, domestic policies, domestic and global political environment, volatility in interest rates, currency exchange rates, commodity and oil prices, volatility in inflation rates and various other factors. The RBI, in its recent monetary policy reviews, has indicated that inflation continues to be a concern. Accordingly, high rates of inflation in India may increase our employee costs and decrease our operating margins, which could have an adverse effect on our results of operations.

Risk management initiatives undertaken by financial institutions in order to remedy the global economic slowdown could affect the availability of funds in the future or cause the withdrawal of our existing credit facilities. Further the Indian economy is undergoing many changes and it is difficult to predict the impact of certain fundamental economic changes on our business. An increase in trade deficit, a downgrading in India's sovereign debt rating or a decline in India's foreign exchange reserves could negatively affect interest rates and liquidity, which could adversely affect the Indian economy and our business. Any downturn in the macroeconomic environment in India could also adversely affect our business, results of operations, financial condition and the trading price of the Equity Shares.

The Indian economy is also influenced by economic and market conditions in other countries, particularly emerging market countries in Asia. A loss of investor confidence in other emerging market economies or any worldwide financial instability may adversely affect the Indian economy, which could materially and adversely affect our business and results of operations and the market price of the Equity Shares.

2. *India's existing credit information infrastructure may cause increased risks of loan defaults*

All of our business is located in India. India's existing credit information infrastructure may pose problems and difficulties in running a robust credit check on our borrowers. We may also face difficulties in the due diligence process relating to our clients or to any security or collateral we take in relation to our loans. We may not be able to run comprehensive searches relating to the security and there are no assurances that any searches we undertake will be accurate or reliable. Hence, our overall credit analysis could be less robust as compared to similar transactions in more developed economies. Any inability to undertake a comprehensive due diligence or credit check might result in an increase in our NPAs and we may have to increase our provisions correspondingly. Any of the foregoing may have a material adverse effect on our business, financial condition and results of operations.

3. ***Any adverse change in India's credit rating by an international rating agency could materially adversely affect our business and profitability.***

In November 2016, Standard & Poor's, an international rating agency, reiterated its negative outlook on India's credit rating. It identified India's high fiscal deficit and heavy debt burden as the most significant constraints on its rating, and recommended the implementation of reforms and containment of deficits. Standard & Poor's affirmed its outlook on India's sovereign debt rating to "stable", while reaffirming its "BBB-" rating. In May 2017, Fitch, another international rating agency, affirmed India's sovereign outlook to "stable" and affirmed its rating as "BBB-". While in November 2017 Moody's Investors Service ("Moody") upgraded the Sovereign Credit Rating of India to Baa2 from Baa3, upgraded the Government of India's local and foreign currency issuer ratings to Baa2 from Baa3 and changed the outlook on the rating to stable from positive, going forward, the sovereign ratings outlook will remain dependent on whether the government is able to transition the economy into a high-growth environment, as well as exercise adequate fiscal restraint. Any adverse change in India's credit ratings by international rating agencies may adversely impact the Indian economy and consequently our business.

4. ***Any volatility in exchange rates may lead to a decline in India's foreign exchange reserves and may affect liquidity and interest rates in the Indian economy, which could adversely impact us.***

Foreign inflows into India have remained extremely volatile responding to concerns about the domestic macroeconomic landscape and changes in the global risk environment. The widening current account deficit has been attributed largely to the surge in gold and oil imports.

The Indian rupee also faces challenges due to the volatile swings in capital flows. Further, there remains a possibility of intervention in the foreign exchange market to control volatility of the exchange rate. The need to intervene may result in a decline in India's foreign exchange reserves and subsequently reduce the amount of liquidity in the domestic financial system. This in turn could cause domestic interest rates to rise.

Further, increased volatility in foreign flows may also affect monetary policy decision making. For instance, a period of net capital outflows might force the RBI to keep monetary policy tighter than optimal to guard against any abnormal currency depreciation.

5. ***Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries would negatively affect the Indian market where our Equity Shares trade and lead to a loss of confidence and impair travel, which could reduce our clients' appetite for our products and services.***

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets on which our Equity Shares are proposed to be listed and traded. In addition, any deterioration in relations between India and its neighbors might result in investor concern about stability in the region, which could materially adversely affect the price of our Equity Shares.

Civil unrest in India in the future as well as other adverse social, economic and political events in India could have an adverse impact on us. Such incidents also create a greater perception that investment in Indian companies involves a higher degree of risk, which could have an adverse impact on our business and the trading price of our Equity Shares.

6. ***It may not be possible for investors outside India to enforce any judgment obtained outside India against our Company or our management or any of our associates or affiliates in India, except by way of a suit in India.***

Our Company is incorporated as a public limited company under the laws of India and all of our directors and executive officers reside in India. Further, certain of our assets, and the assets of our executive officers and directors, may be located in India. As a result, it may be difficult to effect service of process outside India upon us and our executive officers and directors or to enforce judgments obtained in courts outside India against us or our executive officers and directors, including judgments predicated upon the civil liability provisions of the securities laws of jurisdictions outside India.

India has reciprocal recognition and enforcement of judgments in civil and commercial matters with only a limited number of jurisdictions, which includes the United Kingdom, Singapore and Hong Kong. In order to be enforceable, a judgment from a jurisdiction with reciprocity must meet certain requirements of the Indian Code of Civil Procedure, 1908 (“**Civil Code**”). The Civil Code only permits the enforcement of monetary decrees, not being in the nature of any amounts payable in respect of taxes, other charges, fines or penalties. Judgments or decrees from jurisdictions which do not have reciprocal recognition with India cannot be enforced by proceedings in execution in India. Therefore, a final judgment for the payment of money rendered by any court in a non-reciprocating territory for civil liability, whether or not predicated solely upon the general laws of the non-reciprocating territory, would not be enforceable in India. Even if an investor obtained a judgment in such a jurisdiction against us, our officers or directors, it may be required to institute a new proceeding in India and obtain a decree from an Indian court. However, the party in whose favour such final judgment is rendered may bring a fresh suit in a competent court in India based on a final judgment that has been obtained in a non-reciprocating territory within three years of obtaining such final judgment. Further, there are considerable delays in the disposal of suits by Indian courts. It is unlikely that an Indian court would award damages on the same basis or to the same extent as was awarded in a final judgment rendered by a court in another jurisdiction if the Indian court believed that the amount of damages awarded was excessive or inconsistent with public policy in India. In addition, any person seeking to enforce a foreign judgment in India is required to obtain prior approval of the RBI to repatriate any amount recovered pursuant to the execution of the judgment.

7. ***We are subject to regulatory, economic, social and political uncertainties and other factors beyond our control.***

We are incorporated in India and we conduct our corporate affairs and our business in India. Our Equity Shares are proposed to be listed and traded on BSE and NSE. Consequently, our business, operations, financial performance and the market price of our Equity Shares will be affected by the following external risks, should any of them materialize:

- changes in exchange rates and controls;
- macroeconomic factors and central bank regulation, including in relation to interest rates movements which may in turn adversely impact our access to capital and increase our borrowing costs;
- decline in India's foreign exchange reserves which may affect liquidity in the Indian economy;
- political instability, resulting from a change in government or in economic and fiscal policies;
- civil unrest, acts of violence, regional conflicts or situations or war may adversely affect the financial markets;
- changes in government policies, including taxation policies, social and civil unrest and other political, social and economic developments in or affecting India; or
- natural calamities and force majeure events.

The Government of India has exercised and continues to exercise significant influence over many aspects of the Indian economy. Indian governments have generally pursued policies of economic liberalization and financial sector reforms, including by relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant and we cannot assure you that such liberalization policies will continue. A significant change in India's policy of economic liberalization and deregulation or any social or political uncertainties could adversely affect business and economic conditions in India generally and our business and prospects.

India has in the past experienced community disturbances, strikes, riots, terror attacks, epidemics and natural disasters. India has also experienced natural calamities such as earthquakes, tsunamis, floods and drought in the past few years. There can be no assurance that we will not be affected by natural or man-made disasters in India or elsewhere in the future. These acts and occurrences could have an adverse effect on the financial markets and the economy of India and of other countries, thereby resulting in a loss of business confidence and a suspension of our operations, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

8. ***A third party could be prevented from acquiring control of our Company because of anti-takeover provisions under Indian law.***

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company, even if a change in control would result in the purchase of your Equity Shares at a premium to the market price or would otherwise be beneficial to you. Such provisions may discourage or prevent certain types of transactions involving actual or threatened change in control of our Company. Under the Takeover Regulations, an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others. Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from

attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to its stakeholders, it is possible that such a takeover would not be attempted or consummated because of the Indian takeover regulations.

9. ***Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and International Financial Reporting Standards ("IFRS"), which investors may be more familiar with and may consider material to their assessment of our financial condition.***

Our financial statements are prepared in conformity with Indian GAAP. No attempt has been made to reconcile any of the information given in this document to any other principles or to base it on any other standards. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles with which prospective investors may be familiar in other countries. If our financial statements were to be prepared in accordance with such other accounting principles, our results of operations, cash flows and financial position may be substantially different. Prospective investors should review the accounting policies applied in the preparation of our restated financial statements, and consult their own professional advisers for an understanding of the differences between these accounting principles and those with which they may be more familiar.

10. ***We may be adversely impacted by the transition to IND AS for periods beginning from April 1, 2018.***

India has decided to adopt the "Convergence of its existing standards with IFRS" and not the "International Financial Reporting Standards" ("IFRS"). These "IFRS based/ synchronized Accounting Standards" are referred to in India as IND (AS). Public companies in India are required to prepare annual and interim financial statements under IND (AS) in accordance with the roadmap for the convergence with IFRS announced by the MCA, through the press note dated 22 January 2010. The MCA, through a press release dated 25 February 2011, announced that it will implement the converged accounting standards in a phased manner after various issues, including tax related issues, are resolved. Further, the Finance Minister, during the Union Budget speech, 2014, proposed the adoption of IND (AS) by Indian companies from fiscal 2016 on a voluntary basis, and from fiscal 2017 on a mandatory basis. As per the MCA notification dated 16 February 2015, NBFCs shall be required to apply the IND (AS) for preparation of its financial statements. Such requirement is applicable from 1 April 2018 with comparative IND (AS) numbers for up to March 31, 2018.

The Restated Financial Statements have been prepared pursuant to Indian GAAP and restated in accordance with SEBI ICDR. We have made no attempt to quantify or identify the impact of the differences between Indian GAAP and IND (AS) as applied to our financial statements. There can be no assurance that the adoption of IND (AS) will not affect our reported results of operations or financial condition.

Risks Relating to the Offer and Investments in our Equity Shares

1. ***The requirements of being a listed company may strain our resources.***

We are not a listed company and have not, historically, been subjected to the increased scrutiny of our affairs by shareholders, regulators and the public at large that is associated with being a listed company. As a listed company, we will incur significant legal, accounting, corporate governance and other expenses that we did not incur as an unlisted company. We will be subject to the Listing Regulations which will require us to file audited annual and unaudited quarterly reports with respect to our business and financial condition. If we experience any delays, we may fail to satisfy our reporting obligations and/or we may not be able to readily determine and accordingly report any changes in our results of operations as promptly as other listed companies.

Further, as a listed company, we will need to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, including keeping adequate records of daily transactions. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, significant resources and management attention will be required. As a result, our management's attention may be diverted from our business concerns, which may adversely affect our business, prospects, financial condition and results of operations. In addition, we may need to hire additional legal and accounting staff with appropriate experience and technical accounting knowledge, but we cannot assure you that we will be able to do so in a timely and efficient manner.

2. ***Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by major shareholders may adversely affect the trading price of the Equity Shares.***

After the completion of the offer, our Promoters will own, directly and indirectly, approximately [●]% of our outstanding Equity Shares. Any future equity issuances by us, including in a primary offering, may lead to the dilution of your shareholdings. Any future equity issuances by us or sales of our Equity Shares by major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or

sales might occur could also affect the trading price of our Equity Shares. There can be no assurance that our Company will not issue shares or that our significant shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

3. ***Investors would be subject to Indian taxes arising out of capital gains on the sale of listed Equity Shares. The Finance Act, 2018 levies taxes on long term capital gains exceeding ₹100,000 arising from sale of equity shares on or after April 1, 2018, while there is no tax charged on unrealized capital gains earned up to January 31, 2018 on equity shares.***

Under current Indian tax laws, capital gains arising from the sale of Equity Shares in an Indian company are generally taxable in India. Earlier, any gain realized on the sale of listed equity shares on or before March 31, 2018 on a stock exchange held for more than 12 months was not subject to long term capital gains tax in India if Securities Transaction Tax ("STT") was paid on the sale transaction and additionally, as stipulated by the Finance Act, 2017, STT had been paid at the time of acquisition of such equity shares on or after October 1, 2004, except in the case of such acquisitions of equity shares which were not subject to STT, as notified by the Central Government under notification no. 43/2017/F. No. 370142/09/2017-TPL on June 5, 2017. However, the Finance Act, 2018, has now levied taxes on such long term capital gains arising from sale of listed Equity Shares on or after April 1, 2018. However, where specified conditions are met, such long term capital gains are only taxed to the extent they exceed INR 100,000 and unrealized capital gains earned up to January 31, 2018 are not sought to be taxed, pursuant to the provisions of Section 55(2)(ac) of the Income Tax Act. Accordingly, you will be subject to payment of long term capital gains tax in India, in addition to payment of STT, on the sale of any Equity Shares held for more than 12 months. STT will be levied on and collected by a domestic stock exchange on which the Equity Shares are sold.

Further, any gain realized on the sale of listed equity shares held for a period of 12 months or less will be subject to short term capital gains tax in India.

Capital gains arising from the sale of the Equity Shares will be exempt from taxation in India in cases where the exemption from taxation in India is provided under a treaty between India and the country of which the seller is resident. Generally, Indian tax treaties do not limit India's ability to impose tax on capital gains. As a result, residents of other countries may be liable for tax in India as well as in their own jurisdiction on a gain upon the sale of the Equity Shares.

4. ***Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.***

Our Articles, the instructions issued by the RBI, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors' fiduciary duties and liabilities, and shareholders' rights may differ from those that would apply to a bank or corporate entity in another jurisdiction. Shareholders' rights under Indian law may not be as extensive as shareholders' rights under the laws of other countries or jurisdictions. Investors may have more difficulty in asserting their rights as one of our shareholders than as a shareholder of a bank or corporate entity in another jurisdiction.

5. ***The market value of the Equity Shares may fluctuate due to the volatility of the Indian securities markets.***

Indian securities markets may not be comparable to, the securities markets in certain countries with more developed economies and capital markets than India. Indian stock exchanges have, in the past, experienced fluctuations in the prices of listed securities. Indian stock exchanges may have experienced problems which, if such or similar problems were to continue or recur, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares. In addition, the governing bodies of Indian stock exchanges have, from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Further, from time to time, disputes may have occurred between listed companies, stock exchanges and other regulatory bodies, which in some cases may have a negative effect on market sentiment.

Prominent Notes

1. Initial public offer of up to [●] Equity Shares of face value ₹10 each for cash at a price of ₹[●] each (including a share premium of ₹[●] per Equity Share) aggregating up to ₹[●] comprising of a Fresh Issue of up to [●] Equity Shares aggregating up to ₹4,000.00 million by our Company and an Offer for Sale of up to 13,146,595 Equity Shares aggregating up to ₹[●] by the Selling Shareholders in terms of the Red Herring Prospectus and the Prospectus. The Offer is being made in terms of Rule 19(2)(b) of SCRR.
2. Our net worth for Shareholders as on March 31, 2018 was ₹9,840.88 million and ₹9,840.62 million, as per our Restated Standalone Financial Information and Restated Consolidated Financial Information, respectively. For details, see "Financial Statements" on page 187.

3. Our net asset value per Equity Share was ₹(54.15) as at March 31, 2018, as per our Restated Standalone Financial Statements.
4. As certified by RPVS & Associates, Chartered Accountants, pursuant to their certificate dated June 21, 2018, the average cost of acquisition of Equity Shares by our Promoters and other Selling Shareholders is:

Name of the Promoter	Number of Equity Shares held	Average cost of acquisition (in ₹)
Padmaja Gangireddy	11,670,067	108.96
Kangchenjunga	3,5270,269	237.47

Name of the Selling Shareholder	Number of Equity Shares held	Average cost of acquisition (in ₹)
Kedaara AIF - 1	766,815	237.47
Valiant	4,632,570	279.21
Helion	731,136	322.81
Helion II	785,135	304.05
VSRRV	1,491,483	3.33

5. There has been no financing arrangement whereby our Promoter Group, the Directors of our Company and their relatives, have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with SEBI.
6. For details of related party transactions entered into by our Company in the last fiscal year, including the nature and cumulative value of the transactions, see "*Related Party Transactions*" on page 177.
7. There has been no change in the name of our Company during the last three years.

Bidders may contact any of the GCBRLMs and the BRLMs as well as the Registrar to the Offer for any complaint pertaining to the Offer. For details of the GCBRLMs, the BRLMs and the Registrar to the Offer, see "*General Information*" on page 61.

SECTION III: INTRODUCTION

SUMMARY OF INDUSTRY

All the information contained in this chapter is derived from the ICRA Research report titled “Microfinance Sector in India” published in [●] (“**ICRA Report**”). Neither we, nor any other person connected with the Offer has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends.

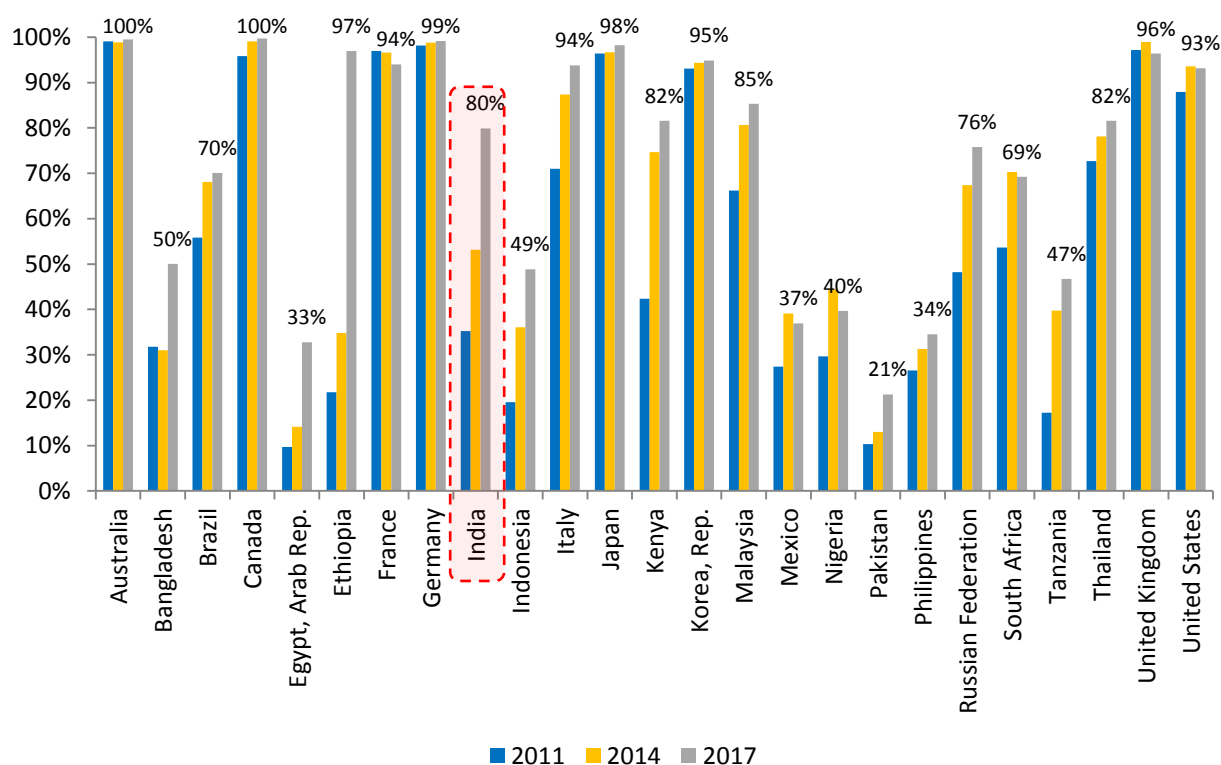
Financial Inclusion

Current scenario and key developments

The Committee on Financial Inclusion, chaired by Dr. C. Rangarajan, defines financial inclusion as the process of ensuring affordable access to financial services and timely and adequate credit when needed by vulnerable groups of society. Financial inclusion promotes economic development and reduces poverty as access to financial services makes it easier for people to manage their savings, prepare for emergencies and protect their health. Therefore, promoting financial inclusion has been a key priority for various development banks and nations.

Between 2014 and 2017, approximately 515 million adults worldwide opened an account at a financial institution or through a mobile money provider, which led to an increase in account ownership among adults from 51% in 2011 to 62% in 2014, and further to 69% in 2017. The share of adults with a bank account in India has more than doubled to approximately 80% since 2011, largely supported by the Pradhan Mantri Jan Dhan Yojana (“**PMJDY**”) (a scheme of the government of India), which led to account growth and traction in savings. However, while significant traction is present on the deposit side, ICRA Research notes that India is still among the Top 3 nations with unbanked people in the world, reflecting the strong need for an enhancement of the financial inclusion agenda.

Trends in account ownership status for key countries across the world



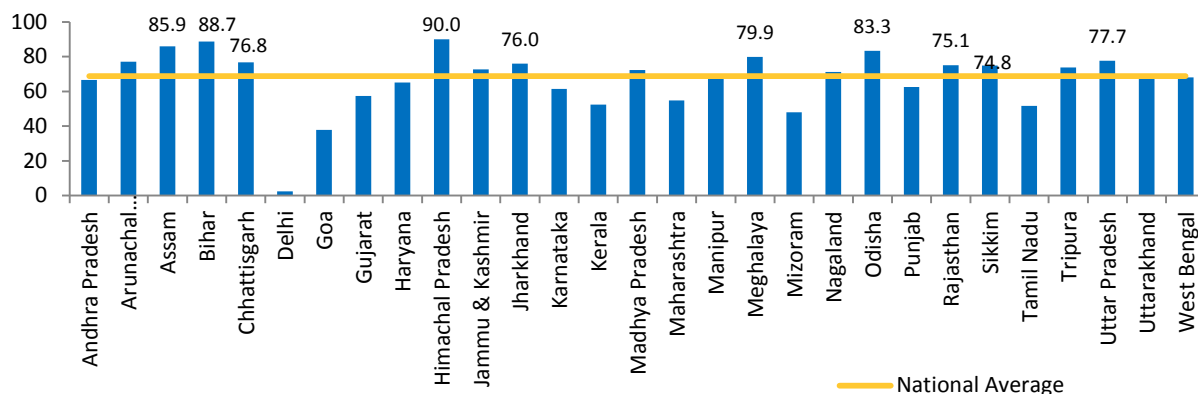
Source: Global Findex Report 2017

Rural areas account for almost half of NDP, but only 10% of banking credit

According to 2011 Census of India, there were about 640,000 villages in rural India and close to 68% of the total population residing in them. Rural India accounted for about 47% of the Net Domestic Product (“**NDP**”) but only 10% of the country’s total credit in comparison to 90% for urban India, which only contributed to 53% of the country’s NDP, as of 2011.

Low penetration of banking credit in rural areas

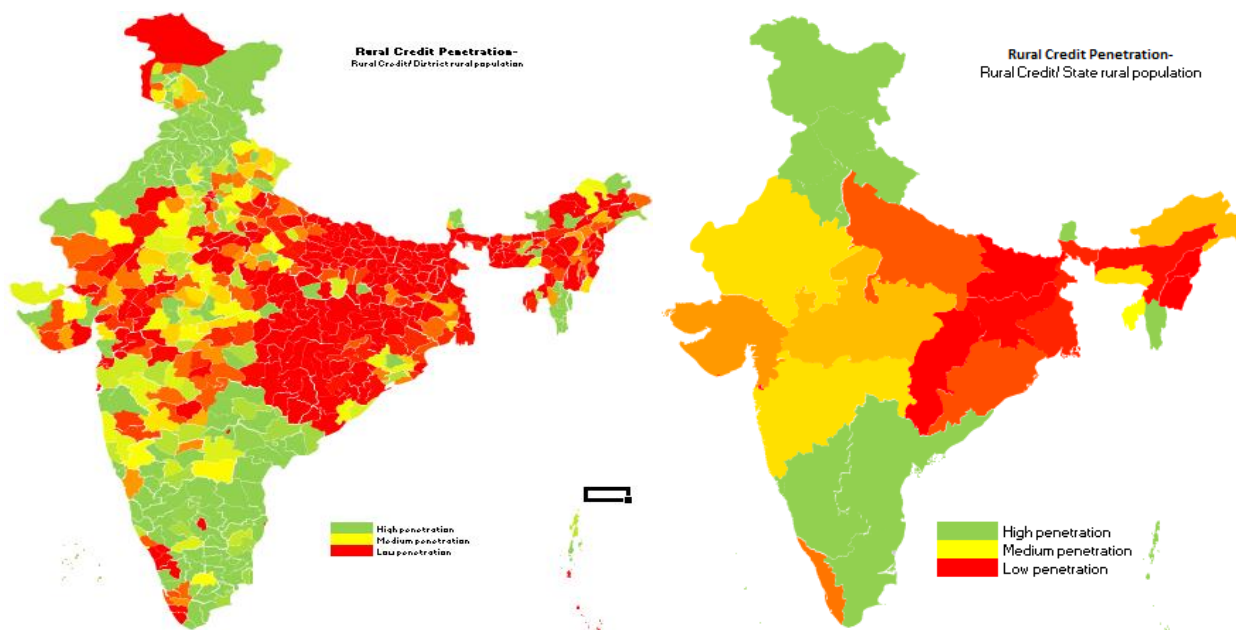
State-wise share of rural population (%) (Census 2011)



Source: rural.nic.in

As against the national average of the share of rural population in India of 68.8%, the share of rural population in certain states is significantly higher at 88.7% in Bihar, 83.3% in Odisha, 90.0% in Himachal Pradesh, 77.7% in Uttar Pradesh and 76.8% in Chhattisgarh. In most of these states where the average rural population is higher than the national average, the credit penetration also has been correspondingly lower.

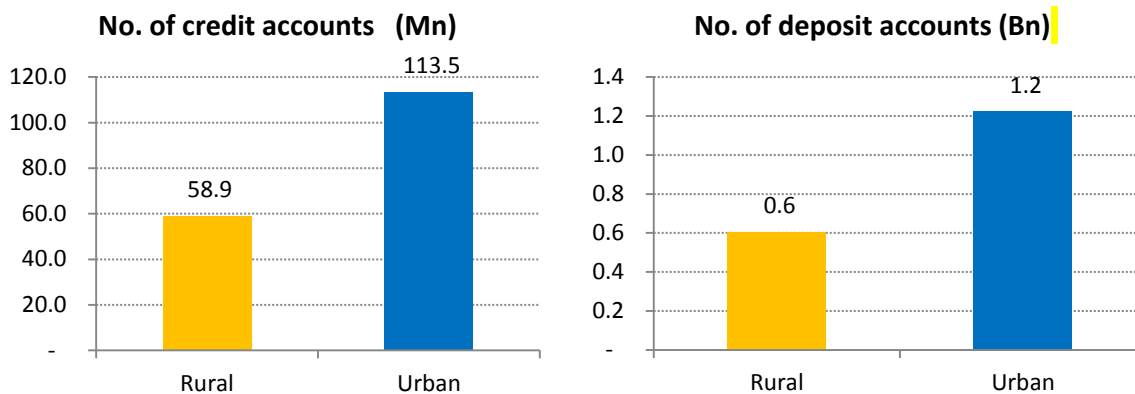
Credit penetration in rural areas – districts and states



Source: RBI; Note: This data pertains only to Bank credit penetration – FY2017; high penetration being 1.5x of national average and low penetration being 0.5x of national average

Even though southern states have a fairly healthy rural credit penetration, Uttar Pradesh and eastern states like Assam, Bihar, Jharkhand, West Bengal and Orissa are under penetrated, thus providing scope for microfinance players.

Comparison of number of credit and deposit accounts – Rural and urban (March 2017)



Source: RBI

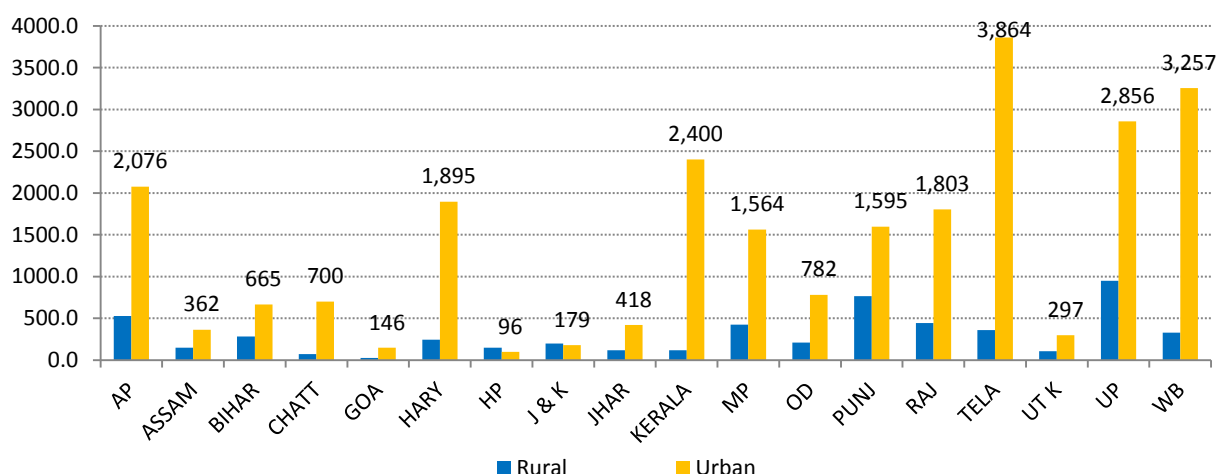
As of March 2017, there were only about 600 million deposit accounts and 60 million credit accounts in rural India, which accounted for about 30% of the total deposit accounts and 35% of the loan accounts in scheduled commercial banks despite rural India making up about 68% of the total population. The significant under-penetration of credit in rural areas offers strong potential for improvement. Given that microfinance institutions (“**MFIs**”) have relatively deeper reach, existing customer relationships and employee bases, they are well placed to address this demand which is currently being met by informal sources of funds such as local money lenders.

Large variations in availability of credit across states and districts

According to ICRA Research, a common feature among states with credit outstanding of more than ₹4.00 trillion and states with credit outstanding of less than ₹4.00 trillion is the sizeable gap between the credit outstanding in rural areas and urban areas. In most states, the credit outstanding in urban areas outweighed that of rural areas by multiple times, which indicates the extent of deficiency of credit availability in rural areas. While the Reserve Bank of India (“**RBI**”) and the government of India have been taking steps to improve credit availability in rural areas, the gap remains substantial. This offers significant potential for private players to serve this unmet demand. In particular, MFIs with deep reach in rural areas are better placed to deliver credit to the largely underserved segment in the country. Given the lack of organised financial aid to this segment of the society, for many of whom the alternate source of funds is money lenders who charge exorbitant rates. Hence, ICRA Research observes that the general inclination of borrowers to default on these loans is low.

Increasingly, several MFIs have shown a greater focus on the urban poor in the quest for better operating efficiency owing to ease of management. However, ICRA Research notes that the MFIs with strong branch infrastructure in rural areas that continue to focus on the credit-starved rural segment would stand to benefit from the growth potential offered by the rural segment.

State-wise credit outstanding – Rural and urban – March 2017 (Total credit > ₹4.0 trillion)



Source: RBI

Key steps taken by government to boost financial inclusion

The RBI and the government of India have launched various schemes for improving the penetration of credit, banking services, insurance and other social security programmes over the past three to four years. For example, the launch of the Stand-Up India Scheme, various new government-backed insurance schemes, the establishment of the PMJDY, and the Micro Units Development & Refinance Agency Ltd (MUDRA).

Some major steps taken by the government to increase financial inclusion are:

1. **PSL Requirements:** The RBI has set priority sector lending (“PSL”) target for banks, which are aimed at providing access to financial services to borrowers with modest credit profiles. PSL loans include loans to farmers for agriculture and allied activities, poor people for housing, and students for education. Social infrastructure and renewable energy are also eligible categories under this mechanism. The total PSL target for banks is currently 40% of the adjusted net bank credit (“ANBC”) or credit equivalent amount of off-balance sheet exposure, whichever is higher. As per the RBI, these sub-divisions include:
 - **Agriculture:** Generally, all scheduled commercial banks are to extend 18% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, towards agricultural purposes. Within the 18% target for agriculture, a sub-target of 8% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, is prescribed for small and marginal farmers.
 - **Micro enterprises:** 7.5% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, for all scheduled commercial banks should be given to micro enterprises.
 - **Advances to weaker sections:** 10% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, needs to be extended to weaker sections.
 - **Education loans:** Education loans (including loans for vocational courses) of up to ₹1 million will be made eligible for the priority sector irrespective of the sanctioned amount.
 - **Social infrastructure:** Bank loans of up to ₹50 million per borrower will be provided for building social infrastructure for activities, namely schools, healthcare facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centers.
 - **Renewable energy:** Bank loans of up to ₹150 million per borrower will be provided for purposes such as solar-based power generators, biomass-based power generators, wind mills, micro-hydel plants and for non-conventional energy-based public utilities viz street lighting systems and remote village electrification. For individual households, the loan limit will be ₹1 million per borrower.

The RBI permitted continuation of the priority sector status to MFIs vide its circular in May 2011. According to ICRA Research, the continuation of priority sector benefit to MFIs was instrumental in the resumption of credit flow to the sector. Further, RBI guidelines have also forced MFIs to adopt customer friendly policies, strong origination practices, target newer areas with lower penetration and rein in their operating expenses.

The continuation of PSL status for NBFC-MFIs and allowing NBFC-MFIs to act as business correspondents for banks augurs well for funding profile of NBFC MFIs. Further NBFC MFIs also have opportunities to raise off balance sheet funding through business correspondent model, securitization and assignments as a significant proportion of underlying portfolios which would qualify under the key categories of PSL targets.

2. **Pradhan Mantri Jan Dhan Yojana:** PMJDY was launched on August 28, 2014 as a National Mission for Financial Inclusion, to ensure access to basic financial services such as banking accounts, remittance, credit, insurance and pensions in an affordable manner. As of April 18, 2018, there were over 314 million beneficiaries with total deposits outstanding of over ₹810 billion.
3. **Small Finance Banks:** On September 16, 2015, the RBI granted “in principle” approval to ten applicants, of which seven were non-banking finance companies – microfinance institutions (“NBFC-MFIs”) to set up Small Finance Banks (“SFBs”). Such a scheme is likely to increase financial inclusion as the new licensees now have the ability to offer full range of services such as deposits and a diversified asset mix as opposed to a singular primary credit product (for NBFC-MFIs). This reduces political risk, opportunities to cross-sell, allows for greater supervision by the RBI and promotes greater liquidity support. However, these new players will still face key challenges in the form of deposit mobilization and diversification of asset mix.

SUMMARY OF OUR BUSINESS

The following information should be read together with the more detailed financial and other information included in this Draft Red Herring Prospectus, including the information contained in “Our Business”, “Industry Overview”, “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Financial Statement” on pages 118, 92, 17, 303 and 187, respectively.

Overview

We are a leading, rural focused NBFC-MFI with a geographically diversified presence in India. We offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. As of March 31, 2018, we were the fourth largest NBFC-MFI and the sixth largest amongst NBFC-MFIs and SFBs in India, in terms of AUM (Source: ICRA Research; see *“Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters”* on page 109). Further, according to ICRA Research, our operating expense to average managed assets (“AMA”) ratio was better than the industry as a whole for Fiscal 2018.

Through our extensive corporate history, we have developed an in-depth understanding of the borrowing requirements of the low-income client segment. Our business model involves regular client meeting processes through our employees, who maintain contact with our clients across the districts that we cover. As of March 31, 2018, we had 4,045 employees (including 2,746 credit assistants) operating out of 694 branches in 222 districts across 15 states in India. Through our loan products and client-centric approach, we endeavor to strengthen the socio-economic well-being of low-income households by providing financing on a sustainable basis in order to improve livelihoods, establish identity and enhance self-esteem.

We were incorporated as a public company in 2003 and registered as an NBFC with the RBI in 2004. Subsequently, we registered as an NBFC-MFI in 2015. Between the years 2005 to 2010, we grew our micro-finance operations and, as of March 2010, we were the second largest MFI in terms of AUM (Source: ICRA Research).

In October 2010, the MFI industry (including us) was severely impacted due to external regulatory action, as the government of the formerly unified Andhra Pradesh promulgated the AP Microfinance Ordinance 2010, which enforced several restrictions on the operations of MFIs (for details, see *“Industry Overview – Historical Growth and Development of the Microfinance Industry – Andhra Pradesh (AP) Ordinance (2010)”*). This severely impacted our collections and the consequent cash-flow shortage impacted our ability to service our debt, which in turn impaired our growth and profitability. Our lenders referred us to the corporate debt restructuring (“CDR”) mechanism of the RBI to develop a plan to restructure our borrowings and revive our business. We agreed on a CDR plan with our lenders, which allowed us to get cash-flow relaxations to enable us to continue our efforts towards portfolio diversification, process improvement and cost rationalization. These measures helped us turn our operations profitable from the year ended March 31, 2014.

Further during the time that we were under CDR, we deployed efforts to recover dues in AP, such as continuing to keep our branches open and continuing to engage with borrowers. Our operations turned profitable in the year ended March 31, 2014 and we went on to make profits for four consecutive years while operating under the CDR mechanism. Our restated profit after tax was ₹580.58 million, ₹1,072.96 million, ₹2,464.88 million and ₹420.58 million for Fiscals 2014, 2015, 2016 and 2017, respectively. As a result of our collections from the old AP portfolio and the profits generated from our operations in other states, we were able to restructure our outstanding debt as well as raise refinancing debt from our existing CDR lenders. We also received capital infusion from Kangchenjunga, our Corporate Promoter, and Kedaara AIF – 1, which enabled us to exit from CDR mechanism successfully in March 2017 with approvals from the RBI and our lenders. ICRA Research notes that we were one of only two major companies that were able to successfully exit from CDR.

Post our exit from CDR in March 2017, we increased our lender base, diversified our borrowings to new banks and NBFCs and also issued NCDs in the capital markets (leading to a reduction in Average Effective Cost of Borrowing to 13.82% for Fiscal 2018 from 16.31% for Fiscal 2017). As a result, during Fiscal 2018, with increasing flow of capital, we expanded our operations and were able to effectively utilize our existing branch network and employees (that were earlier underutilized due to lack of capital).

Prior to our exit from CDR in 2017, we had limited access to capital, due to which we were able to offer loans in lower ticket sizes than the demand from our clients. According to ICRA Research, we had the lowest portfolio per branch amongst peer comparison of major NBFC-MFIs and SFBs, as of March 31, 2017. Post exit from CDR, we were able to optimize the ticket sizes and also acquire new clients at existing and new branches. This helped us grow our AUM in the year ended March 31, 2018 at one of the highest rates (144.1% in Fiscal 2018) among large NBFC-MFIs in India (Source: ICRA Research; see *“Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters”* on page 109). For Fiscal 2018, our Disbursements increased by 87.34% (from ₹20,591.65 million as of March 31, 2017 to ₹38,576.48 million as of March 31, 2018 and our Gross AUM grew from ₹12,970.75 million as of March 31, 2017 to ₹31,663.54 million as of March 31, 2018) and the Return on Annual Average Net Worth increased from 11.44% for Fiscal 2017 to 22.37% for Fiscal 2018. For further details, please see *“Selected Statistical Information”* on page 179.

The following table sets forth our key financial and operational metrics as of or for the periods indicated:

	As of / For the		
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
	(₹ in millions, except percentages and number of borrowers)		
Gross AUM ⁽¹⁾	31,663.54	12,970.75	12,195.38
Gross AUM Growth (%) ⁽²⁾	144.11%	6.36%	2.18%
Disbursements ⁽³⁾	38,576.48	20,591.65	17,933.03
Disbursement Growth ⁽⁴⁾	87.34%	14.83%	-9.57%
Borrowers ⁽⁵⁾	1.59	1.06	1.07
Total Revenue ⁽⁶⁾	5,725.97	3,642.00	3,513.49
Operating Expense/ Annual Average Gross AUM ⁽⁷⁾	4.83%	7.58%	7.41%
Operating Expense / Annual Average Gross AUM (including the old AP Portfolio) ⁽⁸⁾	3.56%	4.64%	4.19%
Cost to Income Ratio ⁽⁹⁾	28.93%	49.99%	40.13%
Provision and write-offs / Annual Average Gross AUM ⁽¹⁰⁾	1.67%	3.34%	0.89%
Profit before tax ⁽¹¹⁾	2,277.17	638.85	2,464.88
Profit after tax ⁽¹²⁾	1,703.95	420.58	2,464.88
Gross PAR 90+ (excluding the old AP Portfolio) ⁽¹³⁾	655.60	843.70	12.80
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽¹⁴⁾	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽¹⁵⁾	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽¹⁶⁾	0.03%	2.81%	0.08%
Collection Efficiency ⁽¹⁷⁾	99.25%	97.13%	99.41%
Return on Annual Average Gross AUM ⁽¹⁸⁾	7.64%	3.34%	20.43%
Return on Annual Average Net Worth ⁽¹⁹⁾	22.38%	11.44%	291.10%*
Net Worth ⁽²⁰⁾	9,840.88	5,386.92	1,964.38

Figures disclosed in the above table, except "Total Revenue", "Profit before Tax" and "Profit after Tax" are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

Notes:

- (1) Gross AUM represents our total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) comprising the outstanding of loan portfolio held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization or assignment as at the end of the relevant year, excluding (in both cases) loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012. For a reconciliation of our Gross AUM to the loan portfolio appearing on our restated summary of assets and liabilities, please see "Selected Statistical Information" on page 179.
- (2) Gross AUM Growth represents percentage growth in Gross AUM for the relevant year over Gross AUM of the previous year.
- (3) Disbursements represent the aggregate of all loan amounts extended to our customers in the relevant year.
- (4) Disbursement Growth represents percentage growth in disbursement for the relevant year over disbursement of the previous year.
- (5) Borrowers represents the number of customers who have active loan accounts with us as at the end of the relevant year.
- (6) Total Revenue represents our restated total revenue for the year.
- (7) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses. Annual Average Gross AUM is the average of our Gross AUM as of the last day of the relevant year and our Gross AUM as of the last day of the previous year.
- (8) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses. Annual Average Gross AUM (including the old AP Portfolio) is the average of our Gross AUM (including the old AP Portfolio) as of the last day of the relevant year and our Gross AUM (including the old AP Portfolio) as of the last day of the previous year.
- (9) Cost to Income Ratio represents the sum of employee benefits expenses, other expenses, and depreciation and amortization expenses as a percentage of Net Interest Income plus our restated other income.
- (10) Provision and write-offs represents the aggregate of provisions and write offs.
- (11) Profit before tax represents our restated profit before tax.
- (12) Profit after tax represents our restated profit for the year
- (13) Gross PAR 90+ (excluding the old AP Portfolio) represents total loan outstanding that are overdue for 90 days or more (including any such loan outstandings that form part of our securitized loan portfolio), excluding loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
- (14) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents "Gross PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM as at the date mentioned
- (15) Net PAR 90+ (excluding the old AP Portfolio) represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (16) Net PAR 90+ Ratio (excluding the old AP Portfolio) represents "Net PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned.
- (17) Collection Efficiency represents the ratio of our collections (including overdue collections) for the year to billings for the year.
- (18) Return on Annual Average Gross AUM is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Gross AUM in such year.
- (19) Return on Annual Average Net Worth is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Net Worth in such year.
* Our net worth, as restated as at March 31, 2015 was negative, amounting to ₹(270.89) million. As a consequence, our Return on Annual Average Net Worth for the year ended March 31, 2016 is much higher than our Return on Annual Average Net Worth for the years ended March 31, 2016 and 2017.
- (20) Net Worth represents our restated net worth as of the last day of the relevant year.

Competitive Strengths

Seasoned business model with resilient performance through business cycles

Through various business cycles, we have been able to leverage the inherent strength of our client centric business model, focus on internal controls, the expertise of our Individual Promoter and core management team to maintain our status as a leading NBFC-MFI. Our response to the 2010 AP crisis demonstrated the strength of our decision making, planning and execution. In the aftermath of the 2010 AP crisis, even while we were under CDR, we continued operations outside Andhra Pradesh in various states. In this period, we focused on rebuilding profitable operations through portfolio diversification, cost rationalization, customer retention, and recovery from our Andhra Pradesh portfolio. These measures helped us to raise new debt from existing lenders and gain capital infusion from Kangchenjunga, our Corporate Promoter and Kedaara AIF – 1, which allowed us to exit from CDR in March 2017. According to ICRA Research, we are one of the only two major MFIs to successfully exit from CDR post AP crisis.

Further, in November 2016, the Indian government announced the demonetization of currency notes of ₹500 and ₹1,000 denominations. ICRA Research notes that in the aftermath of demonetization, inadequate currency supply, political interference in some states and disruption in borrower cash flows led to a sharp dip in the collection efficiencies of MFIs (from over 98% prior to demonetization to approximately 75-80% in November and December 2016). During the months following the demonetization notification, we adopted practices that allowed borrowers to repay a portion of their installments and also supported them with interim loans. We also conducted meetings with clients, encouraging them to continue attending center meetings. These practices allowed us to manage the situation and maintain industry leading portfolio quality. Our Collection Efficiency for Fiscals 2017 and 2018 were 97.13% and 99.25% respectively. ICRA Research notes that our performance (in terms of reductions in 30 dpd delinquencies and 90 dpd delinquencies) and asset quality was superior to the industry after demonetization, as a result of our rural focus, lower share of portfolio in the most affected districts and our geographically diversified portfolio. For details, please see “*Industry Overview*” on page 92. Further, according to ICRA Research, our credit costs post demonetization were superior than the industry average.

Our track record of dealing with the aftermath of the 2010 AP Crisis, CDR and demonetization demonstrates the strength of our business model, policies and client relationships as well as our ability to manage the expectations of varying stakeholders in our business, including staff, lenders, shareholders and clients.

High degree of client engagement and robust risk management, leading to superior asset quality and collections

We focus on a high degree of client engagement through our large employee base and operating procedures. Our client engagement practices include village/block level centre meetings and client training. Prior to lending to a client, we impart training over three days on loan terms, utilization and repayment, insurance and client support services. We also conduct center meetings where clients interact with our staff at regular intervals (typically based on their installment payments frequency). For further details, please see “*Our Business – Credit Appraisal, Sanction, Disbursement and Repayment Processes*” on page 128. We believe that these practices help us stay in close contact with our clients, which enables us to collect installments on the due dates and at specified times. We believe that we have been able to perform better than our peers on collection efficiency as a result of our practices, staff training, incentive structures designed to reward process adherence and asset quality and regular client engagement activities.

Further, our risk management norms are designed keeping in mind the various kinds of risks to our business. We make changes to these norms from time to time in response to business environment to ensure a responsive risk management strategy. Many risk control measures are embedded in the business process. For example, we follow a set of eligibility criteria for clients, which is aimed at minimizing credit risk (for details, please see “– *Client Selection Policies and Procedures*” on page 127). Every prospective client prior to disbursement is also assessed for their credit history with other lenders reporting into the credit bureau. ICRA research notes that the vintage of our portfolio is better than the industry, with over 40% of the portfolio in the fourth cycle compared to 11% for the industry.

Further, in order to prevent frauds by our employees, we follow a standard transfer policy, whereby all our field employees are transferred after spending a fixed period (not exceeding 12 months) at one location. We follow certain criteria while transferring employees to prevent the possibility of collusion with each other. For example, no two employees from the same village or tehsil of origin are allowed to work in the same branch and no two employees who have worked together in a branch are allowed to work together again in the same branch even after their transfers. Some of these controls have been automated with the use of technology. Our human resources management software has these kinds of controls built-in such that any transfer breaching the criteria cannot be executed. We also have well-established internal controls, a well-designed system for operations, strong policies and procedures to maintain financial discipline. Our internal audit department, which is overseen by the Audit Committee, is an independent function, which evaluates operational risks, internal controls, adherence to systems and conducts timely inspection of our branches. For details, please see “*Our Management – Corporate Governance*” on page 159.

Our high degree of client engagement and effective risk management policies have resulted in healthy asset quality.

The following table shows our key portfolio indicators:

	As of / For the		
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
	(₹ in millions, except percentages)		
Collection Efficiency ⁽¹⁾	99.25%	97.13%	99.41%
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽²⁾ (%)	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽³⁾	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽⁴⁾ (%)	0.03%	2.81%	0.08%
Gross PAR 0+ ⁽⁵⁾	676.17	1,330.70	42.48

Figures disclosed in the above table are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

Notes:

- (1) Collection Efficiency represents the ratio of our collections (including overdue collections) for the year to billings for the year.
- (2) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents "Gross PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM as at the date mentioned
- (3) Net PAR 90+ (excluding the old AP Portfolio) represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (4) Net PAR 90+ Ratio (excluding the old AP Portfolio) represents "Net PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned
- (5) Gross PAR 0+ represents total outstandings under our loans that are overdue for more than one day, excluding outstandings under loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.

Streamlined systems and processes and high employee productivity leading to low operating expense ratio

Our business processes are designed for scale and efficiency and we constantly review and endeavor to strengthen them as the scale of our operations increase. Our operational efficiency is also driven by streamlined systems and procedures and scalable workforce deployment. At the branch level, we have implemented standardized systems and a front-end interface that gives us real time information on demand and collections. The systems follow an accounting module with budget controls built and approval authorities clearly earmarked. These practices and systems help in reducing the time and cost of our operations. As a result, according to ICRA Research, we had the lowest operating expenses/AMA ratio amongst major NBFC-MFIs and SFBs for Fiscal 2018. Further, ICRA Research also notes that our employee productivity is best in the industry in terms of GLP per employee and clients per employee. For details, please see "Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters" on page 109.

In addition, with a view to offering timely service to our clients and thereby increase client retention and increasing our loan portfolio, we provide repeat loans on a timely basis to our existing clients. Faster processing of loans improves client experience and also helps save time, thereby improving cost utilization at branch level.

Our focus on the high potential and under-served rural segment

Rural Areas in India are a highly under-served market for formal banking services in terms of access, availability and suitability of products and services. Therefore, we strategically focus on clients in the rural sector. According to ICRA Research, while rural India accounts for approximately 68% of India's population as of March 2017, it accounted for only 30% of total deposit accounts and 35% of the loan accounts in scheduled commercial banks. ICRA Research notes that the significant under penetration of credit in Rural Areas offers strong potential for improvement and that given the relatively deeper reach, existing client relationships and employee base, micro-finance institutions are well placed to address this demand, which is currently being met by informal sources such as local money lenders. Accordingly, with our focus on the rural segment as of September 30, 2017, 80% of our portfolio was located in Rural Areas, as compared with 49% for 22 NBFC-MFIs as a whole. As a consequence, the proportion of our portfolio in agriculture and allied activities is higher for us as compared with the industry. (Source: ICRA Research). Further, loans given to our clients for agriculture and allied activities can be classified as "Direct Agri" by banks pursuant to the RBI's priority sector lending guidelines, which provides us with the opportunity to assign this portfolio to banks that need to meet their target on Direct Agri loans. As of March 31, 2018, 86.36% of our portfolio was located in Rural Areas.

In the context of asset quality, ICRA Research also notes that delinquency trends indicate that delinquencies in the urban portfolios of NBFC-MFIs are nearly four times the delinquencies in Rural Areas. Therefore, rural portfolios have exhibited stronger performance vis-a-vis urban portfolios. Further, ICRA Research notes that, in most states, the credit outstanding in urban areas outweigh that of Rural Areas by multiple times, indicating the extent of deficiency in credit availability in Rural Areas. While several initiatives by the Government and the RBI have been taken for improving the credit availability in Rural Areas, the gap remains substantial offering significant potential for private players to serve this unmet demand. In particular, ICRA Research notes that microfinance institutions with deep reach in Rural Areas are better placed to deliver credit to the largely underserved segment in the country. Further, borrowers in general are aware that loans from MFIs are important for them. Given the lack of organised financial aid to this segment of the society, for many of whom the alternate source of funds is moneylenders who charge exorbitant rates. Hence, ICRA Research observes that the general inclination of borrowers to default on these loans is low (Source: ICRA Research).

Geographically diversified operations leading to risk containment and business resilience

As of March 31, 2018, we cover more than 50,000 villages in 222 districts in 15 states across India through 694 branches. Our operations are well-diversified at the branch, district and state levels. Presence in widespread geographies in India offers us a potential growth opportunity to further grow the business penetration in same areas and also reach out to more congruent geographies.

To address geographic concentration risk, we have specified exposure caps at the state, district and branch levels. For instance, the gross loan portfolio of each state must not exceed 25% of our total portfolio (except for AP and Telangana, to which, the combined cap of our portfolio and of Criss Financial Holdings Limited, one of our Group Companies, is 6%) or 100% of our net worth. The gross loan portfolio for each district must not exceed 5% of our total portfolio and 10% of our net worth. With this adopted norm, our operations are geographically well-diversified with no single state contributing more than 22.5% to our AUM, no district contributing more than 2% to our AUM and no branch more than 0.35% to our AUM as of March 31, 2018. Further, according to ICRA Research, we had the second lowest GLP per branch amongst major NBFC-MFIs and SFBs, as of March 31, 2018.

Further, as per our risk containment norms, disbursements for any single state must be less than 25% of our total disbursements. In addition, total disbursement at each branch is capped at 600 loans per month, to ensure that sufficient supervisory checks can be done to maintain quality of appraisals. ICRA Research notes that the ratio of the share of portfolio outstanding of NBFC-MFIs/SFBs in their top 10 districts to their net worth is higher than 1 for more than 75% of industry players as of December 2017, indicating concentrated portfolios for most players. However, ICRA Research notes that for us, this ratio is below 1 (57%), indicating a well diversified portfolio at district level.

Significant industry experience of our Promoter and management team

We believe that the long-standing industry experience of our Individual Promoter and our management team provides us with an understanding of the needs and behavior of the clients particularly in Rural Areas, the nuances of lending to these clients and issues specific to the microfinance industry in India. We believe that this expertise gives us a competitive advantage in this industry and has helped us in maintaining our resilience through industry cycles.

Padmaja Gangireddy, our Individual Promoter and Managing Director, has over 20 years experience in the microfinance sector. She also founded SRUDO in 1998, leveraging her deep knowledge and understanding of the low-income market segment.

Deepak Goswami, our Chief Financial Officer, is a chartered accountant and holds a masters' degree in Management and a chartered financial analyst degree from Institute of Chartered Financial Analysts of India University, Tripura. Prior to joining our Company, he worked at SBI Cards & Payment Services Private Limited for more than six years where his last held position was Senior Vice President - Controllership. He has also previously worked at Comviva Technologies Limited, Tata Power Delhi Distribution Limited (previously known as North Delhi Power Limited) and at ACME Telepower Limited. Deepak Goswami joined our Company on January 31, 2018 and has more than 15 years of experience in finance. Abdul Feroz Khan is the Chief Strategy Officer of our Company. He holds a masters' degree in business administration from Institute of Chartered Financial Analysts of India University, Dehradun. He joined our Company in November 2008 as an assistant finance manager and was designated as the Chief Strategy Officer in May 2018. Nitin Prakash Agrawal is the Chief Risk Officer of our Company. He holds a post graduate diploma in Rural Management from Institute of Rural Management, Anand. He worked at Bennett, Coleman & Company Limited for three years; at Fullerton India Credit Company Limited; at ICICI Bank Limited; and at IntelleGrow (Jain Sons Finlease Limited).

Further, at the field level, we have a high retention rate of employees at the middle to senior management level. The average experience of our assistant vice-presidents, division managers ("**Divisional Managers**") and cluster managers ("**Cluster Managers**") was 6.6 years, 7.5 years and 6.6 years, respectively, as of March 31, 2018.

For further details in relation to our Directors and Key Managerial Personnel, see "*Our Management*" on page 152.

Our Strategy

Leverage our popular income generation loan products to derive organic business growth

Through our client-centric business model, we focus on providing financing to our clients on a speedy and continual basis (while always adhering to our strict risk management policies), according to their life-cycle needs. We focus on providing income generation loans and our popular 'Abhilasha' loans (which are income generation loans) amounted to 87.06% of our Gross AUM.

ICRA Research estimates the microfinance credit opportunity to amount to ₹5–6 trillion (based on the current credit gap). For further details, please see "*Industry Overview*" on page 92. We expect to derive organic growth through our popular income generation loan products that are offered through the JLG model. To this end, we intend to utilize our existing branch infrastructure and employee base to increase our volume of income generation loans. We intend to offer income generation loans both to our existing clients (as they complete their existing loan cycles) and to new clients through our existing branches.

We commence processing loans for existing clients at the time when two installments of their existing loan are due, so as to disburse loans on the same day that the existing loan is repaid.

In addition to our core business of providing micro-credit, we also have contractual arrangements with one of our Group Companies, Abhiram Marketing Services Limited ("**Abhiram Marketing**"), a company engaged in the business of consumer goods (such as mobile phones, sarees, solar lamps, pressure cookers, mixers and grinders and bicycles, among other products) that are intended for purposes such as improving the quality of life of our clients, improving health and hygiene for families, reducing household expenditures and improving awareness, communication and mobility. We believe that these products may attract clients to our branches, which may help in engendering client loyalty. Further, we endeavor to provide repeat loans on a timely basis to our existing JLG clients.

Leverage our existing branch network by increasing loan portfolio and enhancing employee productivity

We have a large branch network which can be further leveraged since we have maintained low exposure levels per branch thus far. While we were under CDR, we focused on retaining our branch franchise as much as possible and this required maintaining low ticket sizes (leading to low AUM/branch levels) to ensure that once our funding levels improve post CDR exit, we can leverage on the branch franchise. Within the branches, during the time that we were in CDR, we focused on retaining clients even though we had to keep our ticket sizes lower than the client demand and credit approval levels.

Since our exit from CDR in March 2017, we increased our lender base, diversified our borrowings and also received additional capital infusion from Kangchenjunga, our Corporate Promoter and Kedaara AIF – 1. With increased capital flow, we were able to enhance our ticket sizes and also acquire new clients at our existing branches. This helped us grow our AUM at one of the highest rates (144.1% in Fiscal 2018) among large NBFC-MFIs in India (Source: ICRA Research; see "*Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters*" on page 109). As a result, during the year ended March 31, 2018, with increasing flow of funding, AUM per branch grew from ₹24.66 million per branch as of March 31, 2017 to ₹45.62 million per branch in March 31, 2018. However, according to ICRA Research, we had the second lowest GLP per branch amongst peer comparison of NBFC-MFIs and SFBs, as of March 31, 2018, which we believe provides us with the potential to further increase our loan portfolio and enhance our employee productivity.

As our funding levels improve further, we can further expand our operations from the existing branch network and bring exposure per branch on par with industry averages. We believe that we have the existing physical infrastructure and workforce in place to increase our loan portfolio, without a proportionate increase in operating expenses.

Further, we believe that we have latent growth potential (i) by way of opening new branches in adjacent areas to our existing branch network; (ii) splitting large branches according to demand (allowing them to grow by acquiring more clients in the same geographies); and (iii) leverage on those states where we have less penetration though the states have large unmet potential.

Given the seasoning of our operating team, we can open branches in different regions and leverage on the experience of our seasoned field staff who can take up larger roles – for example, seasoned Credit Assistants ("**CAs**") can be trained to assume the role of Branch Managers ("**BMs**") while seasoned BMs can be trained to assume the role of Cluster Managers. Further, with the objective of expanding our loan portfolio, we intend to incentivize our employee base to further service more client demand while adhering to our risk containment norms - both to existing and new clients. This will help us improve our Gross AUM per employee (excluding trainee CAs) employee from our current level (₹9.10 million as of March 31, 2018) leading to increased employee productivity with expansion in client base.

Increase our presence in under-penetrated states and districts

We have grown our geographical presence by expanding our branches into different regions. With this strategy, we expanded our operations into two new states, Bihar and West Bengal, in the last two years besides restarting operations in Rajasthan where we had exited. Our contiguous growth strategy is also relevant for expanding into newer districts within the states where we already have operations. We intend to continue to expand our geographical coverage into newer states and union territories as well where we see business potential (for instance, Assam, Delhi, Tamil Nadu, Pondicherry and Haryana).

According to ICRA Research, many large states such as UP, Bihar, MP, Gujarat, Chhattisgarh, Punjab, Haryana are under penetrated and offer good potential for growth. Some states such as Bihar, West Bengal and Rajasthan, (where we have commenced operations in the recent past) have relatively more rural population and relatively more low income households (Source: ICRA Research). These features offer growth opportunities for us in newer geographies.

We open new branches as per our business plan and evaluate certain key criteria while opening a new branch, including the following:

- Demand for credit in the area;
- Income and market potential to determine repayment capacity of borrowers;

- Availability of transportation and infrastructure facilities at the location;
- Level of economic activity and employment opportunities in the area (presence of factories, shops/malls and other enterprises);
- Growth potential (in terms of new client acquisitions);
- Major income sources for the local population;
- Whether a majority of the houses are self-owned;
- Competition from other MFIs in the area; and
- Socio-economic and law and order risks in the proposed area.

We ensure that any new state expansion is conducted in a phased manner. We first test the market by setting up a few branches. It is only after these branches are able to demonstrate full compliance with our internal processes and procedures that subsequent expansion is planned. We also only place experienced BMs and CAs in new branches as they serve to lay the foundation for the growth of future branches by providing the requisite training.

Further diversify our borrowing profile and reduce our cost of borrowings

Our funding sources are varied, as we believe that a diversified debt profile ensures that we are not overly dependent on any one type or source for funding. Post our exit from CDR, we have diversified our lender base and accessed diverse sources of liquidity, such as term loans, cash credit and subordinated debt from banks, financial institutions and non-banking financial companies, proceeds from loan assets securitized, and proceeds from the issuance of NCDs to meet our funding requirements.

We increased our lender base from three lenders as of March 31, 2017 to 22 as of March 31, 2018. Our Average Effective Cost of Borrowing reduced to 13.82% for Fiscal 2018 from 16.31% for Fiscal 2017. Further, our credit rating (by ICRA) improved from BBB- (Stable) as of August 2017 to BBB (Positive) as of February 2018 and BBB+ (Stable) in May 2018. We intend to further diversify our lender base by raising financing through lower cost avenues such as capital markets instruments such as NCDs, commercial paper and securitizations and through term loans from banks under priority sector lending. We believe that this diversification will enable us to meet funding requirements and further optimize Average Cost of Borrowings.

ICRA Research notes that the continuation of priority sector lending status for NBFC-MFIs and allowing NBFC-MFIs to act as business correspondents for banks augurs well for funding profile of NBFC-MFIs. Further NBFC-MFIs also have opportunities to raise off balance sheet funding through business correspondent model, securitization and assignments as a significant proportion of underlying portfolios which would qualify under the key categories of PSL targets.

SUMMARY OF FINANCIAL INFORMATION

Restated Standalone Balance Sheet Summary Statement

(Rupees in Millions unless otherwise stated)

Particulars	As at				
	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Equity and liabilities					
Shareholders' funds					
Share capital	11,749.86	9,294.66	8,113.89	8,279.97	9,129.51
Reserves and surplus	(1,908.99)	(3,907.74)	(6,149.51)	(8,550.86)	(9,173.14)
Money received against share warrants	1.49	-	-	-	-
	9,842.36	5,386.92	1,964.38	(270.89)	(43.63)
Non-current Liabilities					
Long-term borrowings	4,893.94	5,377.31	-	3,752.49	3,410.06
Other long term liabilities	1.01	-	-	621.00	676.80
Long-term provisions	8,724.12	8,468.98	8,001.33	10,541.47	12,065.47
	13,619.07	13,846.29	8,001.33	14,914.96	16,152.33
Current liabilities					
Short-term borrowings	0.40	10.00	-	-	-
Other current liabilities	12,059.65	4,616.77	10,896.83	8,741.90	5,525.24
Short-term provisions	257.84	286.34	115.48	112.34	84.54
	12,317.89	4,913.11	11,012.31	8,854.24	5,609.78
TOTAL	35,779.32	24,146.32	20,978.02	23,498.31	21,718.48
Assets					
Non-current assets					
Fixed assets					
Property, plant and equipment	58.54	66.23	121.73	42.68	38.26
Intangible assets	26.03	23.85	22.90	13.27	6.18
Capital work-in-progress	-	-	-	55.94	-
Non-current investments	21.00	1.00	1.00	1.00	1.00
Loan Portfolio	16,151.03	11,166.08	8,514.65	11,472.58	12,754.25
Other loans and advances	65.39	64.70	170.78	179.64	191.55
Other non-current assets	529.30	22.61	20.88	19.17	31.19
	16,851.29	11,344.47	8,851.94	11,784.28	13,022.44
Current assets					
Trade receivables	25.54	14.64	18.34	18.57	1.61
Cash and bank balances	1,526.23	2,901.17	353.26	590.90	257.75
Loan Portfolio	16,599.58	9,780.17	11,673.63	10,989.37	8,317.83
Other loans and advances	553.57	30.56	13.44	30.26	21.88
Other current assets	223.11	75.31	67.41	84.93	96.97
	18,928.03	12,801.85	12,126.08	11,714.03	8,696.04
TOTAL	35,779.32	24,146.32	20,978.02	23,498.31	21,718.48

Restated Standalone Profit and Loss Summary Statement

(Rupees in Millions unless otherwise stated)

Particulars	For the year ended				
	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Income					
Revenue from operations	5,608.36	3,571.72	3,464.05	3,051.98	2,716.78
Other income	117.61	70.28	49.44	234.35	54.29
Total revenue (I)	5,725.97	3,642.00	3,513.49	3,286.33	2,771.07
Expenses					
Employee benefits expenses	759.12	582.95	570.87	706.07	704.69
Finance costs	1,998.80	1,733.91	1,287.23	1,122.80	986.67
Other expenses	262.04	287.54	285.61	293.01	413.97
Depreciation and amortisation expenses	57.25	83.33	37.01	33.13	31.27
Provision and write-offs	371.59	420.28	106.83	50.53	53.19
Total expenses (II)	3,448.80	3,108.00	2,287.55	2,205.54	2,189.79
Profit before exceptional items and tax (III) = (I) - (II)	2,277.17	533.99	1,225.94	1,080.79	581.28
Exceptional items (IV)	-	104.86	1,238.94	-	-
Profit before tax (V) = (III) + (IV)	2,277.17	638.85	2,464.88	1,080.79	581.28
Tax expense					
Current tax	573.22	218.27	-	-	-
Deferred tax	-	-	-	-	-
Adjustment of tax relating to earlier periods	-	-	-	7.83	0.70
Total tax expense (VI)	573.22	218.27	-	7.83	0.70
Profit after tax (V) - (VI)	1,703.95	420.58	2,464.88	1,072.96	580.58
Nominal value per share	10.00	10.00	10.00	10.00	10.00
Earnings per equity share					
(including exceptional items)					
Basic (computed on the basis of total profit for the year)	59.71	20.61	120.94	52.97	29.95
Diluted (computed on the basis of total profit for the year)	38.54	0.52	2.98	1.25	0.63
Earnings per equity share					
(excluding exceptional items)					
Basic (computed on the basis of total profit for the year)	59.71	17.23	60.15	52.97	29.95
Diluted (computed on the basis of total profit for the year)	38.54	0.43	1.48	1.25	0.63

Restated Standalone Cash Flow Summary Statement

(Rupees in Millions unless otherwise stated)

Particulars		For the year ended				
		31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
A.	Cash flow from operating activities					
	Profit before tax	2,277.17	638.85	2,464.88	1,080.79	581.28
	Adjustments for :					
	Income recognized on SIDBI grant	-	-	-	(7.00)	-
	Interest on income tax	24.40	17.57	-	-	-
	Depreciation and amortization	57.25	83.33	37.01	33.13	31.27
	Provision for Gratuity	4.46	5.20	(0.02)	14.42	(0.08)
	(Profit) / loss on sale of fixed assets	(0.40)	(0.21)	9.46	(0.79)	(2.14)
	Contingent provision against standard assets	245.96	(57.86)	0.11	30.24	67.13
	Provision for non-performing assets	125.63	455.34	(2,537.02)	(1,527.31)	(936.16)
	Portfolio loans written off	-	22.80	2,643.74	1,407.60	775.60
	Loss on assigned loans	-	-	-	140.00	146.62
	Dividend from mutual funds	(15.84)	(16.38)	(4.63)	(4.74)	(10.13)
	Liabilities no longer required, written back	-	(104.86)	(1,246.24)	(189.61)	(5.72)
	Other provisions and write offs	19.06	10.27	33.78	10.57	132.73
	Unrealised foreign exchange loss	-	-	0.35	1.08	2.48
	unamortized collection fee	1.01	-	-	-	-
	Operating profit before working capital changes	2,738.70	1,054.05	1,401.42	988.38	782.88
	Movements in working capital :					
	Increase/ (decrease) in other current liabilities	671.74	(1,167.69)	721.86	55.63	166.07
	Increase/ (decrease) in other long term liabilities	-	-	(621.00)	(55.80)	80.02
	Decrease / (increase) in margin money deposit (net)	(1,069.67)	(1.74)	(1.71)	1.53	500.00
	Decrease / (increase) in trade receivables	(10.90)	3.70	0.23	(16.95)	(1.61)
	Decrease / (increase) in loans and advances	(12,347.14)	(702.39)	(380.33)	(2,818.01)	472.89
	Decrease / (increase) in other current and non current assets	(86.05)	(7.90)	17.52	22.53	1.56
	Cash used in operations	(10,103.32)	(821.97)	1,137.99	(1,822.69)	2,001.81
	Direct taxes paid (net of refunds)	(735.50)	-	(0.36)	5.67	232.81
	Net cash used in operating activities (A)	(10,838.82)	(821.97)	1,137.63	(1,817.02)	2,234.62
B.	Cash flow from investing activities :					
	Purchase of fixed assets (including capital work in progress and capital advances)	(51.80)	(28.82)	(104.07)	(77.58)	(11.59)
	Proceeds from sale of property, plant and equipments	0.48	0.25	5.45	1.14	3.02
	Purchase of current investments	(34,856.79)	(4,593.40)	(1,790.00)	(2,690.00)	(4,783.40)
	Sale of current investments	34,856.79	4,593.40	1,790.00	2,690.00	4,783.40
	Dividend from mutual funds	15.84	16.38	4.63	4.74	10.13
	Purchase of non current investment	(20.00)	-	-	-	-
	Net cash used in investing activities (B)	(55.48)	(12.19)	(93.99)	(71.70)	1.56
C.	Cash flow from financing activities :					
	Redemption of OCCRPS (including premium on redemption)	-	-	(700.40)	(1,065.04)	(480.21)
	Proceeds from issue of equity shares	307.87	1,900.00	-	50.00	-
	Proceeds from issue of share warrants	1.49	-	-	-	-
	Proceeds from issue of Preference Shares	2,442.13	1,102.27	-	-	-
	Long term borrowings (net)	6,276.24	369.80	(580.88)	3,261.91	(2,299.77)
	Short term borrowings (net)	(9.60)	10.00	-	(25.00)	(425.00)
	Net cash from financing activities (C)	9,018.13	3,382.07	(1,281.28)	2,221.87	(3,204.98)
	Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	(1,876.17)	2,547.91	(237.64)	333.15	(968.80)
	Cash and cash equivalents as at the beginning of the year	2,901.17	353.26	590.90	257.75	1,226.55
	Cash and cash equivalents as at end of the year (refer Annexure 19)	1,025.00	2,901.17	353.26	590.90	257.75
	Components of cash and cash equivalents at the year end					
	Cash on hand	3.70	6.63	2.04	10.47	27.85
	Balance with banks - on current account	871.29	2,894.54	351.22	580.43	229.90
	Deposits with original maturity of less than or equal to 3 months	150.01	-	-	-	-
	Components of cash and cash equivalents at the year end	1,025.00	2,901.17	353.26	590.90	257.75

Restated Consolidated Balance Sheet Summary Statement

(Rupees in Millions unless otherwise stated)

Balance sheet as at	31-Mar-18
Equity and liabilities	
Shareholders' funds	
Share capital	11,749.86
Reserves and surplus	(1,909.24)
Money received against share warrants	1.49
	9,842.11
Non-current Liabilities	
Long-term borrowings	4,893.94
Other long term liabilities	1.01
Long-term provisions	8,724.12
	13,619.07
Current liabilities	
Short-term borrowings	0.40
Other current liabilities	12,059.65
Short-term provisions	257.86
	12,317.91
TOTAL	35,779.09
Assets	
Non-current assets	
Fixed assets	
-Property, plant and equipment	58.54
-Intangible assets	26.03
Non-current investments	1.00
Loan Portfolio	16,151.03
Other loans and advances	65.39
Other non-current assets	529.30
	16,831.29
Current assets	
Trade receivables	25.03
Cash and bank balances	1,546.23
Loan Portfolio	16,599.58
Other loans and advances	553.57
Other current assets	223.39
	18,947.80
TOTAL	35,779.09

Restated Consolidated Profit and Loss Summary Statement

(Rupees in Millions unless otherwise stated)

Particulars	For the year ended March 31, 2018
Income	
Revenue from operations	5,608.36
Other income	117.93
Total revenue (I)	5,726.29
Expenses	
Employee benefits expenses	759.12
Finance costs	1,998.80
Other expenses	262.55
Depreciation and amortisation expenses	57.24
Provision and write-offs	371.59
Total expenses (II)	3,449.30
Profit before tax (III)=(I)-(II)	2,276.99
Tax expense	
Current tax	573.28
Deferred tax	-
Total tax expense (IV)	573.28
Profit for the year (III)-(IV)	1,703.71
Nominal value per share	10.00
Earnings per equity share	
Basic (computed on the basis of total profit for the year)	59.71
Diluted (computed on the basis of total profit for the year)	38.53

Restated Consolidated Cash Flow Summary Statement

(Rupees in Millions unless otherwise stated)

	Particulars	For the year ended March 31, 2018
A.	Cash flow from operating activities	
	Profit before tax	2,276.99
	Adjustments for :	
	Interest on income tax	24.40
	Depreciation and amortization	57.24
	Provision for Gratuity	4.46
	(Profit) / loss on sale of fixed assets	(0.40)
	Contingent provision against standard assets	245.96
	Provision for non-performing assets	125.63
	Dividend from mutual funds	(15.84)
	Other provisions and write offs	19.06
	unamortized collection fee	1.01
	Operating profit before working capital changes	2,738.51
	Movements in working capital :	
	Increase/ (decrease) in other current liabilities	669.33
	Decrease / (increase) in margin money deposit (net)	(1,069.67)
	Decrease / (increase) in trade receivables	(10.90)
	Decrease / (increase) in loans and advances	(12,349.09)
	Decrease / (increase) in other current and non current assets	(81.49)
	Cash used in operations	(10,103.31)
	Direct taxes paid (net of refunds)	(735.50)
	Net cash used in operating activities (A)	(10,838.81)
B.	Cash flow from investing activities :	
	Purchase of fixed assets (including capital work in progress and capital advances)	(51.79)
	Proceeds from sale of property, plant and equipments	0.47
	Purchase of current investments	(34,856.79)
	Sale of current investments	34,856.79
	Dividend from mutual funds	15.84
	Net cash used in investing activities (B)	(35.48)
C.	Cash flow from financing activities :	
	Proceeds from issue of equity shares	307.87
	Proceeds from issue of share warrants	1.49
	Proceeds from issue of Preference Shares	2,442.13
	Long term borrowings (net)	6,276.24
	Short term borrowings (net)	(9.60)
	Net cash from financing activities (C)	9,018.13
	Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	(1,856.16)
	Cash and cash equivalents as at the beginning of the period / year	2,901.16
	Cash and cash equivalents as at end of the period / year (refer Annexure 19)	1,045.00
	Components of cash and cash equivalents at the period / year end	
	Cash on hand	3.70
	Balance with banks - on current account	871.29
	Deposits with original maturity of less than or equal to 3 months	170.01
	Components of cash and cash equivalents at the period / year end	1,045.00

THE OFFER

The following table summarises the Offer details:

Equity Shares Offered	
Offer of Equity Shares	Up to [●] Equity Shares, aggregating up to ₹[●] million
<i>of which</i>	
Fresh Issue ⁽¹⁾	Up to [●] Equity Shares, aggregating up to ₹4,000.00 million
Offer for Sale ⁽²⁾	Up to 13,146,595 Equity Shares, aggregating up to ₹[●] million
The Offer consists of:	
A) QIB Portion ⁽³⁾⁽⁴⁾	Not more than [●] Equity Shares
<i>of which:</i>	
Anchor Investor Portion	Not more than [●] Equity Shares
Net QIB Portion (assuming the Anchor Investor Portion is fully subscribed)	[●] Equity Shares
<i>of which:</i>	
Mutual Fund Portion	[●] Equity Shares
Balance for all QIBs including Mutual Funds	[●] Equity Shares
B) Non-Institutional Portion ⁽⁵⁾	Not less than [●] Equity Shares
C) Retail Portion ⁽⁵⁾⁽⁶⁾	Not less than [●] Equity Shares
Pre and post-Offer Equity Shares	
Equity Shares outstanding prior to the Offer	59,633,683 Equity Shares
Equity Shares outstanding after the Offer	[●] Equity Shares
Use of Net Proceeds	See “Objects of the Offer” on page 89 for information about the use of the proceeds from the Fresh Issue. Our Company will not receive any proceeds from the Offer for Sale.

- (1) The Fresh Issue has been authorized by a resolution of our Board pursuant to a resolution passed at its meeting held on June 14, 2018 and a special resolution of our Shareholders pursuant to a resolution passed at the EGM held on June 14, 2018
- (2) The Offer for Sale has been authorised by the Selling Shareholders in the following manner:

Sr. No.	Selling Shareholder	Number of Equity Shares	Date of resolution/ consent letters
1.	Kangchenjunga	Up to 8,817,567	June 18, 2018
2.	Padmaja Gangireddy	Up to 1,423,114	June 18, 2018
3.	Vijaya Siva Rami Reddy Vendidandi	Up to 1,177,000	June 18, 2018
4.	Valiant	Up to 1,158,142	June 18, 2018
5.	Helion II	Up to 196,284	May 25, 2018
6.	Kedaara AIF - 1	Up to 191,704	June 18, 2018
7.	Helion	Up to 182,784	May 25, 2018

- (3) The Selling Shareholders, severally and not jointly, confirm that their respective portions of the Offered Shares, have been held by them for a period of at least one year prior to the filing of this Draft Red Herring Prospectus with SEBI, or have been issued or received in accordance with Regulation 26(6) of the SEBI (ICDR) Regulations, and are eligible for being offered for sale in the Offer as required by Regulation 26(6) of the SEBI ICDR Regulations
- (4) Our Company and the Selling Shareholders may, in consultation with the GCBRLMs and the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Allocation Price. In the event of under-subscription in the Anchor Investor Portion, the remaining Equity Shares shall be added to the QIB Portion. For details, see “Offer Procedure” on page 363
- (5) Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in any category except the QIB Portion, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders, in consultation with the GCBRLMs, the BRLMs and the Designated Stock Exchange. Under-subscription, if any, in the Net QIB Portion will not be allowed to be met with spill-over from other categories or a combination of categories. In case of under-subscription in the Offer, after meeting the minimum subscription requirement of 90% of the Fresh Issue, the balance subscription in the Offer will be met in the following order of priority: (i) through the sale of all Offered Shares being offered by the Selling Shareholders in the Offer for Sale in proportion to their shareholding in our Company as on the date of this Draft Red Herring Prospectus; and (ii) through the issuance of balance part of the Fresh Issue. For further details, see “Offer Structure” on page 359. The Selling Shareholders, acknowledge and agree, in the event that Offered Shares are not sold in the Offer for Sale on account of under-subscription, such unsold Offered Shares shall be subject to lock-in in accordance with this Draft Red Herring Prospectus and SEBI ICDR Regulations.
- (6) The Retail Discount, if any, will be offered to Retail Individual Investors at the time of making a Bid. Retail Individual Investors bidding at a price within the Price Band can make payment at the Bid Amount, at the time of making a Bid. Retail Individual Investors bidding at the Cut-Off Price have to ensure payment at the Cap Price, less Retail Discount at the time of making a Bid. Retail Individual Investors must ensure that the Bid Amount does not exceed ₹200,000. Retail Individual Investors should note that while filling the “SCSB/Payment Details” block in the Bid cum Application Form, Retail Individual Investors must mention the Bid Amount.

Notes:

- The Offer is being made pursuant to Rule 19 (2)(b) of the SCRR read with Regulation 41 of the SEBI ICDR Regulations
- Allocation to all categories, except Anchor Investors, if any Retail Individual Bidders, shall be made on proportionate basis. The allocation to each Retail Individual Bidder shall not be less than the minimum Bid Lot, subject to availability

of Equity Shares in the Retail Category and the remaining available Equity Shares, if any, shall be allocated on a proportionate basis. For details see “*Offer Procedure*” on Page 363

For details, including in relation to grounds for rejection of Bids, see “*Offer Structure*” and “*Offer Procedure*” on pages 359 and 363, respectively. For details of the terms of the Offer, see “*Terms of the Offer*” on page 356.

GENERAL INFORMATION

Our Company was incorporated as Spandana Sphoorty Innovative Financial Services Limited (“**SSIFSL**”) on March 10, 2003 at Hyderabad, Andhra Pradesh, India as a public limited company under the Companies Act, 1956. A certificate of commencement of business was issued to SSIFSL on November 11, 2003 by the Registrar of Companies, Andhra Pradesh and Telangana at Hyderabad (“**RoC**”). On October 16, 2004, the Reserve Bank of India (“**RBI**”) granted a certificate of registration bearing registration no. N-09.00414 to our Company, for the registration of our Company as a non-deposit accepting non-banking financial company (“**NBFC**”) under Section 451A of the Reserve Bank of India Act, 1934. Subsequently, pursuant to a special resolution dated November 26, 2007 passed by our shareholders, the name of our Company was changed to Spandana Sphoorty Financial Limited. Pursuant to a letter dated December 26, 2007, the RBI granted its no objection to the change of name of our Company to Spandana Sphoorty Financial Limited and a fresh certificate of incorporation consequent to change of name was issued by the RoC to our Company on January 3, 2008. Further, a fresh certificate of registration bearing registration no. N-09.00414 pursuant to the change of name was issued by the RBI on January 11, 2008. Our Company was granted NBFC – Microfinance Institution (“**NBFC-MFI**”) status by the RBI with effect from April 13, 2015 and a modified certificate of registration bearing registration no. N-09.00414 was issued by the RBI to this effect. For further details of the changes in the name and registered office of our Company, see “*History and Certain Corporate Matters*” on page 143 and for further details of the registrations in relation to the business of our Company, see “*Government and Other Approvals*” on page 336.

Registered Office

Spandana Sphoorty Financial Limited

Plot No: 31 and 32
Ramky Selenium Towers
Tower A, Ground Floor
Financial District, Nanakramguda
Hyderabad 500 032
Telangana, India
Tel: +91 40 4812 6666
Fax: +91 40 4438 6640
E-mail: contact@spandanaindia.com
Website: www.spandanaindia.com
Corporate Identity Number: U65929TG2003PLC040648
RBI Registration Number: NBFC N-09.00414
Registration Number: 040648

Address of the RoC

Our Company is registered with the RoC situated at the following address:

Registrar of Companies

2nd Floor, Corporate Bhawan
GSI Post, Tattianaram Nagole, Bandlaguda
Hyderabad 500 068
Telangana, India

Board of Directors

The following table lists out the brief details of our board as on the date of this Draft Red Herring Prospectus:

Name	Designation	DIN	Address
Deepak Calian Vaidya	Non-Executive Chairman and Independent Director	00337276	Suraj, 249/251, Walkeshwar Road, Mumbai 400 006, Maharashtra, India
Padmaja Gangireddy	Managing Director	00004842	Flat No. A-208, “A” Block, Jayabheri Orange County, Nanakramguda, Financial District, Gachibowli, Hyderabad 500 032, Telangana, India
Jagadish Capoor	Independent Director	00002516	1601, Brooke Ville, 359, Mogul Lane, Mahim (West), Mumbai 400 016, Maharashtra, India
Bharat Dhirajlal Shah	Independent Director	00136969	Flat No. 21, Hill Park Building No. 2 A G Bell Marg, Malabar Hill Mumbai 400 006, Maharashtra, India
Abanti Mitra	Independent Director	02305893	Flat No. B-2505, Floor 25th, Oberoi Woods Mohan, Gokhale Road, Goregaon, East Mumbai 400 063, Maharashtra, India
Ramachandra Kasargod Kamath	Non-Executive Director*	01715073	B/2004, Neptune CHSL, Sun City, Adi Shakaracharya Marg, Powai, Mumbai 400 076, Maharashtra, India

Name	Designation	DIN	Address
Amit Sobti	Non-Executive Director*	07795874	J-125, J Block, Opposite Chawla Nursing Home, Rajouri Garden, Tagore Garden, West Delhi 110 027, New Delhi, India
Kartikaya Dhruv Kaji	Non-Executive Director*	07641723	The Imperial, Apt 3901, BB Nakashe Marg, Tardeo, Mumbai 400 034, Maharashtra, India
Darius Dinshaw Pandole	Non-Executive Director**	00727320	6, Rajab Mahal, 144 Maharshi Karve Road, Churchgate, Mumbai 400 020, Maharashtra, India
Sunish Sharma	Non-Executive Director*	00274432	1305 North Tower, The Imperial, B.B. Nakashe Marg, Tardeo, Tulsiwada, Mumbai 400 034, Maharashtra, India

* Nominee of Kedaara Capital

** Nominee of JM Financial Products Limited

For further details of our Directors, see “Our Management” on page 152.

Company Secretary and Compliance Officer

Rakesh Jhinjhar

Plot No: 31 and 32
Ramky Selenium Towers
Tower A, Ground Floor
Financial District, Nanakramguda
Hyderabad 500 032
Telangana, India
Tel: +91 40 4812 6666
Fax: +91 40 4438 6640
E-mail: secretarial@spandanaindia.com

Chief Financial Officer

Deepak Goswami

Plot No: 31 and 32
Ramky Selenium Towers
Tower A, Ground Floor
Financial District, Nanakramguda
Hyderabad 500 032
Telangana, India
Tel: +91 40 4812 6666
Fax: +91 40 4438 6640
Email: deepak.goswami@spandanaindia.com

Investor Grievance

Bidders can contact our Company Secretary and Compliance Officer, the GCBRLMs, the BRLMs or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems, such as non-receipt of letters of Allotment, non-credit of Allotted Equity Shares in the respective beneficiary account, non-receipt of refund orders and non-receipt of funds by electronic mode.

For all other related queries and for redressal of complaints, investors may also write to the GCBRLMs, the BRLMs and the Registrar to the Offer in the manner provided below.

All grievances relating to the Anchor Investor process may be addressed to the Registrar to the Offer, giving full details such as name of the sole or First Bidder, Bid cum Application Form number, Bidders DP ID, Client ID, PAN, date of the Anchor Investor Form, address of the Bidder, number of the Equity Shares applied for, Bid Amount paid on submission of the Anchor Investor Form and the name and address of the relevant GCBRLM or BRLM where the Anchor Investor Form was submitted by the Anchor Investor.

All grievances relating to the ASBA process may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary with whom the Bid cum Application Form was submitted. In addition to the information indicated above, the ASBA Bidder should also specify the Designated Branch or the collection centre of the SCSB or the address of the centre of the Syndicate Member at the Specified Locations or the Registered Brokers at the Broker Centres or the RTA at the Designated RTA Location or the CDP at the Designated CDP Location where the Bid cum Application Form was submitted by the ASBA Bidder.

Further, the Bidder shall also enclose the Acknowledgement Slip from the Designated Intermediary in addition to the documents/ information mentioned hereinabove.

Global Co-ordinators and Book Running Lead Managers	
Axis Capital Limited 8th Floor, Axis House C 2 Wadia International Centre P. B. Marg, Worli Mumbai 400 025 Maharashtra, India Tel : +91 22 4325 2183 Fax : +91 22 4325 3000 E-mail: ssfl.ipo@axiscap.in Investor grievance E-mail: compliants@axiscap.in Website: www.axiscapital.co.in Contact Person: Simran Gadh SEBI Registration No.: INM000012029 IIFL Holdings Limited 10th Floor, IIFL Centre, Kamala City Senapati Bapat Marg Lower Parel (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 4646 4600 Fax: +91 22 2493 1073 E-mail: spandanaipo@iiflcap.com Investor grievance E-mail: ig.ib@iiflcap.com Website: www.iiflcap.com Contact Person: Vishal Bangard/ Pranay Doshi SEBI Registration No.: INM000010940	ICICI Securities Limited ICICI Centre, H. T. Parekh Marg Churchgate Mumbai 400 020 Maharashtra, India Tel: +91 22 2288 2460 Fax: +91 22 2282 6580 E-mail: spandana.ipo@icicisecurities.com Investor grievance E-mail: customercare@icicisecurities.com Website: www.icicisecurities.com Contact Person: Shekher Asnani / Rupesh Khant SEBI Registration No.: INM000011179 JM Financial Limited 7th Floor, Cnergy Appasaheb Marathe Marg Prabhadevi Mumbai 400 025 Maharashtra, India Tel: +91 22 6630 3030 Fax: +91 22 6630 3330 E-mail: ssfl.ipo@jmfl.com Investor grievance E-mail: grievance.ibd@jmfl.com Website: www.jmfl.com Contact Person: Prachee Dhuri SEBI Registration No.: INM000010361
Book Running Lead Managers	
IndusInd Bank Limited 11th Floor, One Indiabulls Centre Tower 1, 841 Senapati Bapat Marg, Elphinstone Road Mumbai 400 013 Maharashtra, India Tel: +91 22 7143 2208 Fax: +91 22 7143 2270 E-mail: joshi.rahul@indusind.com Investor grievance E-mail: investmentbanking@indusind.com Website: www.indusind.com Contact Person: Rahul Joshi SEBI Registration No.: INM000005031	YES Securities (India) Limited IFC, Tower 1&2 Unit No. 602 A, 6th Floor Senapati Bapat Marg Elphinstone (West) Mumbai 400 013 Maharashtra, India Tel: +91 22 3012 6776 Fax: +91 22 2421 4508 E-mail: spandana.ipo@yessecuritiesltd.in Investor Grievance E-mail: igc@yessecuritiesltd.in Website: www.yesinvest.in Contact Person: Nikhil Bhiwapurkar SEBI Registration No.: INM000012227
Syndicate Members	
[•]	
Indian Legal Counsel to our Company and the Individual Promoter	
Cyril Amarchand Mangaldas 201, Midford House, Midford Garden Off M.G. Road Bangalore 560 001 Karnataka, India Tel: +91 80 2558 4870 Fax: +91 80 2558 4266	
Indian Legal Counsel to the BRLMs	
Shardul Amarchand Mangaldas & Co 24th Floor, Express Towers Nariman Point, Mumbai 400 021 Maharashtra, India Tel.: +91 22 4933 5555 Fax: +91 22 4933 5550	Shardul Amarchand Mangaldas & Co Prestige Sterling Square, State Bank of India Road, Shanthala Nagar, Ashok Nagar, Bengaluru 560 001 Karnataka, India Tel. : +91 80 6674 9999 Fax : +91 80 6674 9900
International Legal Counsel to the BRLMs	
Clifford Chance Clifford Chance Pte Limited Marina Bay Financial Centre	

25th Floor, Tower 3 12 Marina Boulevard Singapore 018 982 Tel: +65 6410 2200 Fax: +65 6410 2288
Indian Legal Counsel to the Corporate Promoter Selling Shareholder
Cyril Amarchand Mangaldas 5th Floor, Peninsula Chambers Peninsula Corporate Park Ganpatrao Kadam Marg Lower Parel, Mumbai 400 013 Maharashtra, India Tel: +91 22 2496 4455 Fax: +91 22 2496 3666
Statutory Auditors to our Company
S.R. Batliboi & Co. LLP 14th Floor, The Ruby, 29, Senapati Bapat Marg, Dadar Mumbai 400 028, Maharashtra, India E-mail: SRBC@srb.in Tel: +91 22 6192 0000 Fax no: +91 22 6192 1000 Firm Registration No.: 301003E/ E300005
Registrar to the Offer
Karvy Computershare Private Limited Karvy Selenium Tower B Plot 31-32, Gachibowli Financial District, Nanakramguda Hyderabad 500 032 Telangana, India Tel: +91 40 6716 2222 Fax: +91 40 2343 1551 E-mail: spandana.ipo@karvy.org Investor grievance E-mail: einward.ris@karvy.com Website: www.karisma.karvy.com Contact Person: M. Murali Krishna SEBI Registration No.: INR000000221
Banker(s) to the Offer/ Escrow Collection Bank(s)/ Refund Bank(s)/ Public Offer Account Bank(s)
[•]
Banker to our Company
IndusInd Bank Limited #1 – 10-72, 3rd Floor Ashoka Janardhan Chambers Begumpet, Hyderabad 500 016 Telangana, India Tel: +91 40 4091 6204 Fax: +91 40 4091 6266 Email: srinivas.bonam@indusind.com Website: www.indusind.com Contact Person: Srinivas Bonam

Self-Certified Syndicate Banks

The list of SCSBs for the ASBA process is provided on the website of SEBI at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> or such other websites as may be prescribed by SEBI from time to time. For details of the Designated Branches which shall collect Bid cum Application Forms from the ASBA Bidders, please refer to the above-mentioned link.

Syndicate SCSB Branches

In relation to Bids (other than Bids by Anchor Investor) submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Bid cum Application Forms from the

members of the Syndicate is available on the website of the SEBI <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> and updated from time to time.

Broker Centres/ Designated CDP Locations/ Designated RTA Locations

In accordance with SEBI Circulars CIR/ CFD/ 14/ 2012 dated October 4, 2012 and CIR/ CFD/ POLICYCELL/ 11/ 2015 dated November 10, 2015, Bidders (other than Anchor Investors) can submit Bid cum Application Forms with the Registered Brokers at the Broker Centres, CDPs at the Designated CDP Locations or the RTAs at the Designated RTA Locations, respective lists of which, including details such as address and telephone number, are available at the websites of the Stock Exchanges at www.bseindia.com and www.nseindia.com. The list of branches of the SCSBs at the Broker Centres, named by the respective SCSBs to receive deposits of the Bid cum Application Forms from the Registered Brokers will be available on the website of the SEBI (www.sebi.gov.in) and updated from time to time.

Experts

Except as stated below, our Company has not obtained any expert opinions:

Our Company has received written consent dated June 25, 2018, from the Statutory Auditors namely, S.R. Batliboi & Co. LLP, to include their name as required under Section 26(1) of the Companies Act, 2013 read with SEBI ICDR Regulations in this Draft Red Herring Prospectus and as an “expert” as defined under section 2(38) of the Companies Act, 2013 to the extent and in their capacity as a Statutory Auditor and in respect of their (i) examination reports, each dated May 15, 2018 on our Restated Consolidated Financial Statements and our Restated Standalone Financial Statements; and (ii) their report dated June 15, 2018 on the statement of tax benefits, included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.

Monitoring Agency

Our Company will appoint a monitoring agency prior to the filing of the Red Herring Prospectus in accordance with Regulation 16 of SEBI ICDR Regulations.

Appraising Entity

None of the objects for which the Net Proceeds will be utilised have been appraised by any agency.

IPO Grading

No credit rating agency registered with SEBI has been appointed for grading the Offer.

Inter-se allocation of Responsibilities

The following table sets forth the inter-se allocation of responsibilities for various activities among the GCBRLMs and the BRLMs for the Offer:

Sr. No.	Activity	Responsibility	Coordinator
1.	Capital structuring, positioning strategy and due diligence of the Company including its operations/management/business plans/legal etc. Drafting and design of the Draft Red Herring Prospectus and of statutory advertisements including a memorandum containing salient features of the Prospectus. The Managers shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalisation of Prospectus and RoC filing.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	Axis
2.	Drafting and approval of all statutory advertisement	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	Axis
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned above including corporate advertising, brochure, etc. and filing of media compliance report.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	JM
4.	Appointment of Intermediaries - Registrar to the Offer, Advertising Agency, Printers to the Offer including co-ordination for agreements.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	IIFL
5.	Appointment of Bankers to the Offer including co-ordination for agreements	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	IIFL

Sr. No.	Activity	Responsibility	Coordinator
6.	Preparation of Road-show presentation	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	Axis
7.	Preparation of frequently asked questions by investors	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	IIFL
8.	Non-institutional and Retail marketing of the Offer, which will cover, <i>inter alia</i> , - Finalising media, marketing and public relations strategy; - Finalising centres for holding conferences for brokers, etc; - Follow-up on distribution of publicity and Offer material including form, the Prospectus and deciding on the quantum of the Offer material; and - Finalising collection centres.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	JM
9.	Domestic Institutional marketing of the Offer, which will cover, <i>inter alia</i> : - Institutional marketing strategy; - Finalizing the list and division of domestic investors for one-to-one meetings; and - Finalizing domestic road show and investor meeting schedule.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	I-Sec
10.	International Institutional marketing of the Offer, which will cover, <i>inter alia</i> : - Institutional marketing strategy; - Finalizing the list and division of international investors for one-to-one meetings; and - Finalizing international road show and investor meeting schedule.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	Axis
11.	Coordination with Stock-Exchanges for anchor intimation, book building software, bidding terminals and mock trading, payment of 1% security deposit to the designated stock exchange.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	IIFL
12.	Managing the book and finalization of pricing in consultation with the Company.	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	JM
13.	Post bidding activities including management of escrow accounts, coordinate non-institutional allocation, coordination with Registrar, SCSBs and Banks, intimation of allocation and dispatch of refund to Bidders, etc. Post-Offer activities, which shall involve essential follow-up steps including allocation to Anchor Investors, follow-up with Bankers to the Offer and SCSBs to get quick estimates of collection and advising the Issuer about the closure of the Offer, based on correct figures, finalisation of the basis of allotment or weeding out of multiple applications, listing of instruments, dispatch of certificates or demat credit and refunds and coordination with various agencies connected with the post-Offer activity such as registrar to the Offer, Bankers to the Offer, SCSBs including responsibility for underwriting arrangements, as applicable. Payment of the applicable securities transactions tax on sale of unlisted equity shares by the Selling Shareholders under the Offer for Sale to the Government and filing of the securities transactions tax return by the prescribed due date as per Chapter VII of Finance(No. 2) Act, 2004. Co-ordination with SEBI and Stock Exchanges for refund of 1% security deposit and submission of all post Offer reports including the initial and final post Offer report to SEBI	Axis, I-Sec, IIFL, JM, IndusInd Bank and Yes Securities	I-Sec

Credit Rating

As this is an offer of Equity Shares, there is no credit rating for the Offer.

Trustees

As this is an offer of Equity Shares, the appointment of trustees is not required.

Book Building Process

Book Building Process, in the context of the Offer, refers to the process of collection of Bids on the basis of the Red Herring Prospectus, the Bid cum Application Forms and the Revision Forms within the Price Band. The Price Band and minimum bid lot size will be decided by our Company and the Selling Shareholders in consultation with the GCBRLMs, the BRLMs, and advertised in all editions of [●], all editions of [●] and [●] editions of [●], which are widely circulated English, Hindi and Telugu daily newspapers respectively, (Telugu being the regional language of Telangana where our Registered Office is located) at least five Working Days prior to the Bid/ Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading on their websites. The Offer Price shall be determined by our Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs after the Bid/ Offer Closing Date.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Offer only through the ASBA process.

In accordance with the SEBI ICDR Regulations, QIBs (other than Anchor Investors) Bidding in the QIB Portion and Non-Institutional Bidders Bidding in the Non-Institutional Portion are not allowed to withdraw or lower the size of their Bids (in terms of the quantity of the Equity Shares or the Bid Amount) at any stage. Retail Individual Bidders can revise their Bids during the Bid/ Offer Period and withdraw their Bids until the Bid/ Offer Closing Date. Further, Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date. Allocation to the Anchor Investors will be on a discretionary basis. For further details, see “Offer Procedure” on page 363.

Illustration of Book Building Process and Price Discovery Process

The Book Building Process is in accordance with guidelines, rules, regulations prescribed by SEBI. Bidders are advised to make their own judgement about an investment through this process prior to submitting a Bid.

For an illustration of the Book Building Process and the price discovery process, see “Offer Procedure – Part B – Basis of Allocation – Illustration of the Book Building Process and Price Discovery Process” on page 389.

Underwriting Agreement

After the determination of the Offer Price, but prior to the filing of the Prospectus with the RoC, our Company and the Selling Shareholders intend to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. The underwriting shall be to the extent of the Bids uploaded, subject to Regulation 13 of the SEBI ICDR Regulations. It is proposed that pursuant to the terms of the Underwriting Agreement, the GCBRLMs and the BRLMs shall be responsible for bringing the amount devolved in the event that the Syndicate Members do not fulfil the underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters will be several and will be subject to certain conditions specified therein.

The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing the Prospectus with the RoC).

Name, address, telephone number, fax number and e-mail address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Amount Underwritten (in ₹million)
[●]	[●]	[●]

The above-mentioned underwriting commitments are indicative and will be finalised after determination of Offer Price and Basis of Allotment and subject to the provisions of the SEBI ICDR Regulations.

In the opinion of our Board (based on representations made by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors/ IPO Committee, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitment.

Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default in payment, the respective Underwriter, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure purchases for or purchase of the Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement. The Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and will be executed after the determination of the Offer Price and allocation of Equity Shares, but prior to the filing of the Prospectus with the RoC.

The Underwriting Agreement has not been executed as on the date of this Draft Red Herring Prospectus and our Company intends to enter the Underwriting Agreement with the Underwriters after determination of the Offer Price and allocation of Equity Shares but prior to filing the prospectus with the RoC.

CAPITAL STRUCTURE

The share capital of our Company as at the date of this Draft Red Herring Prospectus is set forth below:

(In ₹ million, except share data)

		Aggregate value at face value	Aggregate value at Offer Price
A	AUTHORIZED SHARE CAPITAL⁽¹⁾		
	900,000,000 Equity Shares	9,000.00	-
	1,250,000,000 Preference Shares	12,500.00	
	Total	21,500.00	
B	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL BEFORE THE OFFER		
	59,633,683 Equity Shares	596.34	-
	Total	596.34	
C	PRESENT OFFER IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS		
	Offer of up to [●] Equity Shares	[●]	[●]
	<i>of which</i>		
	Fresh Issue of up to [●] Equity Shares ⁽²⁾	[●]	4,000.00
	Offer for Sale of up to 13,146,595 Equity Shares ⁽³⁾	[●]	[●]
D	SECURITIES PREMIUM ACCOUNT		
	Before the Offer		15,414.97
	After the Offer		[●]
E	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL PRIOR TO THE OFFER (AFTER CONVERSION OF CONVERTIBLE PREFERENCE SHARES)		
	59,633,683 Equity Shares	596.34	-
F	ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL AFTER THE OFFER		
	[●] Equity Shares (assuming full subscription in the Offer)	[●]	[●]

- (1) For details in relation to the changes in the authorised share capital of our Company, including details of the classes of authorized preference share capital of our Company, see "History and Certain Corporate Matters – Amendments to our Memorandum of Association" on page 144
- (2) The Fresh Issue has been authorized by a resolution of our Board of Directors dated June 14, 2018, and a resolution of our Shareholders at their EGM dated June 14, 2018
- (3) The Selling Shareholders, severally and not jointly, confirm that their respective proportion of the Offered Shares, have been held by them for a period of at least one year prior to the filing of this Draft Red Herring Prospectus with SEBI, or have been issued or received in accordance with Regulation 26(6) of the SEBI ICDR Regulations, and are eligible for being offered for sale in the Offer as required by Regulation 26(6) of the SEBI ICDR Regulations.
- (4) The Offer for Sale has been authorised by the Selling Shareholders in the following manner:

S. No.	Selling Shareholder	Number of Offered Shares	Date of consent letters
1.	Kangchenjunga	Up to 8,817,567	June 18, 2018
2.	Padmaja Gangireddy	Up to 1,423,114	June 18, 2018
3.	Vijaya Siva Rami Reddy Vendidandi	Up to 1,177,000	June 18, 2018
4.	Valiant	Up to 1,158,142	June 18, 2018
5.	Helion II	Up to 196,284	May 25, 2018
6.	Kedaara AIF - 1	Up to 191,704	June 18, 2018
7.	Helion	Up to 182,784	May 25, 2018

Notes to the Capital Structure

1. Share Capital History of our Company

(a) Equity Share Capital

The history of the Equity Share capital of our Company is provided in the following table:

Date of allotment	No. of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Reason/ Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (₹)
March 10, 2003	50,700	10	10.00	Cash	Initial subscription to	50,700	507,000

Date of allotment	No. of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Reason/ Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (₹)
					the Memorandum of Association ⁽¹⁾		
December 31, 2003	2,100,000	10	10.00	Cash	Preferential allotment ⁽²⁾	2,150,700	21,507,000
March 29, 2005	194,300	10	10.00	Cash	Preferential allotment ⁽³⁾	2,345,000	23,450,000
May 19, 2005	121,000	10	10.00	Cash	Preferential allotment ⁽⁴⁾	2,466,000	24,660,000
November 2, 2005	6,165,000	10	-	NA	Bonus issue in the ratio of 2.5 Equity Shares for every Equity Share held by then existing Shareholders ⁽⁵⁾	8,631,000	86,310,000
August 3, 2007	1,208,051	10	115.86	Cash	Preferential allotment ⁽⁶⁾	9,839,051	98,390,510
October 14, 2008	2,033,977	10	164.78	Cash	Conversion of CCPS ⁽⁷⁾	11,873,028	118,730,280
December 1, 2008	1,522,186	10	656.95	Cash	Preferential allotment ⁽⁸⁾	13,395,214	133,952,140
March 22, 2010	152,219	10	656.95	Cash	Preferential allotment ⁽⁹⁾	13,547,433	135,474,330
October 12, 2011	5,833,334	10	12.00	Cash	Preferential allotment ⁽¹⁰⁾	19,380,767	193,807,670
May 16, 2014	1,000,000	10	50.00	Cash	Preferential allotment ⁽¹¹⁾	20,380,767	203,807,670
Equity Shares issued in the two years preceding the date of this Draft Red Herring Prospectus							
March 31, 2017	8,068,626	10	235.48	Cash	Private Placement ⁽¹²⁾	28,449,393	284,493,930
March 8, 2018	1,307,425	10	235.48	Cash	Preferential allotment ⁽¹³⁾	29,756,818	297,568,180
May 15, 2018	9,979,615	10	235.48	Cash	Conversion of Class A CCPS ⁽¹⁴⁾	39,736,433	397,364,330
May 15, 2018	5,062,542	10	235.48	Cash	Conversion of Class A1 CCPS ⁽¹⁵⁾	44,798,975	447,989,750
May 15, 2018	8,948,425	10	238.67	Cash	Conversion of Class B CCPS ⁽¹⁶⁾	53,747,400	537,474,000
June 20, 2018	1,135,085	10	235.48	Cash	Conversion of Series C OCRPS ⁽¹⁷⁾	54,882,485	548,824,850
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series A OCRPS ⁽¹⁸⁾	55,166,256	551,662,560
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series B OCRPS ⁽¹⁹⁾	55,450,027	554,500,270
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series A OCRPS ⁽²⁰⁾	55,733,798	557,337,980
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series B OCRPS ⁽²¹⁾	56,017,569	560,175,690
June 20, 2018	1,488,544	10	235.48	Cash	Conversion of convertible	57,506,113	575,061,130

Date of allotment	No. of Equity Shares allotted	Face value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of consideration	Reason/ Nature of allotment	Cumulative number of Equity Shares	Cumulative paid-up Equity Share capital (₹)
					share warrants ⁽²²⁾		
June 21, 2018	2,127,570	10	235.48	Cash	Private placement ⁽²³⁾	59,633,683	596,336,830
Total	59,633,683					59,633,683	596,336,830

- (1) 20,000 Equity Shares were allotted to Padmaja Gangireddy, 12,000 Equity Shares were allotted to Vijaya Siva Rami Reddy Vendidandi, 10,000 Equity Shares were allotted to Koteswaramma Yenumula, 4,100 Equity Shares were allotted to Asha Latha Mettla, 2,500 Equity Shares were allotted to Dr. Gangireddy Venkateswara Reddy, 1,100 Equity Shares were allotted to Nagamalleswara Rao and 1,000 Equity Shares were allotted to Bala Showraiah Narishetty pursuant to subscription to the MoA
- (2) 2,000,000 Equity Shares were allotted to Yenumula Koteswaramma on behalf of Spandana Mutual Benefit Trust and 100,000 Equity Shares were allotted to Padmaja Gangireddy
- (3) 153,900 Equity Shares were allotted to Padmaja Gangireddy, 14,000 Equity Shares were allotted to Koteswaramma Yenumula, 10,500 Equity Shares were allotted to Venkata Narendra Prasad Moparathi, 10,000 Equity Shares were allotted to Asha Latha Mettla, 4,000 Equity Shares were allotted to Vijaya Siva Rami Reddy Vendidandi and 1,900 Equity Shares were allotted to Yenumula Koteswaramma on behalf of Spandana Mutual Benefit Trust
- (4) 24,000 Equity Shares were allotted to Vijaya Siva Ram Reddy Vendidandi, 5,000 Equity Shares were allotted to Padmaja Gangireddy, 4,500 Equity Shares were allotted to Venkata Narendra Prasad Moparathi, 4,000 Equity Shares were allotted to Asha Latha Mettla, 3,000 Equity Shares were allotted to Gopi Chand Muppalla, 3,000 Equity Shares were allotted to Ramanjaneyulu Dasari, 3,000 Equity Shares were allotted to Rama Rao Athota, 3,000 Equity Shares were allotted to Sri Hari Chunduri, 3,000 Equity Shares were allotted to Raja Sekhar Reddymasu, 3,000 Equity Shares were allotted to Raja Bulla, 3,000 Equity Shares were allotted to Srinivasa Rao Goli, 3,000 Equity Shares were allotted to Peddi Reddy Bapathu, 3,000 Equity Shares were allotted to Nageswara Rao Ade, 2,500 Equity Shares were allotted to Salomon Sridhar Lam, 2,500 Equity Shares were allotted to Suresh Kumar Ravi, 2,000 Equity Shares were allotted to Nageswara Rao Nunna, 1,500 Equity Shares were allotted to Siva Naga Raju Goli, 1,500 Equity Shares were allotted to China Nageswara Rao Pallepogu, 1,500 Equity Shares were allotted to Venkateswarlu Gogula, 1,500 Equity Shares were allotted to Anand Babu Amrataluri, 1,500 Equity Shares were allotted to Nageswara Rao Panditi, 1,500 Equity Shares were allotted to Venkateswarlu Kottapalli, 1,500 Equity Shares were allotted to Narasimha Rao Reddymasu, 1,500 Equity Shares were allotted to Nanda Kishore Chilka, 1,500 Equity Shares were allotted to Raju Dasari, 1,500 Equity Shares were allotted to Kishore Borupothu, 1,500 Equity Shares were allotted to Appa Rao Marri, 1,500 Equity Shares were allotted to Bhupal Reddy Akki, 1,500 Equity Shares were allotted to Sampath Kumari Puli, 1,500 Equity Shares were allotted to Venkata Swamy Babu Sura, 1,500 Equity Shares were allotted to Kiran Kumar Dividevara, 1,500 Equity Shares were allotted to Chandra Nageswara Rao Vaddi, 1,500 Equity Shares were allotted to Ramaiah Medikundu, 1,500 Equity Shares were allotted to Rama Krishna Ammisetty, 1,500 Equity Shares were allotted to Vishnu Siripurapu, 1,500 Equity Shares were allotted to Jagadeesh Katakam, 1,500 Equity Shares were allotted to Bhushanam Duru, 1,500 Equity Shares were allotted to Raham Tulla Shaik, 1,500 Equity Shares were allotted to Rajesh Babu Peravali, 1,000 Equity Shares were allotted to Padmaja Chirakala, 1,000 Equity Shares were allotted to Jyothi Narisetty, 1,000 Equity Shares Samsonu Devarapalli, 1,000 Equity Shares were allotted to Nagamani Kaki, 1,000 Equity Shares were allotted to Sri Vani Puli, 1,000 Equity Shares were allotted to Rama Krishna Akula, 1,000 Equity Shares were allotted to Anjaneyulu Gaddam, 1,000 Equity Shares were allotted to Jaya Rao Merigala, 1,000 Equity Shares were allotted to Ravi Babu Gadde, 1,000 Equity Shares were allotted to Venkateswarlu Ande, 1,000 Equity Shares were allotted to Veera Swamy Athota, 1,000 Equity Shares were allotted to Edu Kondalu Gudikondula, 1,000 Equity Shares were allotted to Baji Shaik, 1,000 Equity Shares were allotted to Venu Babu Annaladasu, 250 Equity Shares were allotted to Yesu Babu Battini, 250 Equity Shares were allotted to Pakeer Saheb Shaik, 250 Equity Shares were allotted to Seshu Kasturi and 250 Equity Shares were allotted to Naga Raju Kotra
- (5) 2,897,500 Equity Shares were allotted to Padmaja Gangireddy, 2,475,000 Equity Shares were allotted to Vijaya Siva Rami Reddy Vendidandi, 193,750 Equity Shares were allotted to Koteswaramma Yenumula, 150,000 Equity Shares were allotted to Asha Latha Mettla, 75,000 Equity Shares were allotted to Venkata Narendra Prasad Moparathi, 3,750 Equity Shares were allotted to Sampath Kumari Puli, 31,250 Equity Shares were allotted to Salomon Sridhar Lam, 12,500 Equity Shares were allotted to Nageswara Rao Nunna, 7,500 Equity Shares were allotted to Gopi Chand Muppalla, 3,750 Equity Shares were allotted to Siva Naga Raju Goli, 3,750 Equity Shares were allotted to Bhupal Reddy Akki, 2,500 Equity Shares were allotted to Veera Swamy Athota, 3,750 Equity Shares were allotted to Venkata Swamy Babu Sura, 3,750 Equity Shares were allotted to Kiran Kumar Dividevara, 3,750 Equity Shares were allotted to Chandra Nageswara Rao Vaddi, 3,750 Equity Shares were allotted to Ramaiah Medikundu, 15,000 Equity Shares were allotted to Ramanjaneyulu Dasari, 3,750 Equity Shares were allotted to Rama Krishna Ammisetty, 2,500 Equity Shares were allotted to Rama Krishna Akula, 2,500 Equity Shares were allotted to Anjaneyulu Gaddam, 2,500 Equity Shares were allotted to Jaya Rao Merigala, 3,750 Equity Shares were allotted to Vishnu Siripurapu, 2,500 Equity Shares were allotted to Ravi Babu Gadde, 3,750 Equity Shares were allotted to Jagadeesh Katakam, 3,750 Equity Shares were allotted to Bhushanam Duru, 27,500 Equity Shares were allotted to Peddi Reddy Bapathu, 7,500 Equity Shares were allotted to Nageswara Rao Ade, 3,750 Equity Shares were allotted to Raham Tulla Shaik, 3,750 Equity Shares were allotted to Venkateswara Reddy Bapathu, 7,500 Equity Shares were allotted to Srinivasa Rao Goli, 6,250 Equity Shares were allotted to Suresh Kumar Ravi, 2,500 Equity Shares were allotted to Padmaja Chirakala, 3,750 Equity Shares were allotted to Venkateswarlu Kottapalli, 2,500 Equity Shares were allotted to Jyothi Narisetty, 2,500 Equity Shares were allotted to Samsonu Devarapalli, 2,500 Equity Shares were allotted to Nagamani Kaki, 2,500 Equity Shares were allotted to Sri Vani Puli, 3,750 Equity Shares were allotted to China Nageswara Rao Pallepogu, 3,750 Equity Shares were allotted to Raju Dasari, 3,750 Equity Shares were allotted to Kishore Borupothu, 3,750 Equity Shares were allotted to Appa Rao Marri, 2,500 Equity Shares were allotted to Venkateswarlu Ande, 2,500 Equity Shares were allotted to Brahmananda Reddy Chirala, 3,750 Equity Shares were allotted to Nanda Kishore Chilka, 2,500 Equity Shares were allotted to Baji Shaik, 2,500 Equity Shares were allotted to Venu Babu Annaladasu, 7,500 Equity Shares were allotted to Sri Hari Chunduri, 7,500 Equity Shares were allotted to Raja Bulla, 3,750 Equity Shares were allotted to Venkateswarlu Gogula, 3,750 Equity Shares were allotted to Anand Babu Amrataluri, 3,750 Equity Shares were allotted to Narasimha Rao Reddymasu, 625 Equity Shares were allotted to Yesu Babu Battini, 625 Equity Shares were allotted to Pakeer Saheb Shaik, 625 Equity Shares were allotted to Seshu Kasturi, 625 Equity Shares were allotted to Naga Raju Kotra, 3,750 Equity Shares were allotted to Nageswara Rao Panditi and 100,000 Equity Shares were allotted to Venkata Ramana Reddy Godi

- (6) 983,905 Equity Shares were allotted to JM Financial Trustee Company Private Limited and 224,146 Equity Shares were allotted to Lok Capital LLC
- (7) 1,656,590 Equity Shares were allotted to JM Financial Trustee Company Private Limited upon conversion of 27,297,353 compulsorily convertible preference shares; and 377,387 Equity Shares were allotted to Lok Capital LLC upon conversion of 6,218,688 compulsorily convertible preference shares
- (8) 1,522,186 Equity Shares were allotted to Valiant Mauritius Partners FDI Limited
- (9) 152,219 Equity Shares were allotted to Valiant Mauritius Partners FDI Limited
- (10) 3,269,621 Equity Shares were allotted to JM Financial Trustee Company Private Limited, 1,997,375 Equity Shares were allotted to Valiant Mauritius Partners FDI Limited, 222,500 Equity Shares were allotted to Raghu Vinay (on behalf of Spandana Employees Welfare Trust), 181,919 Equity Shares were allotted to Helion Ventures Partners II, LLC and 181,919 Equity Shares were allotted to Helion Venture Partners, LLC
- (11) 544,000 Equity Shares were allotted to JM Financial Trustee Company Private Limited, 330,000 Equity Shares were allotted to Valiant Mauritius Partners FDI Limited, 90,000 Equity Shares were allotted to Helion Venture Partners II, LLC and 36,000 Equity Shares were allotted to Helion Venture Partners, pursuant to the Rupee Term Loan Agreement dated April 29, 2014. For details, see "History and Certain Corporate Matters - Other Agreements" on page 150
- (12) 7,896,937 Equity Shares were allotted to Kangchenjunga and 171,689 Equity Shares were allotted to Kedaara AIF - 1
- (13) 650,790 Equity Shares were allotted to Valiant Mauritius Partners FDI Limited, 541,535 Equity Shares were allotted to JM Financial Products Limited, 74,954 Equity Shares were allotted to Padmaja Gangireddy, 38,512 Equity Shares were allotted to Raghu Vinay on behalf of Spandana Employee Welfare Trust and 1,634 Equity Shares were allotted to Bala Deepthi Gangireddy
- (14) 9,767,263 Equity Shares were allotted to Kangchenjunga and 212,352 Equity Shares were allotted to Kedaara AIF-1 upon conversion of 234,999,997 Class A CCPS
- (15) 4,954,819 Equity Shares were allotted to Kangchenjunga and 107,723 Equity Shares were allotted to Kedaara AIF-1 upon conversion of 119,212,760 Class A1 CCPS
- (16) 8,758,017 Equity Shares were allotted to Kangchenjunga and 190,408 Equity Shares were allotted to Kedaara AIF-1 upon conversion of 791,007,721 Class B CCPS
- (17) 1,135,085 Equity Shares were allotted to Padmaja Gangireddy upon conversion of 1,135,085 Series C OCRPS
- (18) 283,771 Equity Shares were allotted to Padmaja Gangireddy upon conversion of 283,771 FY18 Series A OCRPS
- (19) 283,771 Equity Shares were allotted to Padmaja Gangireddy upon conversion of 283,771 FY18 Series B OCRPS
- (20) 283,771 Equity Shares were allotted to Padmaja Gangireddy upon conversion of 283,771 FY19 Series A OCRPS
- (21) 283,771 Equity Shares were allotted to Padmaja Gangireddy upon conversion of 283,771 FY19 Series B OCRPS
- (22) 1,488,544 Equity Shares were allotted to Padmaja Gangireddy upon conversion of 1,488,544 convertible share warrants
- (23) 2,031,988 Equity Shares were allotted to Padmaja Gangireddy, 72,402 Equity Shares were allotted to Abdul Feroz Khan, 9,748 Equity Shares were allotted to Venkata Nageswararao, 9,185 Equity Shares were allotted to Raju Danttu, and 4,247 Equity Shares were allotted to Abanti Mitra

(b) **Preference Share Capital**

The following is the history of the preference share capital of our Company:

Date of allotment	No. of Preference Shares allotted	Face value per Preference Share (₹)	Issue / Acquisition/ Transfer price per Preference Share (₹)	Nature of consideration	Nature of allotment	Cumulative number of Preference Shares*	Cumulative paid-up Preference Share capital* (₹)
CCPS							
August 3, 2007	33,516,041	10	10.00	Cash	Preferential allotment ⁽¹⁾	33,516,041	335,160,410
OCCRPS							
September 26, 2011	943,700,000	10	-^	Other than cash	Allotment pursuant to the Master Restructuring Agreement ⁽²⁾	943,700,000	9,437,000,000
Promoter OCRPS							
March 31, 2017	2,270,169	10	235.48	Cash	Preferential allotment ⁽³⁾	2,270,169	22,701,690
Class A CCPS							
March 31, 2017	110,000,008	10	10.00	Cash	Private placement ⁽⁴⁾	110,000,008	1,100,000,080
December 4, 2017	124,999,989	10	10.00	Cash	Preferential allotment ⁽⁵⁾	234,999,997	2,349,999,970
Class A1 CCPS							
March 8, 2018	119,212,760	10	10.00	Cash	Preferential allotment ⁽⁶⁾	119,212,760	1,192,127,600

* As of the date of allotment of such Preference Shares

^ As part of the Corporate Debt Restructuring, the OCCRPS of the Company were transferred to India Infoline Finance Limited pursuant to the Settlement Agreement dated March 21, 2017 entered into between the Company, the CDR Lenders, ICICI Bank Limited and IDBI Trusteeship Services Limited. The OCCRPS were converted into 791,007,721 Class B CCPS and subsequently transferred by India Infoline Finance Limited to Kangchenjunga and Kedaara AIF - 1 pursuant to the Share Purchase Agreement dated March 27, 2017. For further details, see "History and Certain Corporate Matters - Summary of Key Agreements and Shareholders' Agreements" on page 148

(1) 27,297,353 CCPS were allotted to JM Financial Trustee Company Private Limited and 6,218,688 CCPS were allotted to Lok Capital LLC. Subsequently, these CCPS were converted into Equity Shares on October 14, 2008. For details in relation to the

allotment of Equity Shares pursuant to the conversion, see “ – Share Capital History of our Company – Equity Share Capital” on page 69

- (2) 943,700,000 OCCRPS were allotted to the CDR Lenders pursuant to the terms and conditions set out in the Master Restructuring Agreement. From the date of issue of the OCCRPS up to Fiscal 2016, our Company redeemed the OCCRPS to the extent of ₹1,526.92 million. Subsequently, these OCCRPS were converted into 791,007,721 Class B CCPS, which were in turn converted into 8,948,425 Equity Shares on May 15, 2018. For further details on the Master Restructuring Agreement, see “History and Certain Corporate Matters – Other Agreements” on page 150
- (3) 1,135,085 Series C OCRPS, 283,771 FY18 Series A OCRPS, 283,771 FY18 Series B OCRPS, 283,771 FY19 Series A OCRPS and 283,771 FY19 Series B OCRPS were allotted to Padmaja Gangireddy. These OCRPS were partly paid-up to the extent of ₹0.04 on the face value of ₹10 per OCRPS at the time of allotment and thereafter, on June 20, 2018, they were fully paid-up on payment of the balance subscription amounts and converted into Equity Shares. For details in relation to the allotment of Equity Shares pursuant to the conversion, see “- Share Capital History of our Company – Equity Share Capital”
- (4) 107,659,360 Class A CCPS were allotted to Kangchenjunga and 2,340,648 Class A CCPS were allotted to Kedaara AIF – 1. Subsequently, these Class A CCPS were converted into Equity Shares on May 15, 2018
- (5) 122,340,172 Class A CCPS were allotted to Kangchenjunga and 2,659,817 Class A CCPS were allotted to Kedaara AIF – 1. Subsequently, these Class A CCPS were converted into Equity Shares on May 15, 2018
- (6) 116,676,087 Class A1 CCPS were issued to Kangchenjunga and 2,536,673 Class A1 CCPS were issued to Kedaara AIF – 1. Subsequently, these Class A1 CCPS were converted into Equity Shares on May 15, 2018

As on the date of this Draft Red Herring Prospectus, our Company does not have any outstanding Preference Shares.

2. Issue of Equity Shares at price lower than the Offer Price in the last year

- (a) The table below sets forth the details of the Equity Shares issued by our Company at a price which may be lower than the Offer Price during a period of one year preceding the date of this Draft Red Herring Prospectus.

Date of Allotment	No. of Equity Shares	Face Value per Equity Share (₹)	Issue price per Equity Share (₹)	Nature of Consideration	Reason for Allotment
March 8, 2018	1,307,425	10	235.48	Cash	Preferential allotment
May 15, 2018	9,979,615	10	235.48	Cash	Conversion of Class A CCPS
May 15, 2018	5,062,542	10	235.48	Cash	Conversion of Class A1 CCPS
May 15, 2018	89,48,425	10	238.67	Cash	Conversion of Class B CCPS
June 20, 2018	1,135,085	10	235.48	Cash	Conversion of Series C OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series A OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series B OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series A OCRPS
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series B OCRPS
June 20, 2018	1,488,544	10	235.48	Cash	Conversion of convertible share warrants
June 21, 2018	2,127,570	10	235.48	Cash	Private placement

Except as disclosed above, our Company has not issued Equity Shares to any member of the Promoter Group in the last year at a price lower than the Offer Price.

3. Issue of shares for consideration other than cash or out of revaluation reserves or bonus issue

- (a) Our Company has not issued any Equity Shares or Preference Shares, including any bonus shares, out of revaluation reserves at any time since incorporation.
- (b) Except as stated below, our Company has not issued Equity Shares or Preference Shares for consideration other than cash or by way of bonus issue as on the date of this Draft Red Herring Prospectus:

Date of Allotment	No. of Equity Shares/ Preference Shares allotted	Face Value per Equity Share/ Preference Share (₹)	Issue price (₹)	Reason for allotment	Benefits accrued to our Company
November 2, 2005	6,165,000	10	-	Bonus issue in the ratio of 2.5 Equity Shares for every Equity Share held by then existing Shareholders	Nil
September 26, 2011	943,700,000	10	-	Allotment of OCCRPS to the CDR lenders pursuant to the terms and conditions set out in the Master Restructuring Agreement	Restructuring of debt pursuant to the CDR process

For more details, please see “- History of Equity Share Capital” on page 69.

4. History of the Equity Share Capital held by our Promoters

As on the date of this Draft Red Herring Prospectus, our Promoters hold 46,940,336 Equity Shares, constituting 78.71% of the issued, subscribed and paid-up Equity Share capital of our Company.

(a) Build-up of our Promoters’ shareholding in our Company:

Date of allotment/ transfer	Number of Equity Shares	Face Value per Equity Share (₹)	Issue/ Acquisition / Transfer price per Equity Share (₹)	Nature of Consideration	Nature of Transaction	Percentage (%) of pre- Offer Equity Share Capital	Percentage (%) of post- Offer Equity Share Capital
Padmaja Gangireddy							
March 10, 2003	20,000	10	10.00	Cash	Subscription to the Memorandum of Association	0.03	[●]
December 31, 2003	100,000	10	10.00	Cash	Preferential allotment	0.17	[●]
December 28, 2004	(118,000)	10	10.45	Cash	Transfer to Spandana Mutual Benefit Trust	(0.20)	[●]
January 7, 2005	398,000	10	10.00	Cash	Transfer from Spandana Mutual Benefit Trust	0.67	[●]
March 28, 2005	1,100	10	10.00	Cash	Transfer from Naga Malleswara Rao Janjam	Negligible*	
March 29, 2005	153,900	10	10.00	Cash	Preferential allotment of Equity Shares	0.26	[●]
May 19, 2005	5,000	10	10.00	Cash	Preferential allotment	0.01	[●]
June 6, 2005	20,000	10	11.00	Cash	Transfer from Spandana Mutual Benefit Trust	0.03	[●]
August 29, 2005	400,000	10	10.00	Cash	Transfer from Spandana Mutual Benefit Trust	0.67	[●]
October 7, 2005	179,000	10	10.00	Cash	Transfer from Spandana Mutual Benefit Trust	0.30	[●]
November 2, 2005	2,897,500	10	-	NA	Bonus issue in the ratio of 2.5 Equity Shares for every Equity	4.86	[●]

Date of allotment/transfer	Number of Equity Shares	Face Value per Equity Share (₹)	Issue/ Acquisition / Transfer price per Equity Share (₹)	Nature of Consideration	Nature of Transaction	Percentage (%) of pre-Offer Equity Share Capital	Percentage (%) of post-Offer Equity Share Capital
					Share held by then existing Shareholders		
December 3, 2005	31,500	10	10.00	Cash	Transfer from Yesu Babu Battini, Venkateswara Reddy Bapathu, Rama Rao Athota, Rama Krishna Ammisetty, Rama Krishna Akula, Pakeer Saheb Shaik and Chandra Nageswara Rao Vaddi	0.05	[●]
December 12, 2005	137,500	10	Nil	NA	Transfer from Venkata Narendra Prasad Moparthy	0.23	[●]
February 22, 2006	(29,750)	10	Nil	NA	Transfer to Spandana Employees Welfare Trust	(0.05)	[●]
February 22, 2006	(328,250)	10	10.00	Cash	Transfer to Spandana Mutual Benefit Trust	0.55	[●]
September 15, 2006	2,000,000	10	Nil	NA	Transfer from Vijaya Siva Ram Reddy Vendidandi	3.35	[●]
September 20, 2006	328,250	10	11.00	Cash	Transfer from Spandana Mutual Benefit Trust	0.55	[●]
July 20, 2007	(12,811)	10	115.86	Cash	Transfer to Lok Capital LLC	(0.02)	[●]
July 20, 2007	(56,237)	10	115.86	Cash	Transfer to JM Financial Trustee Company Private Limited	(0.09)	[●]
November 4, 2008	(10,500)	10	300.00	Cash	Transfer to Venkata Narendra Prasad Moparthy	(0.02)	[●]
August 27, 2009	(755)	10	Nil	NA	Transfer to Baji Shaik	Negligible*	[●]
August 27, 2009	(10,000)	10	Nil	NA	Transfer to Bala Deepthi Gangireddy	(0.02)	[●]
August 27, 2009	(11,320)	10	Nil	NA	Transfer to Asha Latha Mettla	(0.02)	[●]
March 18, 2010	20,500	10	656.95	Cash	Transfer from Venkata Narendra Prasad Moparthy	0.03	[●]
October 8, 2010	(10,508)	10	656.95	Cash	Transfer to JM Financial Trustee Company Private Limited	(0.02)	[●]

Date of allotment/transfer	Number of Equity Shares	Face Value per Equity Share (₹)	Issue/ Acquisition / Transfer price per Equity Share (₹)	Nature of Consideration	Nature of Transaction	Percentage (%) of pre-Offer Equity Share Capital	Percentage (%) of post-Offer Equity Share Capital
October 8, 2010	(305,731)	10	Nil	NA	Transfer to Vendidandi Revan Sahith Reddy	(0.51)	[●]
June 30, 2014	395,118	10	Nil	NA	Transfer from Vendidandi Revan Saahith Reddy	0.66	[●]
January 30, 2016	755	10	100.00	Cash	Transfer from SK Baji	Negligible*	[●]
April 29, 2017	(8,295)	10	271.22	Cash	Transfer to Kedaara AIF – 1	(0.01)	[●]
May 3, 2017	(381,554)	10	271.22	Cash	Transfer to Kangchenjunga	(0.64)	[●]
March 8, 2018	74,954	10	235.48	Cash	Preferential allotment	0.13	[●]
June 20, 2018	1,135,085	10	235.48	Cash	Conversion of Series C OCRPS	1.90	[●]
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series A OCRPS	0.48	[●]
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 18 Series B OCRPS	0.48	[●]
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series A OCRPS	0.48	[●]
June 20, 2018	283,771	10	235.48	Cash	Conversion of FY 19 Series B OCRPS	0.48	[●]
June 20, 2018	1,488,544	10	235.48	Cash	Conversion of convertible share warrants	2.50	[●]
June 21, 2018	2,031,988	10	235.48	Cash	Private placement	3.41	[●]
Sub-total (A)	11,670,067					19.57	[●]
Kangchenjunga							
March 31, 2017	7,896,937	10	235.48	Cash	Preferential allotment	13.24	[●]
May 3, 2017	381,554	10	271.22	Cash	Transfer from Padmaja Gangireddy	0.64	[●]
July 18, 2017	2,351,561	10	235.48	Cash	Transfer from JM Financial India Fund III Scheme C and D, through its trustees JM Financial Trustee Company Private Limited	3.94	[●]
March 12, 2018	312,276	10	235.48	Cash	Transfer from Lok Advisory Services Private Limited	0.52	[●]
April 16, 2018	847,842	10	263.44	Cash	Transfer from JM Financial India Fund III Scheme C and Scheme D	1.42	[●]
May 15, 2018	9,767,263	10	235.48	Cash	Conversion of Class A CCPS	16.38	[●]

Date of allotment/transfer	Number of Equity Shares	Face Value per Equity Share (₹)	Issue/ Acquisition / Transfer price per Equity Share (₹)	Nature of Consideration	Nature of Transaction	Percentage (%) of pre-Offer Equity Share Capital	Percentage (%) of post-Offer Equity Share Capital
May 15, 2018	4,954,819	10	235.48	Cash	Conversion of Class A1 CCPS	8.31	[●]
May 15, 2018	8,758,017	10	238.67	Cash	Conversion of Class B CCPS	14.69	[●]
Sub-total (B)	35,270,269					59.14	[●]
Total (A+B)	46,940,336					78.71	[●]

* Less than 0.01%

All the Equity Shares held by our Promoters were fully paid-up on the respective dates of acquisition of such Equity Shares.

Except as disclosed below, none of the Equity Shares held by our Promoters are pledged:

Our Individual Promoter, Padmaja Gangireddy, has pledged 6,917,898 Equity Shares held by her in the Company in favour of ECL Finance Limited as security for the facility granted by ECL Finance Limited pursuant to the master loan agreement dated May 30, 2018 entered into between our Promoter, Padmaja Gangireddy and ECL Finance Limited. The pledge created in favour of ECL Finance Limited is proposed to be released five working days prior to the filing of the Red Herring Prospectus with the RoC.

(b) Shareholding of the Promoters and the Promoter Group

The table below presents the shareholding pattern of our Promoters and Promoter Group as on the date of this Draft Red Herring Prospectus:

Sr. No.	Name of the person	Pre-Offer		Post-Offer*	
		No. of Equity Shares	Percentage of issued Equity Share Capital (%)	No. of Equity Shares	Percentage of issued Equity Share Capital (%) [#]
Promoters					
1.	Padmaja Gangireddy	11,670,067	19.57	[●]	[●]
2.	Kangchenjunga	35,270,269	59.14	[●]	[●]
Total (A)		46,940,336	78.71	[●]	[●]
Members of the Promoter Group					
3.	Vijay Siva Rami Reddy Vendidandi	1,491,483	2.50	[●]	[●]
Total (B)		1,491,483	2.50	[●]	[●]
Total		48,431,819	81.21	[●]	[●]

* Assuming full subscription in the Offer, and assuming all the Equity Shares offered by the Selling Shareholders as part of the Offer or Sale are transferred pursuant to this Offer.

[#] To be updated upon finalisation of the Offer Price.

(c) Details of Promoters' contribution and lock-in:

Pursuant to Regulations 32 and 36 of the SEBI ICDR Regulations, at least an aggregate of 20% of the fully diluted post-Offer equity share capital of our Company held by our Promoters shall be locked-in for a period of three years from the date of Allotment and our Promoters' shareholding in excess of 20% shall be locked in for a period of one year from date of Allotment.

The Equity Shares that are being locked-in are not and will not be ineligible for computation of minimum Promoters' contribution under Regulation 33 of the SEBI ICDR Regulations. In this regard, our Company confirms that the Equity Shares being locked-in do not consist of:

- Equity Shares acquired during the preceding three years (a) for consideration other than cash and revaluation of assets or capitalization of intangible assets; or (b) result from a bonus issue by utilization of revaluation reserves or unrealized profits of our Company or from a bonus issue against Equity Shares which are ineligible for computation of minimum Promoters' contribution;

- (ii) Equity Shares acquired by our Promoters during the one year preceding the date of this Draft Red Herring Prospectus, at a price lower than the price at which Equity Shares are being offered to the public in the Offer; and
- (iii) Our Company has not been formed by conversion of one or more partnership firms, and hence no Equity Shares have been allotted to our Promoters in the one year immediately preceding the date of this Draft Red Herring Prospectus pursuant to conversion from a partnership firm.

Further, our Promoters specifically confirm that the Equity Shares held by each of our Promoters that are offered as part of the minimum Promoters' contribution are not subject to any pledge or any other encumbrance.

The lock-in of the minimum Promoters' contribution would be created as per applicable law and procedures and details of the same shall also be provided to the Stock Exchanges before the listing of the Equity Shares.

All shares held by our Promoters are in dematerialized form as on the date of this DRHP.

The details of the Equity Shares held by our Promoters and locked-in as minimum Promoters' contribution are given below:

Name of the Promoter	No. of Equity Shares	Date of allotment/transfer of Equity Shares	Nature of Transaction	Face Value per Equity Share (₹)	Issue/Acquisition Price per Equity Share (₹)	Percentage (%) to Pre-Offer Paid-up Capital	Percentage (%) to Post-Offer Paid-up Capital
•	•	•	•	•	•	•	•
TOTAL	•	•	•	•	•	•	•

All the Equity Shares held by our Promoters were fully paid-up on the respective dates of acquisition of such Equity Shares.

The minimum Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and has been contributed by the person defined as a promoter under the SEBI ICDR Regulations.

(d) Details of share capital locked-in for one year:

In terms of the Regulation 37 of the SEBI ICDR Regulations, in addition to the Equity Shares proposed to be locked-in as part of our minimum Promoters' contribution as stated above, the entire pre-Offer equity share capital of our Company, shall be locked in for a period of one year from the date of allotment, except (i) for the Offered Shares; (ii) any Equity Shares held by or which may be allotted to the employees of our Company (who will continue to be employees of our Company as on date of Allotment) under the Spandana ESOP Plan, 2018 and the Spandana Employee Stock Option Scheme, 2018 or any other employee stock option or stock purchase scheme of our Company; (iii) any Equity shares held by Shareholders, who are registered as VCFs, category I AIFs, category II AIFs or FVCI or any other shareholder as prescribed under the SEBI ICDR Regulations. Equity Shares held by Kedaara AIF-1 as on the date of this Draft Red Herring Prospectus, shall not subject to lock-in for one year since Kedaara AIF-1 is a registered category II AIF. Further, Equity Shares held by Helion as on the date of this Draft Red Herring Prospectus shall not be subject to lock-in for one year since Helion is a registered VCF. Any unsubscribed portion of the Offered Shares would also be locked in as required under the SEBI ICDR Regulations.

(e) Other requirements in respect of lock-in:

Pursuant to Regulation 39 of the SEBI ICDR Regulations, the locked-in Equity Shares held by our Promoters can be pledged with any scheduled commercial bank or public financial institution as collateral security for loans granted by such scheduled commercial bank or public financial institution, provided that (i) if the Equity Shares are locked-in as minimum Promoters' contribution for three years under Regulation 36(a) of the SEBI ICDR Regulations, then such Equity shares may be pledged only if the loan has been granted by the scheduled commercial bank or public financial institution for the purpose of financing one or more of the objects of the Fresh Issue; (ii) if the Equity Shares not forming part of minimum Promoters' contribution are locked-in under Regulation 36(b) of the SEBI ICDR Regulations for one year, the pledge of such Equity Shares is one of terms of the sanction of the loan.

Pursuant to Regulation 40 of the SEBI ICDR Regulations, Equity Shares held by our Promoters, which are locked-in in accordance with Regulation 36 of the SEBI ICDR Regulations, may be transferred to any Promoter, any member of the Promoter Group, or to a new promoter or persons in control of our Company subject to continuation of the lock-in in the hands of the transferee for the remaining period and compliance with the Takeover Regulations, as applicable and such transferee shall not be eligible to transfer them till the lock-in period stipulated in SEBI ICDR Regulations has expired.

Further, pursuant to Regulation 40 of the SEBI ICDR Regulations, Equity Shares held by Shareholders other than our Promoters which are locked-in in accordance with Regulation 37 of the SEBI ICDR Regulations, may be transferred to any other person holding shares which are locked-in, subject to continuation of the lock-in in the hands of the transferee for the remaining period and compliance with the Takeover Regulations, as applicable and such transferee shall not be eligible to transfer them till the lock-in period stipulated in SEBI ICDR Regulations has expired.

(f) Lock-in of Equity Shares Allotted to Anchor Investors:

Any Equity Shares Allotted to Anchor Investors in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.

5. Details of the Equity Share capital held by the directors of our Corporate Promoter

As of the date of this Draft Red Herring Prospectus, the directors of our Corporate Promoter do not hold any Equity Shares.

6. Shareholding Pattern of our Company

The table below presents the pre-Offer shareholding pattern of our Company as on the date of this Draft Red Herring Prospectus:

Category (I)	Category of Shareholder (II)	Number of Shareholders (III)	No. of fully paid up equity shares held (IV)	No. of Partly paid-up equity shares held (V)	No. of shares underlying Depository Receipts (VI)	Total nos. shares held (VII) = (IV)+(V)+ (VI)	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) (VIII) As a % of (A+B)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants) (X)	Shareholding , as a % assuming full conversion of convertible securities (as a percentage of diluted share capital) (XI)= (VII)+(X) As a % of (A+B)	Number of Locked in shares (XII)		Number of Shares pledged or otherwise encumbered (XIII)		Number of equity shares held in dematerialized form (XIV)
								No of Voting Rights						No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
								Class	Class	Total	Total as a % of (A+B)							
(A)	Promoters and Promoter Group	3	48,431,819	-	-	48,431,819	81.22	48,431,819	-	48,431,819	81.22	-	81.22	-	-	6,917,898	14.28	48,431,919
(B)	Public	13	11,201,864	-	-	11,201,864	18.78	11,201,864	-	11,201,864	18.78	-	18.78	-	-	-	-	7,158,450
(C)	Non Promoter – Non Public	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C1)	Shares underlying DRs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(C2)	Shares held by Employee Trusts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total (A) + (B)	16	59,633,683	-	-	59,633,683	100.00	59,633,683	-	59,633,683	100.00	-	100.00	-	-	-	-	55,590,269

7. **Top 10 Shareholders:**

- (a) Our top 10 Shareholders as on the date of filing of this Draft Red Herring Prospectus are as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage (%)
1.	Kangchenjunga Limited	35,270,269	59.14
2.	Padmaja Gangireddy	11,670,067	19.57
3.	Valiant Mauritius Partners FDI Limited	4,632,570	7.77
4.	JM Financial Products Limited	2,017,537	3.38
5.	JM Financial India Trust II	1,837,312	3.08
6.	Vijaya Siva Rami Reddy Vendidandi	1,491,483	2.50
7.	Helion Venture Partners II LLC	785,135	1.32
8.	Kedaara – AIF 1	766,815	1.29
9.	Helion Venture Partners LLC	731,136	1.23
10.	Spandana Employee Welfare Trust	274,143	0.46
	Total	59,476,467	99.74

- (b) Our top 10 Shareholders 10 days prior to the date of filing of this Draft Red Herring Prospectus are as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage (%)
1.	Kangchenjunga Limited	35,270,269	65.62
2.	Padmaja Gangireddy	5,879,366	10.94
3.	Valiant Mauritius Partners FDI Limited	4,632,570	8.62
4.	JM Financial Products Limited	2,017,537	3.75
5.	JM Financial India Trust II – JM Financial India Fund II	1,837,312	3.42
6.	Vijaya Siva Rami Reddy Vendidandi	1,491,483	2.77
7.	Helion Venture Partners II, LLC	785,135	1.46
8.	Kedaara AIF -1	766,815	1.43
9.	Helion Venture Partners LLC	731,136	1.36
10.	Spandana Employee Welfare Trust	274,143	0.51
	Total	53,685,766	99.89

- (c) Our top 10 Shareholders two years prior to the date of filing of this Draft Red Herring Prospectus are as follows:

Sr. No.	Name of the Shareholder	No. of Equity Shares	Percentage (%)
1.	JM Financial Trustee Company Private Limited	6,582,276	32.30
2.	Padmaja Gangireddy	6,193,506	30.39
3.	Valiant Mauritius Partners FDI Limited	3,981,780	19.54
4.	Vijaya Siva Rami Reddy Vendidandi	1,479,983	7.26
5.	Helion Venture Partners II, LLC	785,135	3.85
6.	Helion Venture Partners, LLC	731,136	3.58
7.	Lok Capital LLC	319,065	1.57
8.	Koteswaramma Enumula	228,788	1.12
9.	SIDBI	50,000	0.25
10.	Venkata Ramana Reddy Godi	11,500	0.06
	Total	20,363,169	99.92

8. **Details of Equity Shares held by our Directors and Key Management Personnel in our Company**

Except for Padmaja Gangireddy, our Managing Director, who holds 11,670,067 Equity Shares, Abanti Mitra, our Independent Director, who holds 4,247 Equity Shares and Abdul Feroz Khan, our Chief Strategy Officer, who holds 72,402 Equity Shares, none of our Directors or Key Management Personnel hold Equity Shares as of the date of this Draft Red Herring Prospectus.

9. Except for JM Financial Products Limited holding 2,017,537 Equity Shares aggregating to 3.38% of the issued and paid-up Equity Share Capital of our Company, the GCBRLMs and the BRLMs and their respective associates do not hold any Equity Shares as on the date of this Draft Red Herring Prospectus.
10. All Equity Shares were fully paid up as on the respective date of allotment.
11. Our Company has not made any public issue or rights issue of any kind or class of securities since its incorporation.

12. **Employee Stock Option Plan and Scheme**

Our Company, pursuant to the resolution passed by our Board dated May 15, 2018, and pursuant to the resolution passed by our Shareholders dated June 14, 2018, adopted the Spandana ESOP Plan 2018. Under the Spandana ESOP Plan 2018, our Company, pursuant to the resolution passed by our Board dated May 15, 2018, and pursuant to the resolution passed by our Shareholders dated June 14, 2018, adopted the Spandana ESOP Scheme 2018. Pursuant to the Spandana ESOP Scheme 2018, options to acquire Equity Shares may be granted to Eligible Employees (as defined in Spandana ESOP Plan 2018). The aggregate number of Equity Shares, which may be issued under Spandana ESOP Scheme 2018, shall not exceed 2,068,650 Equity Shares. As on the date of this Draft Red Herring Prospectus, no options have been granted by our Company under the Spandana ESOP Scheme 2018.

13. Except as disclosed in this Draft Red Herring Prospectus, none of our Directors and their immediate relatives have purchased or sold any securities of our Company during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with the SEBI. Except as disclosed in this Draft Red Herring Prospectus, none of the members of our Promoter Group, or the directors of our Corporate Promoter have purchased or sold any securities of our Company during the period of six months immediately preceding the date of filing of this Draft Red Herring Prospectus with the SEBI.
14. As of the date of the filing of this Draft Red Herring Prospectus, the total number of our Shareholders is 16.
15. Neither our Company nor our Directors have entered into any buy-back and/ or standby arrangements for purchase of Equity Shares from any person. Further, the GCBRLMs and the BRLMs have not made any buy-back and/ or standby arrangements for purchase of Equity Shares from any person.
16. All Equity Shares issued pursuant to the Offer will be fully paid-up at the time of Allotment and there are no partly paid up Equity Shares as on the date of this Draft Red Herring Prospectus. Further, all Equity Shares offered pursuant to the Offer shall be fully paid-up or may be forfeited for non-payment of calls within 12 months from the Allotment Date.
17. An oversubscription to the extent of 10% of the Offer can be retained for the purposes of rounding off to the nearest multiple of minimum Allotment lot while finalizing the Basis of Allotment.
18. There have been no financing arrangements whereby our Promoters, the members of the Promoters Group, the directors of our Corporate Promoter, our Directors and their relatives have financed the purchase by any other person of securities of our Company, other than in the normal course of the business of the financing entity during a period of six months preceding the date of filing of this Draft Red Herring Prospectus.
19. Our Company presently does not intend or propose to alter its capital structure for a period of six months from the Bid/ Offer Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether on a preferential basis or by way of issue of bonus shares or on a rights basis or by way of further public issue of Equity Shares or qualified institutions placements or otherwise, except that if our Company enters into acquisitions, joint venture(s) or any other arrangements, our Company may, subject to receipt of necessary approvals, consider raising additional capital to fund such activities or to use Equity Shares as a currency for acquisitions or participation in such joint ventures at any time during the aforementioned six months. Provided, however, that the foregoing restrictions do not apply to: (a) the issuance of any Equity Shares under this Offer; (b) the issuance of Equity Shares to employees pursuant to the Spandana ESOP Scheme 2018; and (c) any issuance, offer, sale or any other transfer or transaction of a kind referred to above of any Equity Shares under or in connection with the exercise of any options or similar securities, as disclosed in this Draft Red Herring Prospectus and as will be disclosed in the Red Herring Prospectus and the Prospectus, provided they have been approved by our Board.
20. The Offer is being made in terms of Rule 19(2)(b) of the SCRR. The Offer is being made through the Book Building Process, in compliance with Regulation 26(1) of the SEBI ICDR Regulations, wherein not more than 50% of the Offer shall be allocated on a proportionate basis to QIBs, provided that our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis ("**Anchor Investor Portion**"), at the Anchor Investor Allocation Price. At least one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above Anchor Investor Allocation Price. In the event of under-subscription, or non-allocation in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. However, if the aggregate demand from Mutual Funds is less than 5% of the Net QIB Portion, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the remaining Net QIB Portion for proportionate allocation to QIBs. Further, not less than 15% of the Offer shall be available for allocation on a proportionate basis to Non-

Institutional Bidders and not less than 35% of the Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price. All Bidders, other than Anchor Investors, shall mandatorily participate in this Offer through the Application Supported by Blocked Amount (“**ASBA**”) process by providing details of their respective bank accounts which will be blocked by the Self-Certified Syndicate Banks (“**SCSBs**”). Anchor Investors are not permitted to participate in the Offer through ASBA Process. For details, see “*Offer Procedure*” on page 363.

21. Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in any category, except in the Net QIB Portion, would be allowed to be met with spill over from any other category or a combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the GCBRLMs, the BRLMs and the Designated Stock Exchange.
22. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law.
23. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
24. Except for the sale of the Offered Shares in the Offer for Sale, our Promoters or the members of the Promoter Group will not submit Bids or participate in the Offer.
25. No person connected with the Offer, including, but not limited to, the GCBRLMs and the BRLMs, our Company, the Selling Shareholders, the members of the Syndicate, our Company, our Promoters, members of the Promoter Group or our Directors, shall offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any Bidder for making a Bid. Further, no payment, direct or indirect benefit in the nature of discount, commission and allowance or otherwise shall be offered or paid either by our Company or our Promoters to any person in connection with making an applications for or receiving any Equity Shares pursuant to this Offer.
26. As on the date of this Draft Red Herring Prospectus, our Company has not allotted any Equity Shares pursuant to any scheme approved under Sections 391 to 394 of the Companies Act, 1956 or under Sections 230 to 232 of the Companies Act, 2013, as applicable.
27. There will be no further issue of Equity Shares whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from the date of filing of this Draft Red Herring Prospectus with SEBI until the Equity Shares have been listed on the Stock Exchanges or all application monies have been refunded, as the case may be.
28. Except for Mutual Funds sponsored by entities related to the GCBRLMs and the BRLMs, Syndicate members and any persons related to the GCBRLMs and the BRLMs or Syndicate members cannot apply in the Offer under the Anchor Investor Portion.
29. Our Company shall ensure that any transactions in the Equity Shares by our Promoters and the members of our Promoter Group during the period between the date of registering the Red Herring Prospectus filed in relation to this Offer with the RoC and the date of closure of the Offer shall be reported to the Stock Exchanges within 24 hours of the transactions.
30. As on the date of this Draft Red Herring Prospectus, there are no outstanding convertible securities or any other right which would entitle any person any option to receive Equity Shares.

OBJECTS OF THE OFFER

The Offer comprises of the Fresh Issue and the Offer for Sale.

Offer for Sale

All proceeds from the Offer will go to each of the Selling Shareholders, in proportion to their respective portion of the Offered Shares.

Fresh Issue

The proceeds of the Offer, after deducting Offer related expenses, are estimated to be ₹[●] million (“**Net Proceeds**”). Our Company proposes to utilise the Net Proceeds from the Fresh Issue towards augmenting its capital base to meet future capital requirements.

Further, our Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of our Company’s brand name and creation of a public market for the Equity Shares in India.

The main objects clause as set out in the Memorandum of Association enables our Company to undertake its existing activities and the activities for which funds are being raised by our Company through the Fresh Issue.

Net Proceeds

The details of the proceeds of the Fresh Issue are summarised in the table below:

Particulars	Amount (in ₹million)
Gross Proceeds of the Fresh Issue	4,000.00
(Less) Fresh Issue related expenses	[●]
Net Proceeds	[●]

To be finalised upon determination of the Offer Price.

Utilization of Net Proceeds of the Offer

The Net Proceeds of the Fresh Issue are proposed to be utilised for augmenting our capital base and general corporate purposes.

The fund requirements for the objects are based on internal management estimates and have not been appraised by any bank or financial institution.

Schedule of Deployment

The Net Proceeds of the Fresh Issue are proposed to be deployed in the Fiscal 2019.

The fund deployment indicated above is based on current circumstances of our business and we may have to revise its estimates from time to time on account of various factors, such as financial and market conditions, competition, interest rate fluctuations and other external factors, which may not be within the control of our management. This may entail rescheduling the proposed utilisation of the Net Proceeds and changing the allocation of funds from its planned allocation at the discretion of our management, subject to compliance with applicable laws.

Subject to applicable laws, in the event of any increase in the actual utilisation of funds earmarked for the objects of the Offer, such additional funds for a particular activity will be met by way of means available to us, including from internal accruals and any additional equity and/ or debt arrangements.

Details of the Objects of the Offer

The Net Proceeds will be utilized to augment the capital base of our Company to meet future capital requirements which are expected to arise out of growth in our Company’s assets, primarily the loans and advances given by our Company.

General corporate purposes

Our Company proposes to deploy the balance Net Proceeds aggregating to ₹[●] million towards general corporate purposes, subject to such utilization not exceeding 25% of the Gross Proceeds of the Fresh Issue, in compliance with Regulation 4(4) of the SEBI ICDR Regulations. The general corporate purposes for which our Company proposes to utilize Net Proceeds include brand building and marketing efforts, acquisition of fixed assets, meeting expenses incurred towards any strategic initiatives, partnerships, tie-ups, joint ventures or acquisitions, investment in our Subsidiary, long term or short term working capital requirements, meeting exigencies and expenses incurred by our Company in the ordinary course of business. In addition to the above, our Company may utilize the Net Proceeds towards other expenditure (in the ordinary course of business) considered expedient and as approved periodically by the Board or a duly constituted committee thereof, subject to compliance with

necessary provisions of the Companies Act. The quantum of utilization of funds towards each of the above purposes will be determined by our Board based on the amount actually available under this head and the business requirements of our Company, from time to time. Our Company's management, in accordance with the policies of the Board, shall have flexibility in utilizing surplus amount, if any.

Means of finance

The fund requirements set out above are proposed to be entirely funded from the Net Proceeds. Accordingly, we confirm that there are no requirements to make firm arrangements of finance under Regulation 4(2)(g) of the SEBI ICDR Regulations through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from Fresh Issue.

Interim use of Net Proceeds

Pending utilization of the Net Proceeds for the purposes described above, our Company will deposit the Net Proceeds in one or more scheduled commercial banks included in the second schedule of Reserve Bank of India Act, 1934 as may be approved by our Board/ IPO Committee. In accordance with Section 27 of the Companies Act, 2013, our Company confirms that it shall not use the Net Proceeds for buying, trading or otherwise dealing in shares of any other listed company or for any investment in the equity markets.

Bridge Financing Facilities

Our Company has not raised any bridge loans from any bank or financial institution as on the date of this Draft Red Herring Prospectus, which are proposed to be repaid from the Net Proceeds.

Offer Expenses

The total Offer related expenses are estimated to be approximately ₹[●] million. The Offer related expenses primarily consist of listing fees, underwriting fees, selling commission, fees payable to the GCBRLMs and the BRLMs, legal counsels, Registrar to the Offer, processing fee to the SCSBs for processing ASBA Forms submitted by ASBA Bidders procured by the members of the Syndicate and submitted to SCSBs, brokerage and selling commission payable to Registered Brokers, printing and stationary expenses, advertising and marketing expenses and all other incidental expenses for listing the Equity Shares on the Stock Exchanges.

All fees and expenses in relation to the Offer shall be shared between our Company and the Selling Shareholders in the proportion as mutually agreed between the Company and the Selling Shareholders, in accordance with applicable law. However, for ease of operations, expenses of the Selling Shareholders may, at the outset, be borne by our Company on behalf of the Selling Shareholders, and each Selling Shareholder will reimburse our Company all such expenses, upon successful completion of the Offer in the proportion as mutually agreed between the Company and the Selling Shareholders, in accordance with applicable law. However, in the event that the Offer is withdrawn or not completed for any reason whatsoever, all Offer related costs and expenses will be borne by the Company.

The break-up for the estimated Offer expenses are as follows:

Activity	Estimated Amount ⁽¹⁾ (₹ in million)	As a % of total estimated Offer related expenses ⁽¹⁾	As a % of Offer size ⁽¹⁾
Payment to the GCBRLMs and the BRLMs (including underwriting commission, brokerage and selling commission)	[●]	[●]	[●]
Commission and processing fees for SCSBs ⁽²⁾	[●]	[●]	[●]
Brokerage and selling commission for Members of the Syndicate, Registered Brokers, RTAs and CDPs ⁽³⁾	[●]	[●]	[●]
Fees payable to Registrar to the Offer	[●]	[●]	[●]
Others:	[●]	[●]	[●]
i. Listing fees, SEBI filing fees, book-building software fees;			
ii. Printing and stationary expenses;			
iii. Fees payable to Monitoring Agency;			
iv. Advertising and marketing for the Offer; and			
v. Miscellaneous.			
Total estimated Offer expenses	[●]	[●]	[●]

⁽¹⁾ Will be completed after finalisation of the Offer Price.

⁽²⁾ Selling commission payable to the SCSBs on the portion for Retail Individual Bidders and Non-Institutional Bidders which are directly procured by the SCSBs, would be as follows:

Portion for Retail Individual Bidders*	[●]% of the Amount Allotted (plus applicable taxes)
Portion for Non-Institutional Bidders*	[●]% of the Amount Allotted (plus applicable taxes)

* Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price.

Selling Commission payable to the SCSBs will be determined on the basis of the bidding terminal ID as captured in the Bid Book of BSE or NSE. No processing fees shall be payable by our Company and the Selling Shareholders to the SCSBs on the applications directly procured by them. Processing fees payable to the SCSBs on the portion for Retail Individual Bidders and Non-Institutional Bidders which are procured by the members of the Syndicate/sub-Syndicate/Registered Broker/RTAs/ CDPs and submitted to SCSB for blocking, would be as follows:

Portion for Retail Individual Bidders*	₹[●] per valid application (plus applicable taxes)
Portion for Non-Institutional Bidders*	₹[●] per valid application (plus applicable taxes)

- (3) Selling commission on the portion for Retail Individual Bidders, Non-Institutional Bidders which are procured by members of the Syndicate (including their sub-Syndicate Members), Registered Brokers, RTAs and CDPs would be as follows:

Portion for Retail Individual Bidders	[●]% of the Amount Allotted* (plus applicable taxes)
Portion for Non-Institutional Bidders	[●]% of the Amount Allotted* (plus applicable taxes)

- * Amount Allotted is the product of the number of Equity Shares Allotted and the Offer Price. The Selling Commission payable to the Syndicate / Sub-Syndicate Members will be determined on the basis of the application form number / series, provided that the application is also bid by the respective Syndicate / Sub-Syndicate Member. For clarification, if a Syndicate ASBA application on the application form number / series of a Syndicate / Sub-Syndicate Member, is bid by an SCSB, the Selling Commission will be payable to the SCSB and not the Syndicate / Sub-Syndicate Member. Bidding Charges payable to members of the Syndicate (including their sub-Syndicate Members), RTAs and CDPs on the portion for Retail Individual Bidders and Non-Institutional Bidders which are procured by them and submitted to SCSB for blocking, would be as follows: ₹[●] plus GST, per valid application bid by the Syndicate (including their sub-Syndicate Members), RTAs and CDPs. The selling commission and Bidding Charges payable to Registered Brokers the RTAs and CDPs will be determined on the basis of the bidding terminal id as captured in the Bid Book of BSE or NSE.

Monitoring Utilization of Funds

Our Company has appointed [●] as the monitoring agency in relation to the Offer. Our Board and the Monitoring Agency will monitor the utilization of Net Proceeds of the Offer and the Monitoring Agency will submit its report to our Board in terms of Regulation 16(2) of SEBI ICDR Regulations.

Pursuant to Regulation 18(3) of the SEBI Listing Regulations, our Company shall on a quarterly basis disclose to the Audit Committee the uses and application of the Net Proceeds. The Audit Committee shall make recommendations to our Board for further action, if appropriate. Our Company shall, on an annual basis, prepare a statement of funds utilised for purposes other than those stated in this Draft Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only till such time that all the Net Proceeds have been utilised in full. The statement shall be certified by the statutory auditors of our Company. Furthermore, in accordance with Regulation 32 of SEBI Listing Regulations, our Company shall furnish to the Stock Exchanges on a quarterly basis, a statement including material deviations, if any, in the utilization of the Net Proceeds of the Offer from the objects of the Offer as stated above. The information will also be published in newspapers simultaneously with the interim or annual financial results and explanation for such variation (if any) will be included in our Directors' report, after placing the same before the Audit Committee. Comments or reports from the Monitoring Agency will also be submitted to the Stock Exchanges on utilization of the Net Proceeds. We will disclose the utilization of the Net Proceeds under a separate head along with details in our balance sheet(s) until such time as the Net Proceeds remain unutilized clearly specifying the purpose for which such Net Proceeds have been utilized.

Variation in Objects

In accordance with Sections 13(8) and 27 of the Companies Act, 2013, our Company shall not vary the objects of the Fresh Issue without our Company being authorised to do so by the Shareholders by way of a special resolution through a postal ballot. In addition, the notice issued to the Shareholders in relation to the passing of such special resolution ("Postal Ballot Notice") shall specify the prescribed details as required under the Companies Act. The Postal Ballot Notice shall simultaneously be published in the newspapers, one in English and one in Telugu, the regional language of Telangana, where our Registered Office is situated. Our Promoters or Shareholders will be required to provide an exit opportunity to such Shareholders who do not agree to the proposal to vary the objects, at such price, and in such manner, as prescribed in Chapter VI-A of the SEBI ICDR Regulations.

Other Confirmations

No part of the Net Proceeds will be paid by our Company to our Directors, members of the Promoter Group, Group Companies or Key Management Personnel, except in the normal course of business and in compliance with applicable law. Our Company has not entered into or is not planning to enter into any arrangement/ agreements with Promoters, Directors, Key Management Personnel or our Group Companies in relation to the utilization of the Net Proceeds of the Issue.

BASIS FOR OFFER PRICE

The Offer Price will be determined by our Company and the Selling Shareholders, in consultation with the GCBRLMs, the BRLMs, on the basis of assessment of market demand for the Equity Shares offered through the Book Building Process and on the basis of quantitative and qualitative factors as described below. The face value of the Equity Shares is ₹10 each and the Offer Price is [●] times the Floor Price and [●] times the Cap Price. Investors should also refer to the sections titled “Our Business”, “Risk Factors” and “Financial Statements” on pages 118, 17 and 187, respectively, to have an informed view before making an investment decision.

Qualitative Factors

We believe the following business strengths allow us to successfully compete in the industry:

- Seasoned business model with resilient performance through business cycles
- High degree of client engagement and robust risk management
- Streamlined systems and processes and high employee productivity
- Focus on the high potential and under-served rural segment
- Geographically diversified operations

For further details, see “Our Business - Competitive Strengths” and “Risk Factors” on pages 120 and 17, respectively.

Quantitative Factors

Some of the information presented below relating to our Company is based on the Restated Financial Statements prepared in accordance with Indian GAAP and the Companies Act, 2013 and restated in accordance with the SEBI ICDR Regulations. For details, see “Financial Statements” on page 187.

Some of the quantitative factors which may form the basis for computing the Offer Price are as follows:

1. Basic and Diluted Earnings Per Share (“EPS”) on a standalone basis

Particulars	Basic EPS (₹)	Diluted EPS (₹)	Weight
Year ended March 31, 2018	59.71	38.54	3
Year ended March 31, 2017	20.61	0.52	2
Year ended March 31, 2016	120.94	2.98	1
Weighted average (Refer Note 5)	56.88	19.94	

Basic and Diluted Earnings Per Share (“EPS”) on a consolidated basis

Particulars	Basic EPS (₹)	Diluted EPS (₹)	Weight
Year ended March 31, 2018	59.71	38.53	Not Applicable

Note:

1. The EPS calculations have been done in accordance with Accounting Standard 20 – “Earnings per Share” issued by ICAI
2. The face value of each Equity Share is ₹10.
3. The ratios have been computed as below:
 - a. Basic EPS (in ₹) = Net profit, after tax, as restated for the year attributable to equity shareholders/ Weighted average number of equity shares outstanding during the year
 - b. Diluted EPS (in ₹) = Net profit, after tax, as restated for the year attributable to equity shareholders/ Weighted average number of dilutive equity shares outstanding during the year
4. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year, adjusted by the number of equity shares issued during the year multiplied by the time-weighting factor. The time-weighting factor is the number of days for which the specific shares are outstanding as a proportion of the total number of days during the fiscal
5. Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. [(EPS x Weight) for each fiscal] / [Total of weights]

2. As on date the Basic Earnings Per Share (“EPS”) taking into consideration all the conversions of the OCRPS, warrants, etc.

	Consolidated	Standalone		
Basic EPS (₹)	For the year ended March 31, 2018	For the year ended March 31, 2018	For the year ended March 31, 2018	For the year ended March 31, 2018
	28.57	28.57	7.05	41.33

3. Price/ Earning (“P/ E”) ratio in relation to Price Band of ₹[●] to ₹[●] per Equity Share

- P/ E based on basic and diluted EPS for the year ended March 31, 2018 at the lower end of the Price Band are [●] and [●], respectively.
- P/ E based on basic and diluted EPS for the year ended March 31, 2018 at the higher end of the Price Band are [●] and [●], respectively.
- Industry P/ E ratio

Particulars	P/ E
Highest	566.6
Lowest	31.5
Average	133.6

Note: The industry high and low has been considered from the industry peer set provided later in this chapter. The industry composite has been calculated as the arithmetic average P/ E of the industry peer set disclosed in this chapter.

4. Return on Net Worth (“RoNW”) on a standalone basis

Financial Year ended	RoNW (%)	Weight
March 31, 2018	17.31%	3
March 31, 2017	7.81%	2
March 31, 2016	125.48%	1
Weighted Average	32.17%	

Return on Net Worth (“RoNW”) on a consolidated basis

Financial Year ended	RoNW (%)	Weight
March 31, 2018	17.31%	Not Applicable

Note:

RoNW = Net profit after tax, as restated for the year, attributable to shareholders/ Net worth (excluding revaluation reserve), as restated, at the end of the year

* Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights i.e. [(EPS x Weight) for each year] / [Total of weights]

5. Minimum Return on Net Worth after Offer

to maintain Pre-Offer Basic EPS for Financial Year 2017-18

Particulars	Restated Standalone (%)	Restated Consolidated (%)
At the Floor Price	[●]	[●]
At the Cap Price	[●]	[●]

to maintain Pre-Offer Diluted EPS for Financial Year 2017-18:

Particulars	Restated Standalone (%)	Restated Consolidated (%)
At the Floor Price	[●]	[●]
At the Cap Price	[●]	[●]

6. Net Asset Value (“NAV”) per Equity Share

Particulars	Restated Standalone (₹)	Restated Consolidated (₹)
Financial Year 2018	(54.15)	(54.16)
Financial Year 2017	(127.36)	Not Applicable
Financial Year 2016	(291.73)	Not Applicable
NAV after the Issue	[●]	[●]
Offer Price*	[●]	[●]

* Offer Price per Equity Share will be determined on conclusion of the Book Building Process

Note: NAV = Net worth as at the end of the year/ Number of equity shares outstanding at the end of the year

7. Comparison with Listed Industry Peers

Name of the company	Standalone / Consolidated	Face value per equity share (₹)	P/ E ⁽¹⁾	Net Profit (in ₹ million)	EPS (Basic) (₹)	Net worth (in ₹ million)	Return on net worth (%)	Net Asset Value/ Share (₹)	Closing Share Price (as on March 28, 2018) (₹)
Bharat Financial Inclusion Limited	Standalone	10	33.4	2,897	32.89	29,987	15.19%	215.2	1097.55
Satin Creditcare Network Limited	Consolidated	10	1536	245	0.26	10,951	0.37%	229.7	399.35
Ujjivan Financial Services Limited	Consolidated	10	566.6	73	0.61	17,616	0.41%	145.7	345.6
Bandhan Bank Limited	Standalone	10	38.2	11,120	12.26	93,819	14.34%	78.7	468.3
Bajaj Finance Limited	Consolidated	2	37.2	18,364	47.54	1,65,457	16.16%	286.3	1769.75
Cholamandalam Investment & Finance Limited	Consolidated	10	23.2	7,194	62.41	51,645	18.89%	330.36	1449.7
Shriram City Union Finance Limited	Consolidated	10	20.5	6,871	104.18	57,478	11.95%	871.3	2140.8
Sundaram Finance Limited	Consolidated	10	26.1	7,665	64.04	49,023	15.64%	441.24	1674.5
Mahindra Mahindra Financial Services Limited	Consolidated	2	26.2	10,239	17.62	99,152	10.33%	160.5	461.8

Source: Stock Exchange. Based on Audited Financials for the year ended March 31, 2018

Note:

1. P/E ratio based on closing market price as on March 28, 2018 available on www.bseindia.com and using Basic EPS

8. The Offer Price will be [●] times of the face value of the Equity Shares

The Offer Price of ₹[●] has been determined by our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, on the basis of market demand from investors for Equity Shares through the Book Building Process and is justified in view of the above qualitative and quantitative parameters.

Investors should read the above mentioned information along with “Our Business”, “Risk Factors” and “Financial Statements” on pages 118, 17 and 187, respectively, to have a more informed view. The trading price of the Equity Shares could decline due to the factors mentioned in “Risk Factors” and you may lose all or part of your investments.

STATEMENT OF SPECIAL TAX BENEFITS

Statement of Possible Special Tax Benefits available to Spandana Sphoorty Financial Limited and its Shareholders under the applicable laws in India

The Board of Directors

Spandana Sphoorty Financial Limited
Plot No. 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial District, Nanakramguda,
Hyderabad, Telangana – 500 032

1. We hereby confirm that the enclosed statement, prepared by Spandana Sphoorty Financial Limited (the “Company”), provides the possible tax benefits available to the Company and to the shareholders of the Company under the Income Tax Act, 1961 (the “Act”) as amended by the Finance Act, 2018, i.e. applicable for the financial year 2018-19 relevant to the assessment year 2019-20, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the Act. Hence, the ability of the Company and / or its shareholders to derive the tax benefits is dependent upon their fulfilling such conditions which, based on business imperatives the Company faces in the future, the Company or its shareholders may or may not choose to fulfil.

Section 115JB of the Act was amended vide the Finance Act, 2017 providing a framework to compute book profit, which constitutes the tax base for Minimum Alternate Tax (“MAT”) levy, for companies converging to Ind-AS. These amendments, which provide for various adjustments to the book profits on account of transitional impact as well as year-on-year impact of Ind-AS, have not been included in the enclosed statement. Accordingly, we have not expressed our opinion on the impact of Ind-AS, which will be applicable to the Company from financial year 2018-19 onwards.

2. The benefits discussed in the enclosed statement are not exhaustive and the preparation of the contents stated is the responsibility of the Company’s management. We are informed that this statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.
3. We do not express any opinion or provide any assurance as to whether:
 - (i) the Company or its shareholders will continue to obtain these benefits in future;
 - (ii) the conditions prescribed for availing the benefits have been / would be met with; and
 - (iii) the revenue authorities/courts will concur with the views expressed herein.
4. The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of their understanding of the business activities and operations of the Company.

For **S. R. BATLIBOI & CO. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

per Shrawan Jalan

Partner

Membership No. 102102

Mumbai

June 15, 2018

STATEMENT OF TAX BENEFITS AVAILABLE TO SPANDANA SPHOORTY FINANCIAL LIMITED (THE “COMPANY”) AND ITS SHAREHOLDERS

I. UNDER THE INCOME-TAX ACT, 1961 (hereinafter referred to as ‘the Act’)

1. Special tax benefits available to the Company under the Act

- 1.1. The Company, being a Non-Banking Financial Company (NBFC), is entitled for accelerated deduction of bad and doubtful debts in terms of provision for bad and doubtful debts up to a specified limit under section 36(1)(viia) of the Act in computing its income under the head “Profits and gains of business or profession”.

The said deduction is available to the extent of five per cent of the gross total income, computed before considering any deduction under the aforesaid section and Chapter VI-A, subject to satisfaction of prescribed conditions.

However, subsequent claim of deduction of actual bad-debts under section 36(1)(vii) shall be reduced to the extent of deduction already allowed under section 36(1)(viia).

2. Special tax benefits available to the shareholders under the Act

There are no special tax benefits available to the shareholders of the Company.

Notes:

1. The above Statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.
2. The above statement covers only certain relevant direct tax law benefits and does not cover any indirect tax law benefits or benefit under any other law.
3. The above statement of possible tax benefits are as per the current direct tax laws relevant for the assessment year 2019-20. Several of these benefits are dependent on the Company or its shareholder fulfilling the conditions prescribed under the relevant tax laws.
4. This statement is intended only to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her investment in the shares of the Company.
5. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant DTAA, if any, between India and the country in which the non-resident has fiscal domicile.
6. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time. We do not assume responsibility to update the views consequent to such changes.

SECTION IV: ABOUT OUR COMPANY

INDUSTRY OVERVIEW

All the information contained in this chapter is derived from the ICRA Research report titled “Microfinance Sector in India” published in June 2018 (“**ICRA Report**”). Neither we, nor any other person connected with the Offer has independently verified this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends.

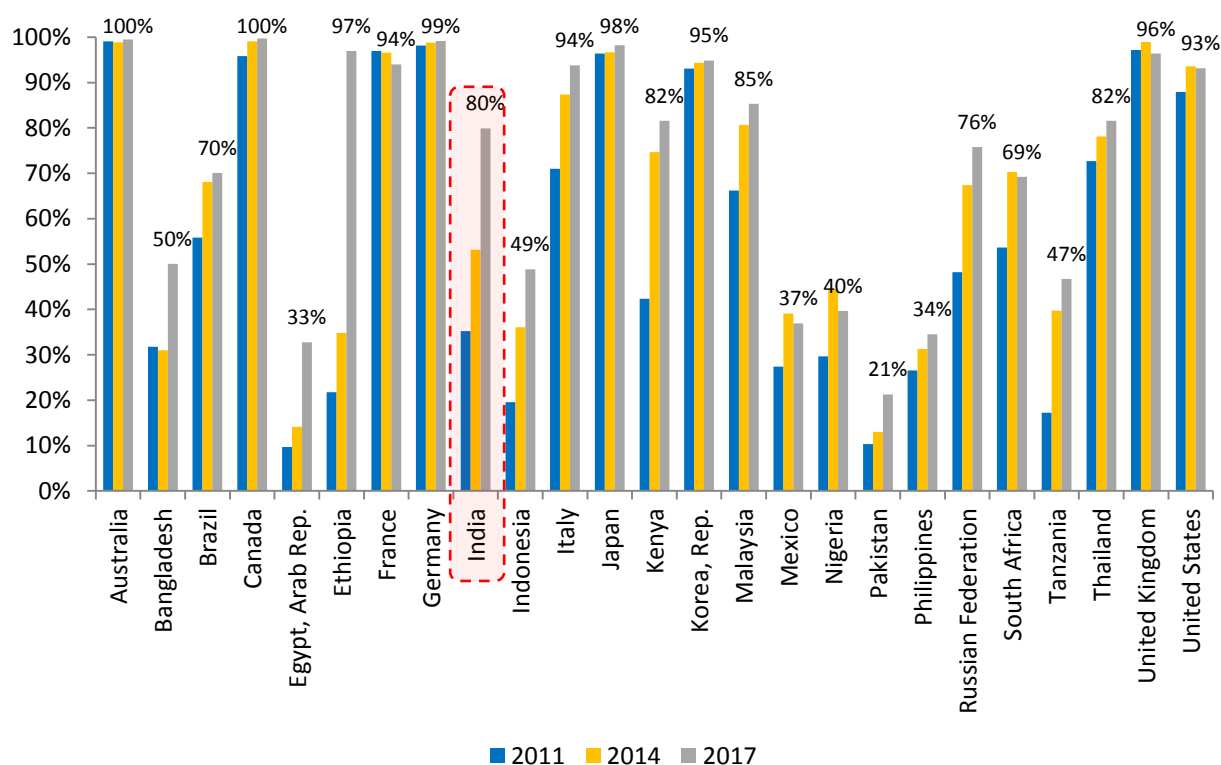
Financial Inclusion

Current scenario and key developments

The Committee on Financial Inclusion, chaired by Dr. C. Rangarajan, defines financial inclusion as the process of ensuring affordable access to financial services and timely and adequate credit when needed by vulnerable groups of society. Financial inclusion promotes economic development and reduces poverty as access to financial services makes it easier for people to manage their savings, prepare for emergencies and protect their health. Therefore, promoting financial inclusion has been a key priority for various development banks and nations.

Between 2014 and 2017, approximately 515 million adults worldwide opened an account at a financial institution or through a mobile money provider, which led to an increase in account ownership among adults from 51% in 2011 to 62% in 2014, and further to 69% in 2017. The share of adults with a bank account in India has more than doubled to approximately 80% since 2011, largely supported by the Pradhan Mantri Jan Dhan Yojana (“**PMJDY**”) (a scheme of the government of India), which led to account growth and traction in savings. However, while significant traction is present on the deposit side, ICRA Research notes that India is still among the Top 3 nations with unbanked people in the world, reflecting the strong need for an enhancement of the financial inclusion agenda.

Trends in account ownership status for key countries across the world



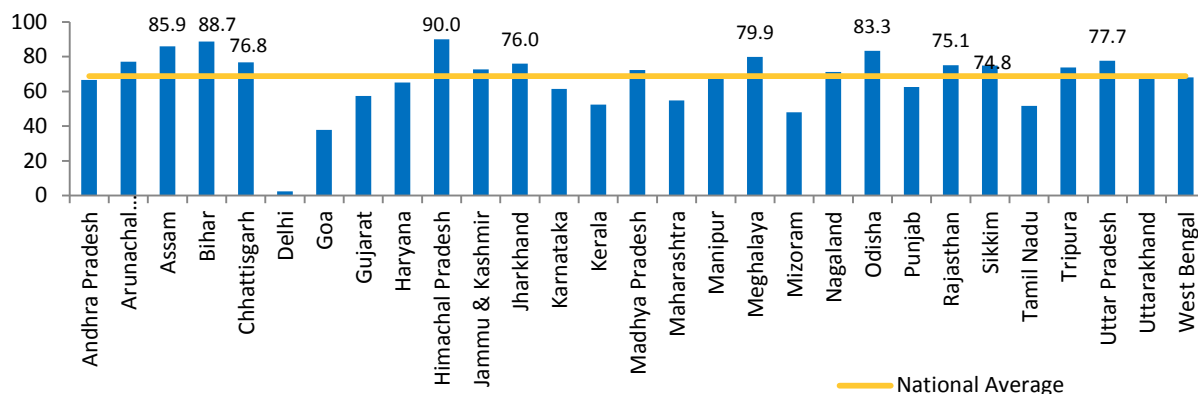
Source: Global Findex Report 2017

Rural areas account for almost half of NDP, but only 10% of banking credit

According to 2011 Census of India, there were about 640,000 villages in rural India and close to 68% of the total population residing in them. Rural India accounted for about 47% of the Net Domestic Product (“**NDP**”) but only 10% of the country’s total credit in comparison to 90% for urban India, which only contributed to 53% of the country’s NDP, as of 2011.

Low penetration of banking credit in rural areas

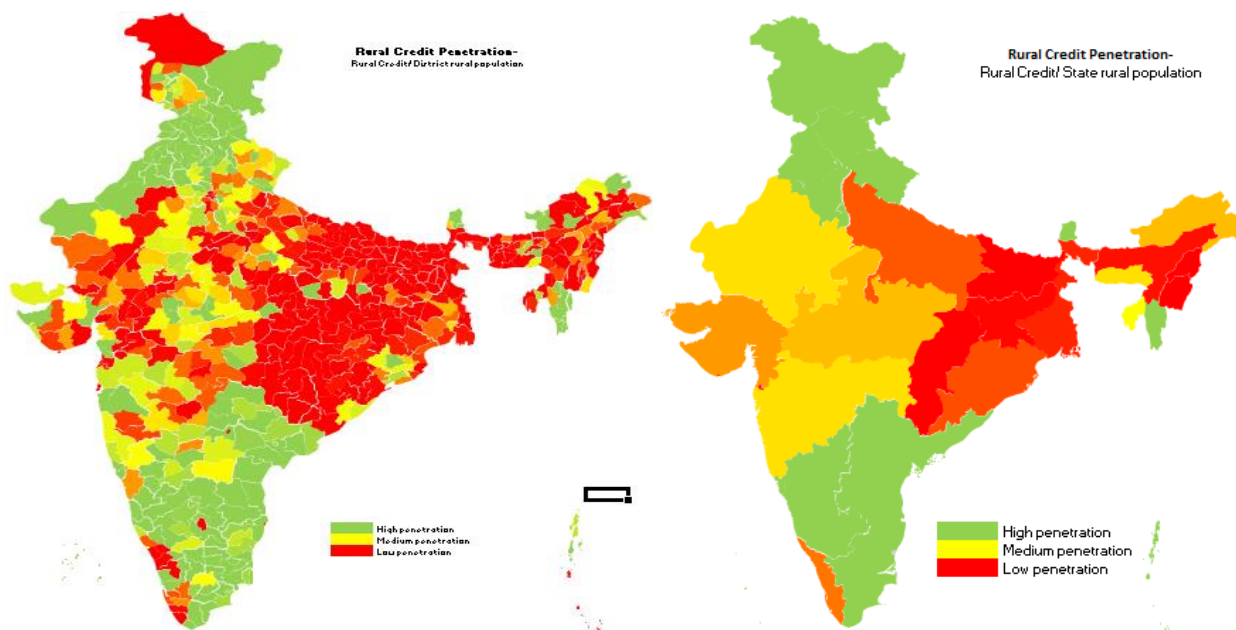
State-wise share of rural population (%) (Census 2011)



Source: rural.nic.in

As against the national average of the share of rural population in India of 68.8%, the share of rural population in certain states is significantly higher at 88.7% in Bihar, 83.3% in Odisha, 90.0% in Himachal Pradesh, 77.7% in Uttar Pradesh and 76.8% in Chhattisgarh. In most of these states where the average rural population is higher than the national average, the credit penetration also has been correspondingly lower.

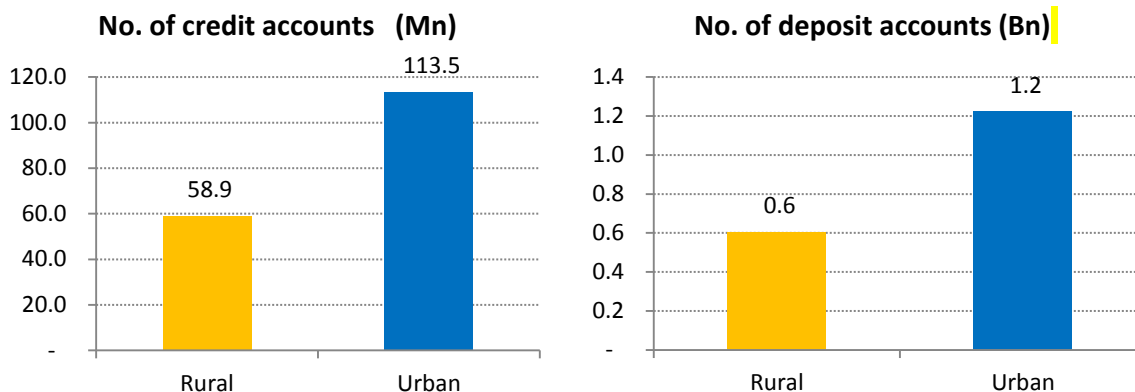
Credit penetration in rural areas – districts and states



Source: RBI; Note: This data pertains only to Bank credit penetration – FY2017; high penetration being 1.5x of national average and low penetration being 0.5x of national average

Even though southern states have a fairly healthy rural credit penetration, Uttar Pradesh and eastern states like Assam, Bihar, Jharkhand, West Bengal and Orissa are under penetrated, thus providing scope for microfinance players.

Comparison of number of credit and deposit accounts – Rural and urban (March 2017)



Source: RBI

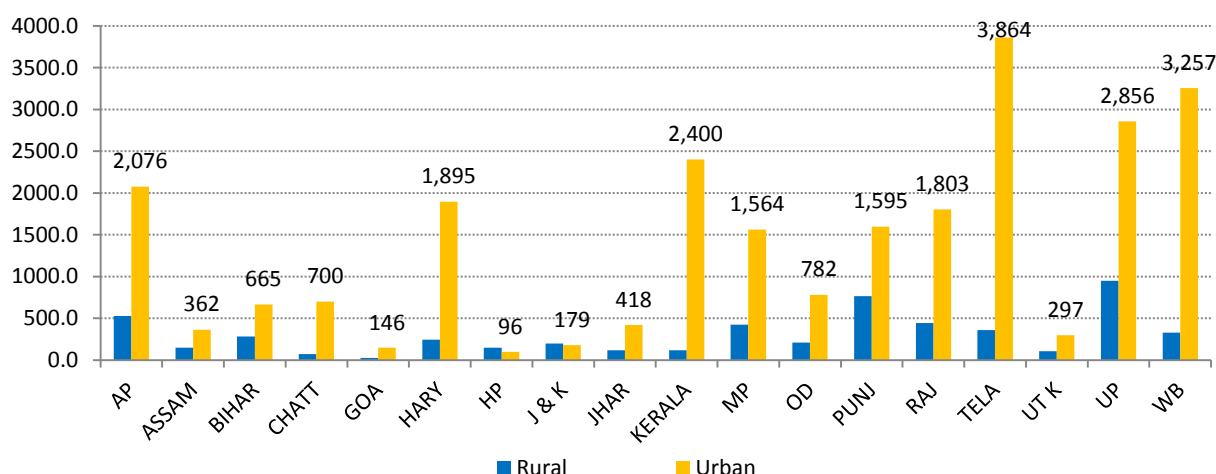
As of March 2017, there were only about 600 million deposit accounts and 60 million credit accounts in rural India, which accounted for about 30% of the total deposit accounts and 35% of the loan accounts in scheduled commercial banks despite rural India making up about 68% of the total population. The significant under-penetration of credit in rural areas offers strong potential for improvement. Given that microfinance institutions (“**MFIs**”) have relatively deeper reach, existing customer relationships and employee bases, they are well placed to address this demand which is currently being met by informal sources of funds such as local money lenders.

Large variations in availability of credit across states and districts

According to ICRA Research, a common feature among states with credit outstanding of more than ₹4.00 trillion and states with credit outstanding of less than ₹4.00 trillion is the sizeable gap between the credit outstanding in rural areas and urban areas. In most states, the credit outstanding in urban areas outweighed that of rural areas by multiple times, which indicates the extent of deficiency of credit availability in rural areas. While the Reserve Bank of India (“**RBI**”) and the government of India have been taking steps to improve credit availability in rural areas, the gap remains substantial. This offers significant potential for private players to serve this unmet demand. In particular, MFIs with deep reach in rural areas are better placed to deliver credit to the largely underserved segment in the country. Given the lack of organised financial aid to this segment of the society, for many of whom the alternate source of funds is money lenders who charge exorbitant rates. Hence, ICRA Research observes that the general inclination of borrowers to default on these loans is low.

Increasingly, several MFIs have shown a greater focus on the urban poor in the quest for better operating efficiency owing to ease of management. However, ICRA Research notes that the MFIs with strong branch infrastructure in rural areas that continue to focus on the credit-starved rural segment would stand to benefit from the growth potential offered by the rural segment.

State-wise credit outstanding – Rural and urban – March 2017 (Total credit > ₹4.0 trillion)



Source: RBI

Key steps taken by government to boost financial inclusion

The RBI and the government of India have launched various schemes for improving the penetration of credit, banking services, insurance and other social security programmes over the past three to four years. For example, the launch of the Stand-Up India Scheme, various new government-backed insurance schemes, the establishment of the PMJDY, and the Micro Units Development & Refinance Agency Ltd (MUDRA).

Some major steps taken by the government to increase financial inclusion are:

4. **PSL Requirements:** The RBI has set priority sector lending (“PSL”) target for banks, which are aimed at providing access to financial services to borrowers with modest credit profiles. PSL loans include loans to farmers for agriculture and allied activities, poor people for housing, and students for education. Social infrastructure and renewable energy are also eligible categories under this mechanism. The total PSL target for banks is currently 40% of the adjusted net bank credit (“ANBC”) or credit equivalent amount of off-balance sheet exposure, whichever is higher. As per the RBI, these sub-divisions include:
- **Agriculture:** Generally, all scheduled commercial banks are to extend 18% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, towards agricultural purposes. Within the 18% target for agriculture, a sub-target of 8% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, is prescribed for small and marginal farmers.
 - **Micro enterprises:** 7.5% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, for all scheduled commercial banks should be given to micro enterprises.
 - **Advances to weaker sections:** 10% of ANBC or credit equivalent amount of off-balance sheet exposure, whichever is higher, needs to be extended to weaker sections.
 - **Education loans:** Education loans (including loans for vocational courses) of up to ₹1 million will be made eligible for the priority sector irrespective of the sanctioned amount.
 - **Social infrastructure:** Bank loans of up to ₹50 million per borrower will be provided for building social infrastructure for activities, namely schools, healthcare facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centers.
 - **Renewable energy:** Bank loans of up to ₹150 million per borrower will be provided for purposes such as solar-based power generators, biomass-based power generators, wind mills, micro-hydel plants and for non-conventional energy-based public utilities viz street lighting systems and remote village electrification. For individual households, the loan limit will be ₹1 million per borrower.

The RBI permitted continuation of the priority sector status to MFIs vide its circular in May 2011. According to ICRA Research, the continuation of priority sector benefit to MFIs was instrumental in the resumption of credit flow to the sector. Further, RBI guidelines have also forced MFIs to adopt customer friendly policies, strong origination practices, target newer areas with lower penetration and rein in their operating expenses.

The continuation of PSL status for NBFC-MFIs and allowing NBFC-MFIs to act as business correspondents for banks augurs well for funding profile of NBFC MFIs. Further NBFC MFIs also have opportunities to raise off balance sheet funding through business correspondent model, securitization and assignments as a significant proportion of underlying portfolios which would qualify under the key categories of PSL targets.

5. **Pradhan Mantri Jan Dhan Yojana:** PMJDY was launched on August 28, 2014 as a National Mission for Financial Inclusion, to ensure access to basic financial services such as banking accounts, remittance, credit, insurance and pensions in an affordable manner. As of April 18, 2018, there were over 314 million beneficiaries with total deposits outstanding of over ₹810 billion.
6. **Small Finance Banks:** On September 16, 2015, the RBI granted “in principle” approval to ten applicants, of which seven were non-banking finance companies – microfinance institutions (“NBFC-MFIs”) to set up Small Finance Banks (“SFBs”). Such a scheme is likely to increase financial inclusion as the new licensees now have the ability to offer full range of services such as deposits and a diversified asset mix as opposed to a singular primary credit product (for NBFC-MFIs). This reduces political risk, opportunities to cross-sell, allows for greater supervision by the RBI and promotes greater liquidity support. However, these new players will still face key challenges in the form of deposit mobilization and diversification of asset mix.

Global Microfinance Industry

According to ICRA Research, approximately 116.6 million microfinance borrowers had access to credit products, with an overall gross loan portfolio of US\$92.4 billion outstanding as of 2015.

Gross loan portfolio and number of borrowers of Indian MFIs highest in the world

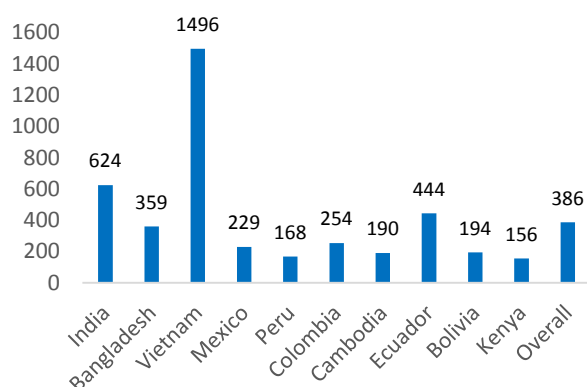
Top 10 countries by Active Microfinance Borrowers – 2015

Country	Active Borrowers	% of total	GLP	% of total	GLP per borrower
	'000		USD million		USD
India	38098	33%	11640	13%	306
Bangladesh	23978	21%	5753	6%	240
Vietnam	7534	6%	7352	8%	976
Mexico	6729	6%	4515	5%	671
Peru	4142	4%	9313	10%	2,248
Colombia	2757	2%	5317	6%	1,934
Cambodia	2306	2%	5264	6%	2,283
Ecuador	1412	1%	4761	5%	3,372
Bolivia	1226	1%	6510	7%	5,310
Kenya	374	0%	3290	4%	8,797
Total	116689		92443		792

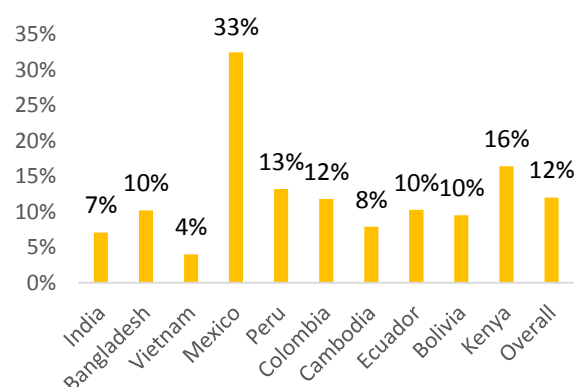
Source: Global Outreach & Financial Performance Benchmark Report – 2015

While India is the largest market in terms of number of microfinance borrowers and gross loan portfolio (“GLP”) outstanding, ticket sizes are amongst the lowest. India accounted for 13% of the US\$92.4 billion microfinance market in value terms and 33% of the total borrower population. However, the overall GLP per borrower was significantly lower than the world average.

Borrowers per loan officer



Operating expenses / loan portfolio

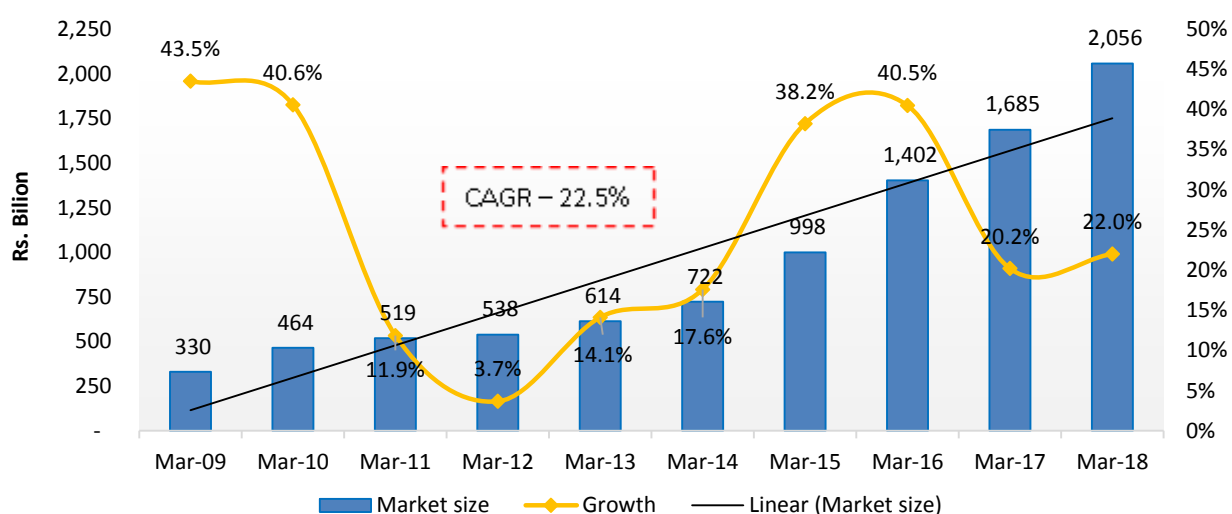


Source: Global Outreach & Financial Performance Benchmark Report – 2015; Data pertaining to 2015

Historical Growth and Development of the Indian Microfinance industry

GLP has grown at 22.5% CAGR in the last decade

Overall microfinance industry – Market size and growth



Source: ICRA Research, MFIN Micrometer, Status of Microfinance in India

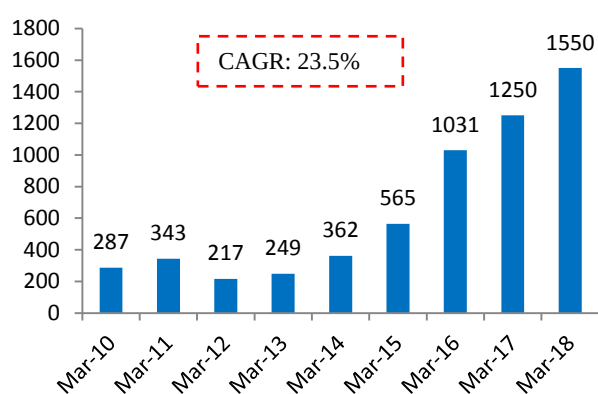
The microfinance sector in India has grown at a CAGR of 22.5% over the past ten years to reach ₹2,056 billion as of March 2018, despite some setbacks that have impacted the industry's growth. The industry has evolved over time, starting with the self-help group ("SHG") bank linkage programme and not-for-profit organisations ("NGOs") being the key participants in the sector, to the scaling of NBFCs, the conversion of Bandhan Financial Services into a universal commercial bank and the launch of the SFBs. Presently, the demand for micro credit is primarily being serviced by industry participants such as MFIs, NBFC-MFIs, SHG, banks, SFBs, NGOs and other informal lenders.

Over the years, the size of the overall microfinance sector has witnessed steady increase, mainly attributed to improved awareness and reach that led to increased volumes, as well as a rise in inflation and a larger number of borrowers with higher loan cycles that drive larger ticket sizes.

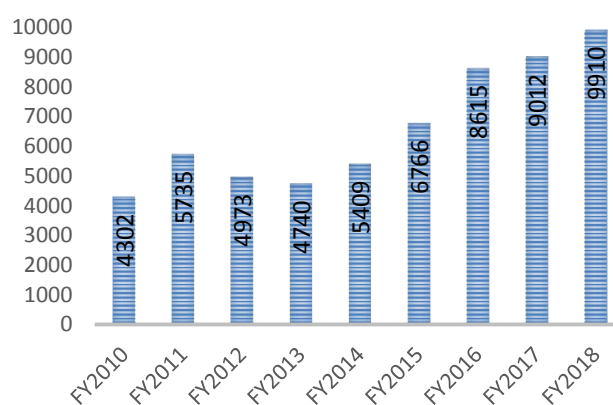
MFI industry resilient over the past decade despite some major events

The microfinance sector, in its various forms, has been in existence in India for several decades. During this period, the industry has grown manifold, driven by the most important driver – an inherent demand for credit at the bottom of the pyramid which remains largely underserved. The growth pattern and asset quality of the microfinance sector in India has been influenced by a number of negative events in the past – the AP crisis of October 2010, farm loan waivers by several states, as well as demonetization in November 2016. The industry has evolved over the cycles and demonstrated resilience by adapting to changing dynamics. While these negative events have had an adverse impact on the microfinance sector, the industry has developed solutions to address the issues posed by these situations, thereby coming out of the crises stronger. For example, despite the recent demonetization in November 2016, the industry remained resilient and continued on its growth path during the year ended 2017, although significant growth for the year was front-loaded. Subsequently, during the year ended 2018, the industry reported an annualized growth of approximately 22%, which put demonetization-related woes to rest.

Trend in disbursements*



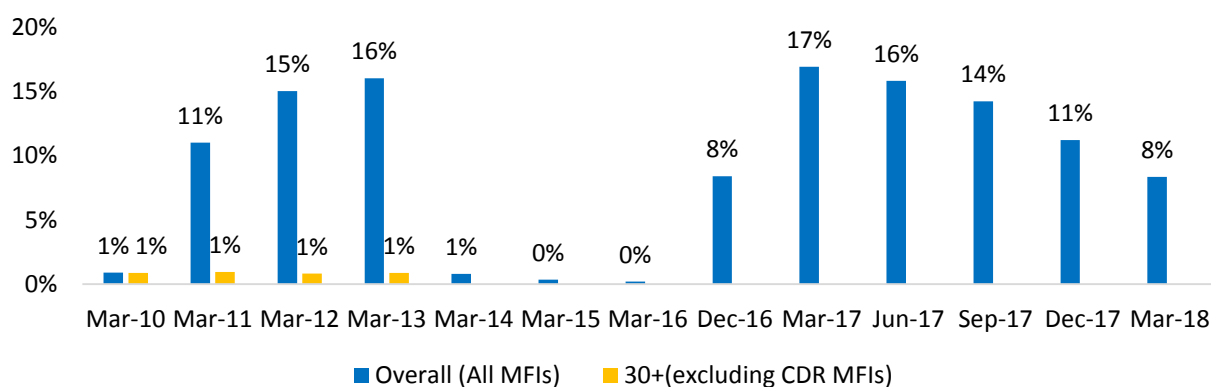
Branch network (number)



Source: MFIN Micrometer, ICRA research; Branch network till FY2016 pertains to MFIs+SFBs excluding Bandhan and CDR MFIs; FY2017 and FY2018 as per MFIN Micrometer

*excluding disbursements by SHG Bank Linkage programme

Industry trend in asset quality – 30 days past dues (dpd) delinquencies



Source: MFIN Micrometer, ICRA research; Data pertains to Non-CDR entities from March 2014 and AP Portfolio is excluded from March 2014

National Farm loan waiver (2008)

Under the National Farm Loan Waiver (2008) scheme, loans worth ₹525 billion which were disbursed by scheduled commercial banks, cooperative credit institutions, local area banks and regional rural banks between April 1, 1997 and March 31, 2007 to approximately 40 million farmers were waived by the Government of India. The national farm loan waiver in 2008 resulted in confusion and moral hazard among borrowers on their liability to repay microfinance loans. As a result, there was a decrease in collection efficiency in the initial years.

Andhra Pradesh (AP) Ordinance (2010)

In October 2010, the AP government passed the AP Microfinance Ordinance to put in place extremely stringent operating guidelines in response to the allegedly coercive collection practices adopted by MFIs in AP, which resulted in mass defaults and suicides by borrowers. These guidelines included compulsory registration for MFIs; allowing borrowers to be members of only one SHG; preventing MFIs from seeking collateral on loans; caps on the maximum amount of interest recoverable on loans prescribed and allowing the discharge of loans only in certain cases; requiring prior approval before granting subsequent loans to SHGs or their members; the adoption of coercive recovery methods to attract penalties; empowering state governments to provide guidance and directions to the microfinance industry and further enacted rules, if needed; and requiring groups to make all repayments in tranches only at the Gram Panchayat office.

After the implementation of the AP ordinance, there was a sharp decrease in the collection efficiency of AP-based MFIs from over 99% to almost nil with respect to their AP portfolio, forcing most MFIs based in AP to have their debt obligations restructured. On March 31, 2011, 61% of the MFI portfolios were concentrated amongst the AP-based MFIs.

Out of the seven key players with high portfolio concentration in AP, namely, Bharat Financial Inclusion Limited (Erstwhile SKS Microfinance Limited), Spandana Sphoorty Financial Limited, Share Microfin Limited, Asmitha Microfin Limited, Trident Microfin Private Limited, Bharatiya Samruddhi Finance Limited and Future Financial Services Limited, six were admitted to CDR (except Bharat Financial Inclusion Limited). Consequently, limited additional funding availability led to a decline in market share of the AP based MFIs to 37% by March 2013.

Most lenders were forced to convert their relatively short-term loans into longer-tenure ones with one year moratorium periods. The credit profile of AP-focused MFIs weakened significantly after the crisis, as they were unable to raise collections from borrowers because of severe state government restrictions. On the other hand, non-AP MFIs also saw fresh funding lines drying up as a result of the general loss of investor confidence. While the temporary drop in funding did impact growth during 2010-2012, the subsequent regulatory changes reduced the uncertainties over the promulgation of similar legislative Acts in other states, addressed concerns on overleveraging of the borrowers, forced MFIs to adopt customer-friendly policies and improvised on origination practices.

MFIs also targeted newer areas with lower penetration, reined in their operating expenses and ensured prudent leveraging of MFIs while assuring reasonable lending rates to borrowers. These positives helped in restoring investor confidence. While equity funding avenues started opening up in 2011-12, debt flows followed soon after. Further, two of these MFIs, Future Financial Services Limited and Spandana Sphoorty Financial Limited were able to successfully come out of the CDR.

Comparison of top 5 MFI players prior to AP crisis

Company	Fiscal	Bandhan	Spandana	BFIL	Share Microfin	Asmitha
Portfolio (Rs.bn)	Mar-10	14.95	34.26	43.21	16.94	10.83
	Mar-11	25.07	34.36	42.14	20.30	12.56
Members (in mn)	Mar-10	2.30	3.66	6.78	2.36	1.64
	Mar-11	3.25	4.18	7.31	2.84	1.95
Branch Network	Mar-10	1050	1,533	2,029	990	574
	Mar-11	1553	1,731	2,379	1,076	602
Employees	Mar-10	6620	10,428	21,154	5,408	3541
	Mar-11	8813	11,696	22,733	5,640	3479
Portfolio per branch (Rs.mn)	Mar-10	14.2	22.3	21.3	17.1	18.9
	Mar-11	16.1	19.8	17.7	18.9	20.9
Clients per branch	Mar-10	2,192	2,389	3,342	2,381	2,857
	Mar-11	2,096	2,413	3,071	2,640	3,239
Clients /employee	Mar-10	348	351	321	436	463
	Mar-11	369	357	321	504	561
Operating Expenses/AUM	Mar-10	5.9%	6.5%	9.9%	5.3%	5.20%
	Mar-11	5.7%	6.8%	9.7%	6.1%	5.90%
ROE	Mar-10	63.7%	53.9%	21.7%	46.2%	41.9%
	Mar-11	40.8%	-1.93%	8.2%	3.1%	10.2%
ROA	Mar-10	6.7%	8.5%	4.9%	5.7%	4.5%
	Mar-11	5.1%	-0.3%	2.7%	0.4%	1.3%

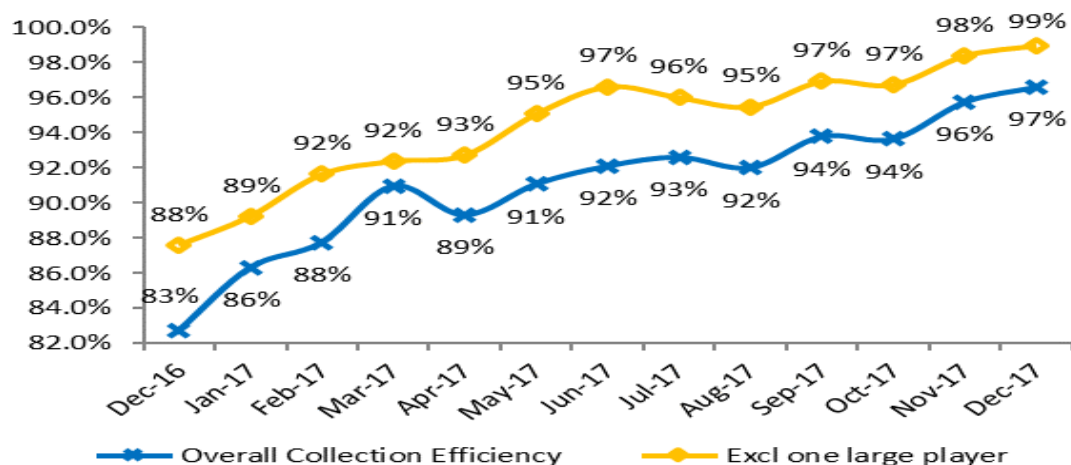
Source: ICRA Research

Demonetization of specified bank notes (2016)

On November 8, 2016, the Indian government announced the demonetization of bank notes of ₹500 and ₹1,000 denominations, which resulted in a severe cash crunch and a sizeable loss for the industry.

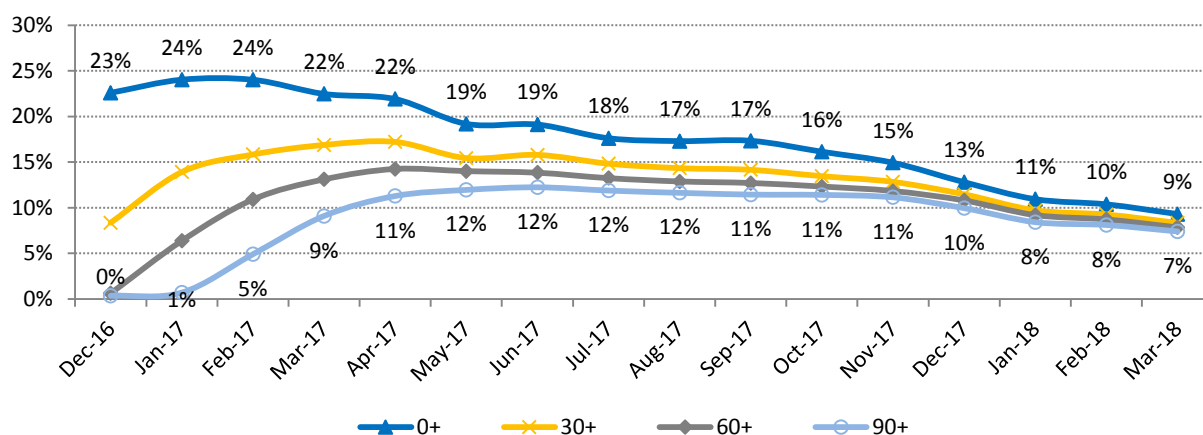
In the aftermath of demonetization, inadequate currency supply, political interference in some states, and disruption in borrower cash flows led to a sharp dip in MFIs' collection efficiencies (from over 98% prior to demonetisation to approximately 75-80% in November and December 2016). However, subsequently, overall monthly collection efficiencies¹ (including overdue collections) improved to 97% in December 2017, from sub-90% till March 2017. Improvement in collections has been supported by several factors including improvement in borrowers' livelihoods, closer customer engagement and awareness / education programmes by stakeholders on the implications of loan defaults, focused collection strategies adopted by most of the MFIs for the affected regions increased disbursements.

Trends in collection efficiency post demonetization



Source: ICRA research

Month on month trends in asset quality post demonetization



Source: ICRA Research

Owing to a significant improvement in collection efficiency, incremental slippages into delinquencies are slowing on account of partial payments by delinquent borrowers and good collection efficiency in fresh disbursements. This has led to a decline in absolute delinquencies and increase in portfolio size led to a reduction in 0+ delinquency percentage. Overall 0+ dpd for the sector, reduced from the peak of 23.6% in February 2017 to 9.3% in March 2018. However, sticky delinquencies in affected areas such as pockets of Maharashtra, Karnataka and Uttar Pradesh led to a lower decline in 90+ dpd indicators.

Trends in state-wise delinquencies for MFIs and SFBs

STATE	Share Of Portfolio		Share of portfolio#	30+ days past due			90+ days past due		
	Sep-16	0+ dpd		Jun-17	Sep-17	Dec-17	Jun-17	Sep-17	Dec-17
Karnataka	13.5%	0.4%	14.5%	15%	16%	13%	13%	14%	11%
Tamil Nadu	10.0%	0.3%	12.2%	13%	13%	12%	10%	11%	10%

¹ Defined as – Monthly Collections (including overdue collections)/Monthly Billings

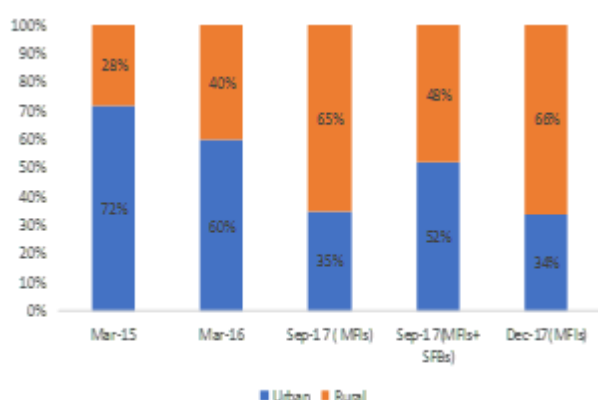
STATE	Share Of Portfolio		Share of portfolio [#]	30+ days past due			90+ days past due		
	Sep-16	0+ dpd		Jun-17	Sep-17	Dec-17	Jun-17	Sep-17	Dec-17
Uttar Pradesh	14.2%	1.7%	11.3%	27%	23%	19%	14%	17%	16%
Maharashtra	12.1%	0.6%	10.4%	16%	25%	22%	13%	23%	21%
Bihar	8.4%	0.4%	8.9%	2%	3%	2%	1%	2%	2%
Odisha	5.2%	0.3%	7.5%	1%	4%	2%	1%	3%	1%
Madhya Pradesh	7.0%	1.4%	6.9%	28%	15%	13%	21%	12%	11%
West Bengal	5.2%	0.3%	6.9%	8%	8%	7%	7%	7%	6%
Gujarat	3.7%	0.8%	2.9%	15%	17%	17%	11%	13%	15%
Rajasthan	2.7%	0.8%	2.8%	8%	8%	7%	5%	6%	6%
Jharkhand	2.2%	0.4%	2.4%	9%	10%	9%	6%	8%	8%
Haryana	3.0%	0.8%	2.3%	19%	22%	19%	12%	17%	16%
Punjab	2.6%	0.6%	2.2%	15%	14%	13%	6%	10%	10%
Kerala	5.3%	0.1%	2.1%	15%	3%	2%	12%	2%	2%
Chhattisgarh	1.7%	0.8%	1.8%	8%	10%	7%	6%	8%	6%
Assam	0.6%	0.2%	1.4%	0%	3%	2%	0%	2%	1%
Delhi	1.1%	1.9%	0.7%	16%	18%	19%	11%	14%	16%
Uttarakhand	1.1%	1.4%	0.6%	43%	42%	37%	26%	35%	32%
Puducherry	0.4%	0.6%	0.1%	0%	0%	0%	0%	0%	0%
Himachal Pradesh	0.0%	0.2%	0.0%	12%	9%	8%	7%	7%	7%

Source: ICRA research

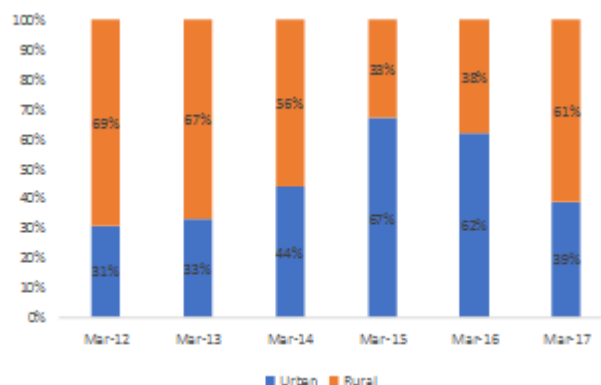
The Indian Microfinance Sector – Key Trends

Increasing share of portfolio in rural areas

Trends in share of urban and rural clients



Trends in share of urban and rural portfolio



Source: Bharat Microfinance report, MFiN micrometer, ICRA research; March 2017 data in this exhibit pertains only to MFIs

As of September 30, 2017, the share of the portfolio in urban (and semi-urban) areas was 52.0% (for MFIs + SFBs). ICRA notes that exposure of MFIs to urban areas was on the rise till March 2016 as lending in urban areas enables MFIs to give higher ticket loans vis-a-vis rural area, partly to bring down the operating expense ratios while complying with the margin cap regulation by the RBI. However, more specifically, post-conversion of SFB licensees and their exclusion from the NBFC-MFI category, the share of rural clients has increased for NBFC-MFIs as they are more focused on serving the rural clients.

During 2016, most MFIs were in a high growth phase as evidenced by the high proportion of borrowers in the first loan cycle in the industry portfolio. The share of first cycle borrowers increased from 30% in March 2014 to 59% in September 2016 mirroring the strong growth phase of the industry.

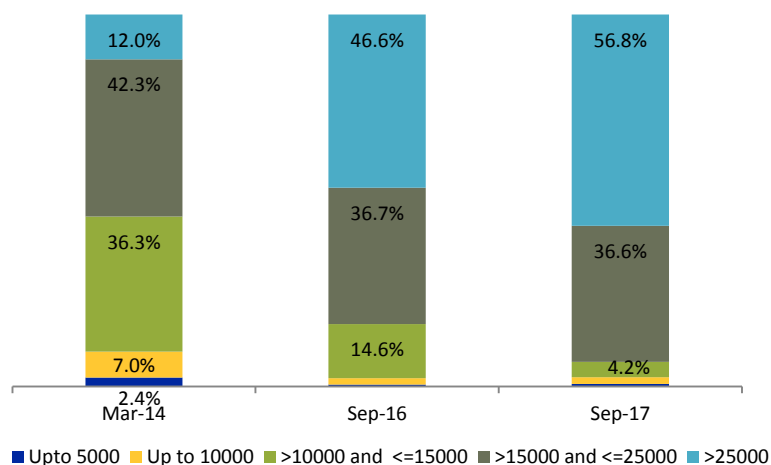
However, the share of first cycle borrowers declined to 54% in September 2017 owing to moderation in new client addition post demonetisation and MFIs' shift in focus to serving existing clients with good track records. While some first cycle borrowers may genuinely be borrowing for the first time from an MFI, some of them may also have a prior track record with other MFIs. A mitigant in this aspect is the past track record of these borrowers being available with the bureaus. Nevertheless, in the absence of a track record with an MFI, the perceived risk of a new borrower is relatively high.

Loans with larger ticket size have increased

While close to 10% of the borrowers had loans less than ₹10,000 in March 2014, the share came down to slightly above 2% in September 2016 and has remained broadly comparable as of September 2017.

Loans with ticket size greater than ₹25,000 have increased from 12% as on March 31, 2014 to 47% of the portfolio as on September 30, 2016 and further to 57% as on September 30, 2017.

Ticket-size wise portfolio mix of the industry



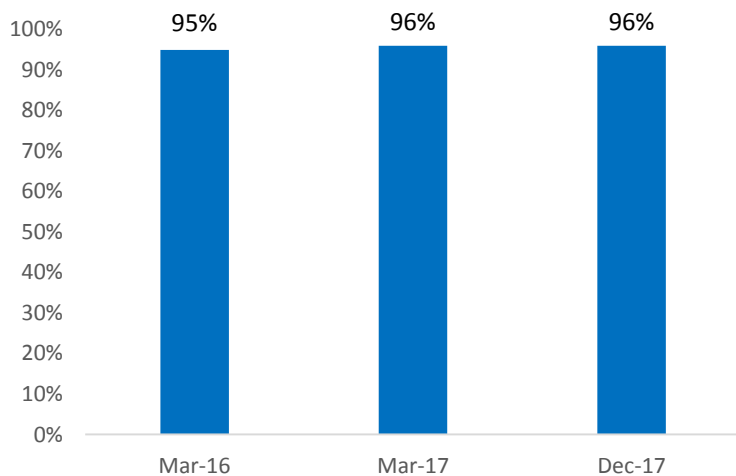
Source: ICRA research

Income generation loans account for 96% of loans

In line with the requirement by the Reserve Bank of India, most of the microfinance loans in India are sanctioned towards income generation purposes. The share of income generation loans has consistently remained over 90%.

Within income generation loans, majority of the loans outstanding were utilized for agriculture and allied activities (e.g. animal husbandry, poultry, dairy), followed by trading activities.

Share of income generation loans

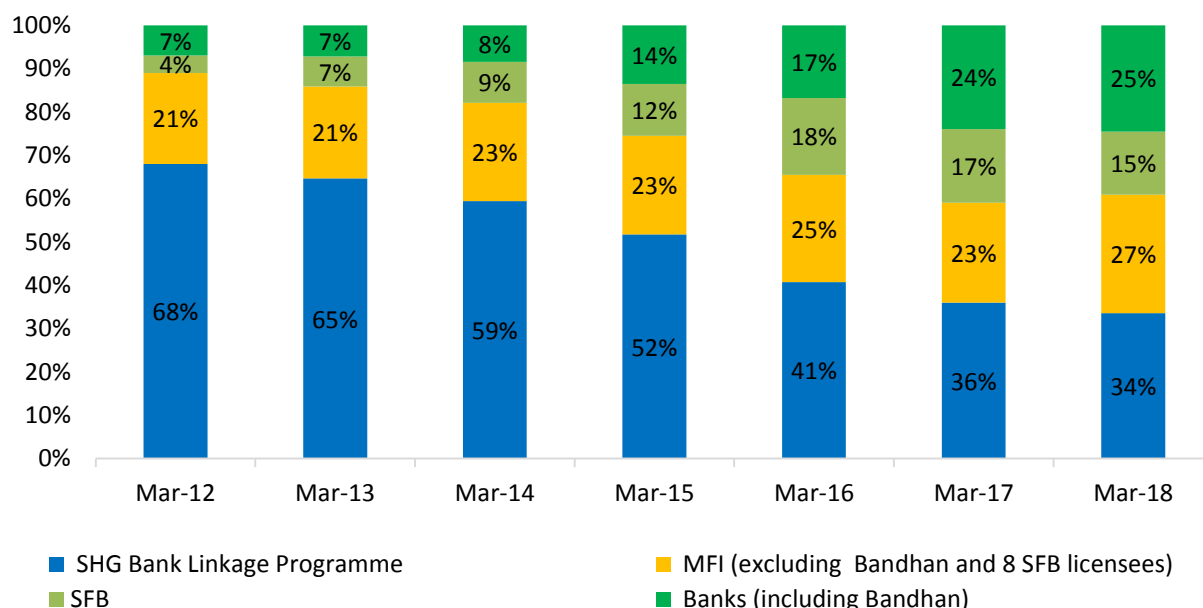


Source: ICRA research, MFIN Micrometer

Competitive dynamics

NBFC-MFIs have grown the fastest in the MFI industry

Microfinance portfolio composition across participant groups



Source: Basic Statistical Returns (RBI), Status of Microfinance in India (NABARD), Financials of various MFIs, MFIN Micrometer, ICRA estimates

The microfinance market in India comprises various participants including banks, NBFC-MFIs, NGOs, MFIs, SHG bank linkage programmes and SFBs. While the overall microfinance sector has witnessed steady growth in the past, the industry composition has changed with evolving player dynamics. In September 2015, the RBI granted in-principle approvals to 10 applicants to set up SFBs under the “Guidelines for Licensing of Small Finance Banks”, which it issued in November 2014. The list of successful applicants was dominated by NBFC-MFIs who have all now converted to SFBs.

Given that majority of the portfolio of SFBs continues to be microfinance loans, the share of banks and SFBs in the overall microfinance space has increased considerably in the last two years. However, given increased regulatory / compliance requirements, SFBs’ focus on diversifying portfolio into other asset classes, their deposit mobilizing agenda and overall higher business complexities post conversion to SFBs, the microfinance portfolio of SFBs are expected to grow at a slower pace by about 5% compared to pure-play NBFC-MFIs / MFIs thereby resulting in market share gain for the latter.

Trends in MFI market composition (Rs. Billions)

As at	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	5-yr CAGR
SHG Bank Linkage Programme	227	280	312	366	394	429	516	571	616	690	12%
MFI (excluding Bandhan and 8 SFB licensees)	103	190	221	113	129	164	227	347	393	562	34%
SFB licensees				22	42	68	119	249	290	300	48%
Banks (Including Bandhan)				38	44	61	135	235	410	504	63%
Total MFI Portfolio	330	470	533	538	609	722	998	1402	1,710	2,058	28%
Growth											
SHG Bank Linkage Programme	34%	23%	11%	17%	8%	9%	20%	11%	8%	12%	
MFI (excluding Bandhan and 8 SFB licensees)	72%	84%	16%	-49%	14%	27%	38%	53%	13%	43%	
SFB licensees					95%	62%	75%	109%	17%	3%	
Banks (Including Bandhan)					17%	39%	121%	74%	74%	23%	
Total	44%	42%	13%	1%	13%	19%	38%	40%	22%	20%	

Source: Micrometer, ICRA estimates

The SHG bank linkage programme has witnessed slower growth resulting in shrinkage of its share in the overall MFI lending to 37% in March 2017 and 34% in March 2018 compared to 68% in March 2012. Total number of SHGs with savings bank deposits increased from 7.69 million in March 2015 to 7.90 million in March 2016 and to 8.57 million in March 2017 reporting a growth of 2.68% and 8.53% in the year ended 2016 and the year ended 2017 respectively. MFIs on the other hand have reported steady gain in market share in the last few years from 21% in March 2012 to 27% in March 2018.

Comparison of different business models

Comparison of JLG and SHG models

Model	JLG	SHG
Group size	Smaller size of 5-10 members	About 20 members
Gestation period for loan approval	Upon formation of Groups	Upon demonstrating a savings track record for 3-6 months
Loan sanction and disbursal	Loans sanctioned and disbursed to individual borrowers	Loans sanctioned and disbursed to the SHG; subsequently split among group members.
Borrower identification	KYC verification undertaken for all members of the JLG	KYC verification of all members of the SHG not mandatory; KYC verification of office bearers mandated
Mandatory savings account	No	Yes; Savings culture is an integral part of the SHG model
In-lending within the group	No	Yes; Group savings can be utilized for lending to SHG members
Repayment frequency	Weekly / Fortnightly / Monthly	Typically monthly

Source: ICRA research

In contrast to the JLG model where members are eligible for a loan immediately after the formation of the group, the SHG model requires the groups to build savings for the first 3-6 months before becoming eligible for loans. Further, the SHG model requires relatively larger groups with size in the range of 20 members, whereas a JLG group is formed by 5-10 members. Consequently, the ease and speed of forming groups and availing loans in the JLG format has resulted in a steeper growth in the MFI space compared to SHG model.

Comparison of MFI and SFB models

The following charts show the positive and negative aspects of SFBs and NBFC-MFIs.

	SFBs	NBFC - MFIs
	- Branch expansion controlled by RBI	- Not controlled for NBFC-MFIs
	- Required to maintain SLR and CRR – creates a drag on overall cost of funding	- Not required to maintain SLR and CRR
	- Leverage ratio of 4.5%; liquidity coverage ratio of 70% from Jan 01, 2018 and progressively increasing to 100% by Jan 01, 2021	- Not prescribed for NBFC-MFIs
	- Higher operating expenses	- Lower operating expenses in general
	- Cannot act as a Business Correspondent	- Can act as a Business Correspondent

	SFBs	NBFC - MFIs
	- Can accept deposits – source of low cost funding - Pricing not controlled - Can undertake distribution of mutual fund units, insurance products, pension products – aids diversification of income stream - Access to wider range of funding sources	- Not permitted to accept deposits - Pricing to be lower of: a) Cost of funds + Margin cap of 10% for MFIs with portfolio exceeding Rs.1 billion crore and 12% for others; b) 2.75x of average base rate of five largest commercial banks by assets - Not permitted; insurance for group, livestock, life, health for borrower however is permitted - Relatively limited funding avenues in comparison to SFBs

Source: ICRA research

While the overall microfinance sector has witnessed steady growth in the past, the industry composition has changed with evolving player dynamics. In September 2015, the RBI granted in-principle approvals to ten applicants to set up SFBs under the “Guidelines for Licensing of Small Finance Banks” which it issued in November 2014. The list of successful applicants was dominated by NBFC-MFIs who have all now converted to SFBs.

Given that microfinance loans continue to constitute majority of the portfolio of SFBs, the share of banks and SFBs in the overall microfinance space have increased considerably in the last two years. However, given the increased regulatory / compliance requirements, SFBs’ focus on diversifying portfolio into other asset classes, their deposit mobilizing agenda and overall higher business complexities post conversion to SFBs, the microfinance portfolio of SFBs are expected to grow at a slower pace by about 5% compared to pure-play NBFC-MFIs / MFIs, thereby resulting in market share gain for the latter.

Growth outlook for MFI sector

ICRA Research notes that the MFI sector has immense potential to grow the client base as well as ticket size per borrower. ICRA Research estimates that the micro-credit opportunity is about ₹5-6 trillion supported, considering the addressable market of low-income households in India.

Microfinance opportunity

Particulars	Urban	Rural
Total Households (Census 2011)	78 Mn	168 Mn
Total Households 2018 (Est)	90 Mn	180 Mn
Target households*	52 Mn	108 Mn
Total credit need	INR 3.2 Tn	INR 4.5 Tn
Credit Gap	~ INR 5-6 Tn opportunity	

* Income in the range of 5,000-10,000 pm; and 50% of the households with income <5000 pm and >10,000 pm

Industry size to grow at CAGR 20-22% in the medium term

ICRA Research expects the traction in disbursements to sustain and the industry to report a portfolio growth in the range of 20-22% per annum over the medium term. Within this, the pace of growth of the non-SHG portfolio is expected to be higher at 25-30% per annum. Overall growth, however, would be moderated to an extent by the focus of SFBs on increasing portfolio share of other asset classes such as business loans, affordable housing and retail lending. The conclusion of recent inorganic activities in the MFI space will also result in the redistribution of business across participant categories.

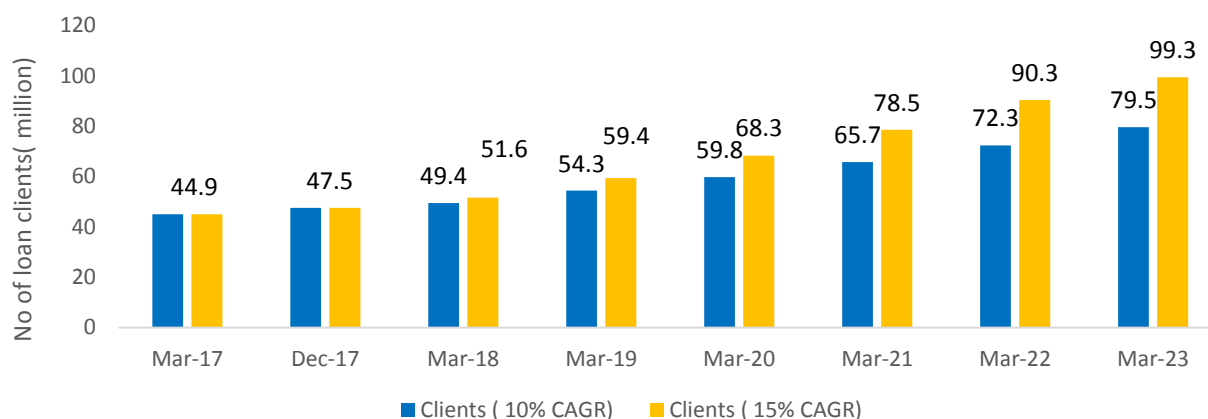
Scope for enhancing credit availability remains significantly high

Several initiatives that are aimed at enhancing access of credit for the unbanked and weaker section of the society are being taken up by the government of India. While this has resulted in increasing number of borrowers forming part of the formal financing chain, the scope for enhancing credit availability in rural areas remains significantly high.

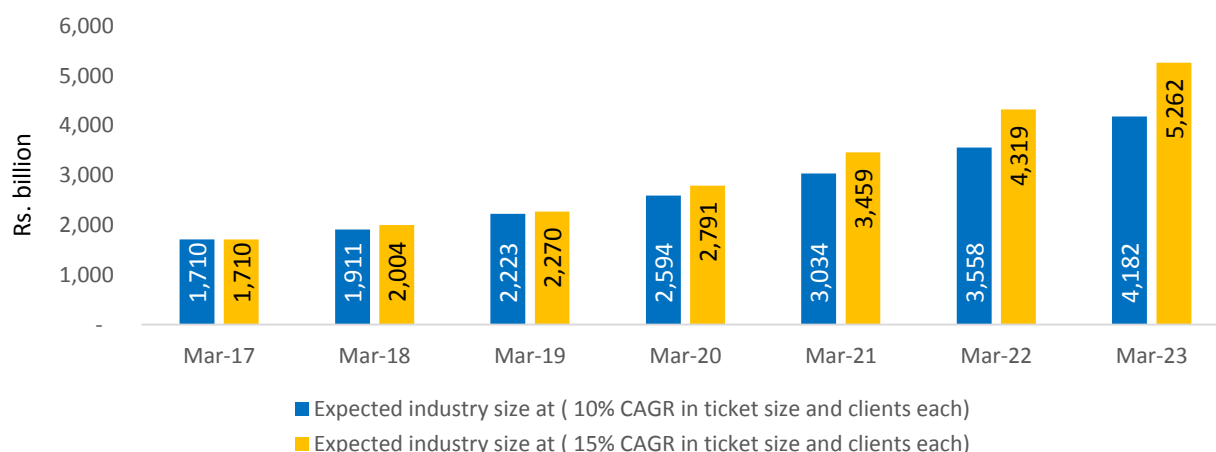
Low current penetration in several large states

There is tremendous scope for increment in ticket sizes and growth for the MFI industry given that some of the large states such as Uttar Pradesh, Bihar, Madhya Pradesh, Gujarat, Chhattisgarh, Punjab and Haryana have relatively more rural population and relatively more low income households and are still underpenetrated. Further, given that MFIs have the scope to lend another 15% of portfolio towards non-qualifying (i.e. non-microfinance) loans, they could grow their microenterprise loans/micro-housing loans as well. Within the microfinance space, ICRA Research expects the NBFC-MFIs to continue gaining market share given the relatively faster growth expectations for the segment against the backdrop of SFBs' focus on enhancing business growth in the other asset classes such as business loans, gold loans, affordable housing among others.

Expected growth in client base



Market growth estimates

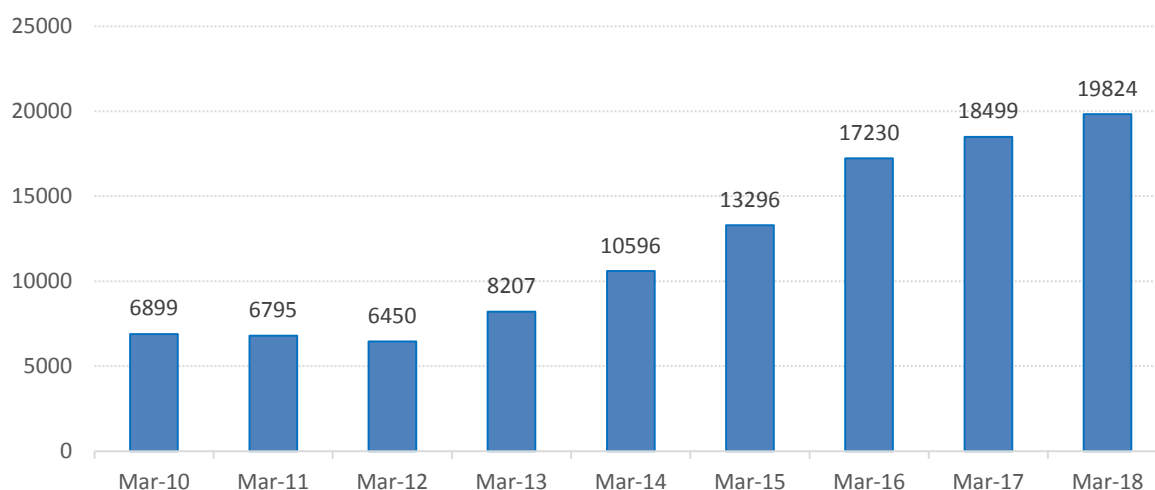


Source: ICRA Research

Increase in ticket sizes

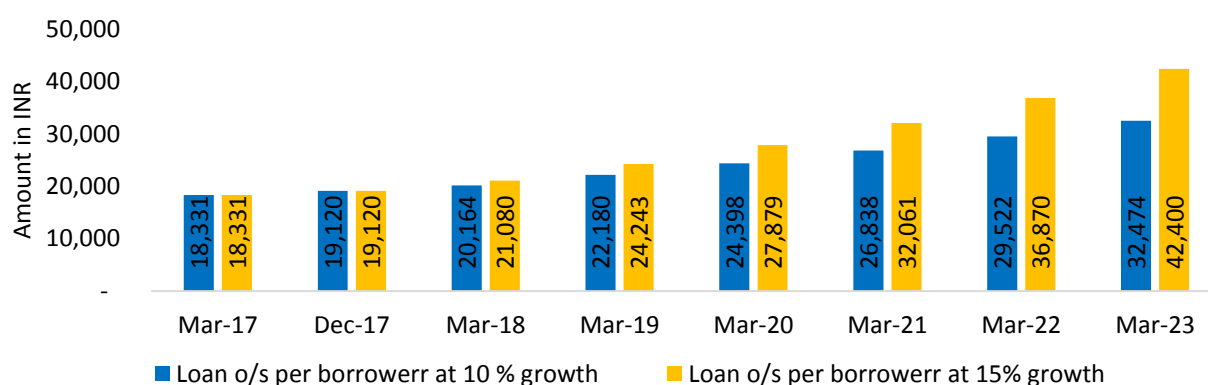
Though SHG bank linkage model and MFI channels have helped in improving the access to credit, ticket sizes (loan outstanding per borrower) have remained moderate (loan outstanding per borrower was ₹19,824 as on March 2018). Therefore, a borrower's credit requirements may not be completely fulfilled through these channels making borrowers dependent on other informal channels (such as money lenders) for meeting their credit requirements.

Trend in portfolio outstanding per borrower (in ₹)



Source: ICRA research

Expected ticket sizes



Source: ICRA research

Continued priority sector status for indirect lending to MFIs

The RBI allowed priority sector lending status to MFIs which has enabled growth for the industry by way of enhancing funding avenues / credit flow for the industry participants. Accordingly, MFIs have witnessed improvement in their funding profiles over the past few years with better diversification of sources and lower reliance on bank lines.

Structural reforms likely to support fostering asset quality; supporting growth

Over the past few years, the government of India, through various agencies such as the RBI, NABARD and SIDBI, has introduced several structural reforms fostering good lending practices to protect the interests of borrowers as well as industry participants.

Self-regulatory organisations and implementation of a uniform code of conduct

The self-regulatory organisations (“SROs”) have since played a key role in shaping the microfinance space by way of undertaking borrower education initiatives, strengthening grievance redressal mechanisms, enhancing compliance and governance standards, and bringing uniformity in KYC documents and credit bureau verification processes. SROs have also been playing a key role in mitigating and containing these risks by interacting with state/district administration to create awareness about the sector, as well as reaching timely resolution of issues along with other stakeholders including MFIs themselves. Further, with the multiplicity of sources of credit to the sector (banks, NBFC-MFIs, BCs etc.) and with regulation only in place for the NBFC-MFI segment, MFIs launched the Mutually Agreed Code of Conduct (MACC/the Code), a uniform set of business conduct rules. This code is applicable to all providers of unsecured micro-credit under group liability or individual models of microfinance as defined by the RBI, and are sector specific and entity agnostic. The code restricts the maximum loans given based on joint liability of group borrowers (JLG loan) to ₹80,000 per customer. While many lenders have yet to sign this Code, in ICRA’s opinion, the code is a step in the right direction for addressing the issue of multiple loans per borrower, owing to the varying interpretation of RBI’s two MFI norms for NBFC-MFIs given the current scenario where more than two-thirds of the microfinance portfolio is being serviced by non-NBFC-MFIs.

Enhancing accuracy of credit bureau reports

Availability of credit history details of microfinance borrowers has enhanced the underwriting standards of the microfinance industry in the last few years. At present, there are four CICs operating in micro loans space; viz: Equifax India Limited, CRIF High Mark Credit Information Services Private Limited, Experian Credit Information Company India Private Limited and TransUnion CIBIL Limited. According to the MACC, all lenders are required to share customer indebtedness data with all the RBI approved CICs on a weekly basis. This measure is expected to mitigate credit risk for MFIs to a large extent. Sharing data with credit bureaus has helped to check the number of loans, quantum of loans and the credit track record of a borrower. This has helped in reducing the incidence of overleveraging as well as the filtering of delinquent borrowers- these measures are likely to support the long-term impact on the credit quality of MFIs.

MFIs move towards cashless operations to reduce operational risk

Post demonetization, a large number of lenders have focused on reducing operational risks by moving from disbursements being made in cash to disbursements being made directly in borrowers' bank accounts. Further, many lenders have adopted Aadhar as the primary KYC and used biometric machines for authentication of clients. These process improvements are likely to reduce issues related to borrower frauds arising out of fake I.D. proof, and reduce operational risks out of cash handling. Many lenders are also working on moving to cashless collections, though the coverage against the same has been limited.

Cross-selling opportunities

Given the extensive reach of MFIs and SFBs (over 50 million clients) which they touch base with on a regular basis, various MFIs are utilising their reach as an opportunity to cross sell products that are relevant for the client base, such as solar lamps, insurance, pensions, etc. This could be a win-win situation for the clients as well as MFIs, as MFIs have the opportunity to earn fee income from the same, whereas clients would also get good access to relevant products and services for meeting their requirements.

Vulnerable borrower profile

Given the marginal borrower profile, the MFI borrower has limited cushion to absorb income shocks. The borrower segment is also vulnerable to political, communal and environmental issues, which could make recovery from harder buckets difficult.

Operational risks out of cash handling

Operational Risks are high in the segment given the significantly high level of cash collections and disbursements. Post demonetisation, MFIs are moving to cashless disbursements into borrower bank accounts. Efforts are also being made by some MFIs to encourage borrowers to move to cashless collections to reduce operational risks. MFIs are also trying to improve their appraisal processes through EKYC verification of borrowers during enrolment, which is likely to reduce instances of multiple and fake identity proof. Further, use of uniform identity proof is likely to help in reducing instances of overleveraging and multiple loans per client, provided all lenders agree to use similar verification processes and identity proof.

Shortcomings in the current credit bureau data

While data sharing by the credit bureaus has enabled the MFIs to maintain good asset quality despite their high pace of growth, certain gaps have been observed at the industry level, which are being plugged by the RBI and the SROs. While MFIN has mandated weekly data sharing with the bureaus, SHG data is not being captured by the bureaus. In case of overlapping borrowers between MFIs, an assessment of borrower indebtedness - as gathered from credit bureau data - would not reflect SHG data. Hence, the total borrower or household debt from formal sources cannot be determined with confidence. Loans from informal sources are also not currently captured in the leveraging status of the borrowers. This is partly attributable to the limited interactions between field staff and borrowers, and the appraisal processes being largely limited to KYC documentation and credit bureau checks. In ICRA's opinion, MFIs would need to focus more on understanding customer leverage and their repayment capacities, going forward.

Regulations

Microfinance sector in India governed by RBI guidelines

The rapid pace of growth of the MFI sector, witnessed during Calendar Year (CY) 2009 and CY2010 was reined in by the Andhra Ordinance of October 2010 that had been issued by the Andhra Pradesh government following the microfinance crisis witnessed by the state. The ordinance was built on the basis of four premises:

- that MFIs charge usurious interest rates,
- use coercive methods to collect interest if clients fail to pay on time,
- that these practices were forcing the poor to commit suicide and

- that MFIs make huge profits and have no social mission to help the poor

Consequent to this Ordinance, collections in the state of AP dropped to a low of 1-5% with some stress in collections also witnessed in a few districts in neighboring states.

This issue brought to the fore the need to regulate MFIs. A committee headed by Mr. Y H Malegam was commissioned by the RBI to conduct a study into the high interest rates, coercive recovery processes and multiple lending practices by some MFIs and come up with a proposal for the regulation of the sector. The committee submitted its proposal in January 2011, detailing the criteria for lending to borrowers and sought to address the highlighted issues by introducing strict eligibility criteria for borrowers, pricing guidelines for MFIs and capping loan size, borrower income as well introducing loan utilization criteria. In addition, this proposal also sought to reduce the uncertainty relating to state government interference by exempting NBFC-MFIs from the Moneylender's Act. With most of the Malegam committee recommendations having been adopted and under the regulatory supervision of RBI, the operating environment of the microfinance sector has improved considerably.

Further, RBI guidelines forced MFIs to adopt customer friendly policies, strong origination practices, target newer areas with lower penetration and rein in their operating expenses

The RBI guidelines issued in December 2011

In December 2011, the RBI decided to create a separate category for NBFC-MFIs and provided directions that need to be complied with by all NBFCs desirous to be categorised as NBFC-MFIs. Moreover, it was also clarified that NBFCs that are not categorised as NBFC-MFIs will not be allowed to extend loans to the microfinance sector, which comprises more than 10% of their total assets. These guidelines laid down the following conditions to be met by all NBFC-MFIs:

- Minimum Net Owned Funds (NOF) requirement
- At least 85% of the MFIs net assets are in the nature of “qualifying assets”
- Total capitalisation should be at least 15%, with Tier II Capital not exceeding Tier I Capital
- More stringent provisioning norms than stipulated for other NBFCs

Several modifications to the guidelines were made and the highlights of the present guidelines are as follows:

Key highlights of qualifying assets criteria stipulated by RBI

Minimum NOF	Minimum Net Owned Funds of Rs.5 crore. (For NBFC-MFIs registered in the North Eastern Region of the country, the minimum NOF requirement shall stand at Rs. 2 crore).
Qualifying Assets	Not less than 85% of its net assets are in the nature of “qualifying assets.”
Criteria for Qualifying Assets	
<u>Borrower Selection Criteria</u>	
Borrower Household Income	Rs 1,00,000 for rural borrowers Rs 1,60,000 for non-rural borrowers
Total Borrower Indebtedness	Rs. 100,000
Loan for income generating activity	Aggregate amount of loan, extended for income generating activity, should not be less than 50% of the total loans given by MFIs.
Key Loan Characteristics	
Loan Amount	Rs. 60,000 in first loan cycle and Rs. 100,000 in subsequent cycles
Margin cap	10% for all MFIs with portfolio >Rs. 1 billion and 12% for MFIs with portfolio less than Rs 1 billion.
Interest Rate cap	Interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less. The average of the Base Rate shall be advised by Reserve Bank of India at the start of every quarter.
Tenor of loan	Tenure of loan should be at least 24 months when loan amount is more than Rs. 30,000
Repayment Frequency	Loan should be repayable in weekly, fortnightly or monthly instalments as per the choice of the borrower
Prepayment Penalty	Nil
Delayed Payment Penalty	Nil
Collateral on loan	Nil
CRAR	15%, Tier 2 not to exceed Tier 1 Capital
Provisioning	The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate

	loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

Source: RBI

Benchmarking of Spandana Spahoorty Financial Limited on various parameters

The analysis below conducted by ICRA Research in relation to major MFIs and SFBs may not be exhaustive due to the unavailability of data for two major players (CreditAccess Grameen Limited and Jana Small Finance Bank) as on March 31, 2018. Accordingly, benchmarking may be inaccurate and unreliable. For further details, see "Risk factors – Third-party industry and industry-related statistical data in this Draft Red Herring Prospectus may be incomplete, incorrect or unreliable" on page 32.

Please note that AMA referred to in this chapter for our Company corresponds to Gross AUM (including the old AP Portfolio) and consequently, the various AMA-related ratios have been calculated by ICRA Research to take into account our Gross AUM (including the old AP Portfolio). In addition, ICRA's calculation of net worth for our Company has not taken into account our OCCRPS (which are taken into account in the calculation of our restated net worth). Accordingly, the net worth as calculated by ICRA differs from our restated net worth.

Market share

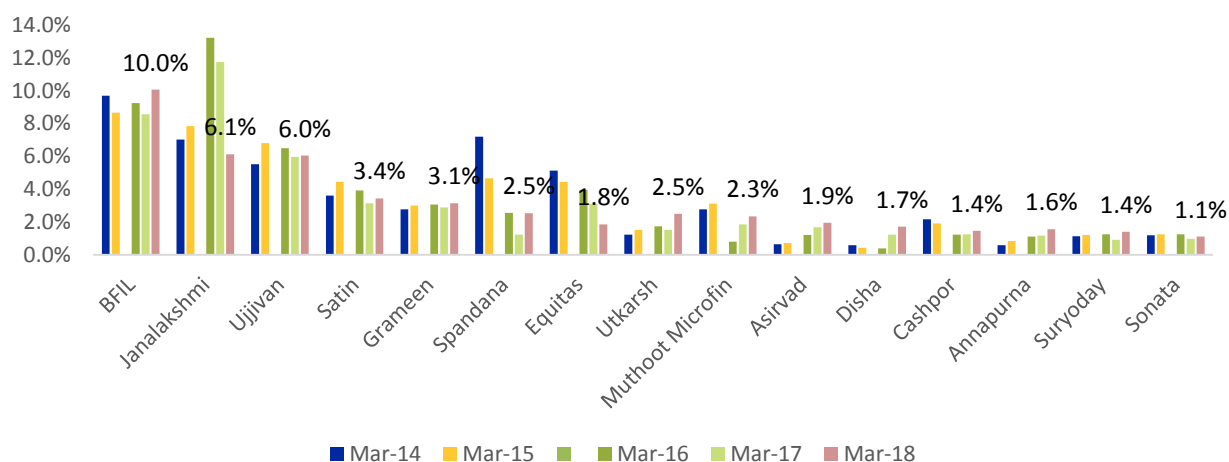
Trend in portfolio size and disbursements

Period ending	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	CAGR
Portfolio (MFIs+SFBs)	171	232	289	486	609	749	
Portfolio (MFIs, SFBs and Banks)	215	293	482	847	1,088	1,253	
Portfolio (Spandana Spahoorty Financial)	22	21	22	21	13	32	
Growth Trends							
Growth (MFI and SFBs)		36%	25%	68%	25%	7%	37%
Growth (MFIs, SFBs and Banks)		36%	65%	76%	28%	0%	45%
Growth (Spandana Spahoorty Financial)		-5%	5%	-5%	-38%	16%	8%

Source: MFIN Micrometer, ICRA research; Amounts in Rs. billion; Spandana's data excluding old AP Portfolio

Overall growth rates for Spandana have been historically lower than industry growth rates owing to the impact of the AP crisis on the liquidity position and borrowing ability of the company which constrained its growth. However, post April 2017 after Spandana came out of CDR, coupled with equity and funding infusion, Spandana's pace of growth has been much faster than that of the industry's. Prior to the AP crisis, Spandana was the second largest MFI in terms of AUM as on March 2010.

Market share based on AUM



Note: Market share calculated based on overall Microfinance portfolio (MFIs, SFBs, Banks as published in MFIN Micrometer), Source: MFIN Micrometer, ICRA research

Comparison of AUM, Market shares and AUM growth

Fiscal	AUM			Market Share on Portfolio			AUM growth		
Entity	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18
Bandhan Bank	122.8	146.8	205.8	14.8%	13.7%	16.4%	-	19.6%	40.2%
Bharat Financial Inclusion Limited	76.8	91.5	125.9	9.2%	8.6%	10.0%	84.1%	19.2%	37.6%
Jana Small Finance Bank	109.8	125.5	NA	13.2%	11.7%	NA	191.0%	14.3%	NA

Fiscal	AUM			Market Share on Portfolio			AUM growth		
Entity	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18
Ujjivan Small Finance Bank	53.9	63.8	75.6	6.5%	6.0%	6.0%	64.6%	18.4%	18.5%
Satin Credit Care Network	32.7	36.2	50.8	3.9%	3.4%	4.1%	52.8%	10.6%	40.6%
CreditAccess Grameen	25.4	30.8	39.4*	3.1%	2.9%	3.2%*	75.5%	21.1%	56.1%*
Spandana Spahoorty Financial	12.2	13.0	31.7	1.5%	1.2%	2.5%	-6.1%	6.1%	144.1%
Equitas Small Finance Bank	32.8	33.0	23.0	3.9%	3.1%	1.8%	53.1%	0.7%	-30.2%
Utkarsh Small Finance Bank	14.3	16.1	28.5	1.7%	1.5%	2.3%	96.7%	12.7%	76.4%
Muthoot Microfin Limited	6.5	19.7	29.2	0.8%	1.8%	2.3%	-56.6%	202.0%	48.1%
Asirvad Microfinance Limited	10.0	17.9	24.4	1.2%	1.7%	1.9%	191.5%	79.5%	36.1%
Annapurna Finance Limited	9.3	12.4	19.5	1.1%	1.2%	1.6%	132.4%	33.9%	57.7%
Arohan Financial Services	6.6	10.2	21.7	0.8%	0.9%	1.7%	71.8%	54.3%	113.9%

Source: ICRA research; Grameen data pertains to Sep-17; Note for Equitas - this is only MFI AUM; Amounts in Rs. billion

Overall, MFIs, SFBs and banks had an AUM of about ₹1,366 billion as on March 31, 2018. Spandana Spahoorty Financial is the fourth largest among MFIs and the sixth largest amongst MFIs and SFBs among over 50 players who serve the microfinance customers. Spandana reported highest portfolio growth during FY2018 amongst the sample set provided in the table above.

Market share based on disbursements

Trend in disbursements

Disbursements	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
MFI and SFBs	158	237	376	558	653	596
MFIs, SFBs and Banks	234	351	546	1,031	1,250	1,551
Spandana Spahoorty Financial Limited	16	17	20	18	21	39
Disbursements Growth						
Growth (MFI and SFBs)	13%	50%	59%	48%	17%	-9%
Growth (MFIs, SFBs and Banks)	13%	50%	55%	89%	21%	24%
Growth (Spandana)	10%	5%	19%	-10%	15%	86%

Source: ICRA research; Amounts in Rs. billion

Disbursement market share

Fiscal	Disbursements (Rs.bn)			Market Share on Disbursements			Growth in disbursements			Disb per employee (Rs.mn)		
Entity	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18	FY2016	FY2017	FY2018
Bharat Financial Inclusion Limited	120.9	146.7	184.7	11.7%	11.7%	11.9%	75.8%	21.3%	25.9%	10.1	9.9	11.5
Jana Small Finance Bank	115.2	89.9	NA	11.2%	7.2%	NA	179.4%	-21.9%	NA	12.2	5.4	NA
Ujjivan Small Finance Bank	66.2	71.3	80.5	6.4%	5.7%	5.2%	52.9%	7.8%	28.5%	8.2	7.0	7.2
Satin Credit Care Network	36.1	35.9	47.7	3.5%	2.9%	3.1%	52.4%	-0.6%	32.9%	9.2	6.2	6.2
CreditAccess Grameen	33.5	34.0	28.8*	3.2%	2.7%	2.8%*	76.8%	1.6%	69.0%*	8.7	6.9	10.9*
Spandana Spahoorty Financial	17.9	20.6	38.6	1.7%	1.6%	2.5%	-9.5%	14.8%	87.4%	6.5	6.7	9.5
Utkarsh Small Finance Bank	16.3	16.6	20.4^	1.6%	1.3%	2.0%^	88.1%	1.6%	63.9%^	6.2	4.3	NA
Muthoot Microfin Limited	7.7	20.3	30.4	0.7%	1.6%	2.0%	-59.6%	165.2%	49.6%	6.3	5.1	5.2
Asirvad Microfinance Limited	11.5	21.1	28.8	1.1%	1.7%	1.9%	299.1%	84.6%	36.1%	6.3	5.5	6.9
Annapurna Finance Limited	10.4	11.5	20.9	1.0%	0.9%	1.3%	108.9%	10.8%	82.3%	6.1	4.9	6.0

Source: MFIN Micrometer, ICRA research;

Note: Market share calculated based on overall Microfinance portfolio disbursements (MFIs, SFBs and Banks);

* Grameen data pertains to Sep-17;

^ pertains to December 2017

Amongst the lenders, Spandana was the fourth largest in terms of market share in disbursements amongst the sample set of peers provided in the table above.

Number of clients

Trend in client base

Period ending	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	CAGR
Client Base (in Million)							
Industry (MFI, SFBs & Banks)	18	21	28	40	45	50	
Spandana	1.1	1.2	1.1	1.1	1.1	1.6	
Growth rates							
Industry (MFI, SFBs & Banks)	10%	16%	33%	42%	12%	11%	22%
Spandana	-14%	4%	-4%	0%	-4%	50%	7%

Source: MFIN Micrometer, ICRA research

Client base growth for Spandana was muted from the year ended 2013 to the year ended 2017 on account of funding issues and the resultant low disbursements. However, with substantial equity infusion in the recent past, Spandana's customer base has grown significantly during the year ended 2018.

Trend in number of clients

Fiscal Entity	Clients			Market Share on Clients			Client growth		
	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18
Bharat Financial Inclusion Limited	5.8	5.3	6.2	13.8%	11.9%	12.3%	27.1%	-8.3%	16.2%
Jana Small Finance Bank	4.6	5.9	NA	11.0%	13.1%	NA	97.4%	27.5%	NA
Ujjivan Small Finance Bank	3.1	3.6	3.7	7.2%	7.9%	7.4%	18.0%	17.0%	4.0%
Satin Credit Care Network	1.9	2.3	2.4	4.4%	5.1%	4.8%	55.4%	24.3%	4.3%
CreditAccess Grameen	1.2	1.5	NA	2.9%	3.2%	NA	41.9%	19.8%	NA
Spandana Sphoorty Financial	1.1	1.1	1.6	2.6%	2.4%	3.2%	0.0%	-3.6%	50.0%
Utkarsh Small Finance Bank	1.0	1.2	1.5	2.4%	2.6%	3.0%	65.6%	16.0%	31.4%
Muthoot Microfin Limited	0.3	0.8	1.2	0.8%	1.7%	2.4%	-67.4%	140.6%	57.1%
Asirvad Microfinance Limited	0.6	1.2	1.5	1.5%	2.7%	3.0%	121.1%	91.9%	26.1%
Annapurna Finance Limited	0.6	0.9	1.2	1.5%	2.0%	2.4%	85.3%	42.9%	36.7%

Source: MFIN Micrometer, ICRA research

While Spandana continues to be among the top ten lenders amongst MFIs and SFBs, the client base growth for Spandana was muted in the past owing to funding constraints leading to inability to lend to the existing client base. This led to a decline in client base till March 2017. Further, in the first half of the financial year, the company largely focused on meeting the credit needs of their existing client base. Subsequently, client base growth picked up significantly in the second half of the year ended 2018.

Branch strength

Trend in branch strength

Fiscal	Branch Strength			Employee Strength		
	Mar-16	Mar-17	Mar-18	Mar-16	Mar-17	Mar-18
Bharat Financial Inclusion Limited	1324	1399	1567	11991	14755	16021
Jana Small Finance Bank	341	519	NA	9441	16788	NA
Ujjivan Small Finance Bank	469	457	464	8049	10167	11242
Satin Credit Care Network	431	618	995	3918	5801	7653
CreditAccess Grameen	298	393	440*	3835	4952	5267*
Spandana Sphoorty Financial	523	544	694	2740	3067	4045
Equitas Small Finance Bank	397	610	597	5337	13320	13455^
Utkarsh Small Finance Bank	321	351	405	2636	3845	5142
Muthoot Microfin Limited	180	388	467	1211	4017	5822
Asirvad Microfinance Limited	346	697	832	1810	3861	4168
Annapurna Finance Limited	176	246	374	1691	2333	3507

Source: MFIN Micrometer, Company presentations, ICRA research; *Grameen data pertains to Sep-17; ^pertains to Dec-17

In terms of branch network, Spandana's branch network is the fourth largest among major MFIs and SFBs signifying its extensive reach across the country.

Portfolio trends per branch, per client

Portfolio trends per branch and per client

Period ending	GLP per Branch (Rs. Million)		GLP per Client (in Rs.)		GLP per Employee (Rs. Million)		GLP per LO (Rs. Million)	
	Mar-17	Mar-18	Mar-17	Mar-18	Mar-17	Mar-18	Mar-17	Mar-18
MFI	40	48	15,977	19,009	4.9	5.9	5.9	9.1
SFB	98	NA	16,094	NA	5.5	NA	NA	
MFI+SFB	56	NA	16,031	NA	5.2	NA		
Bharat Financial Inclusion Limited [#]	65	80	17,186	20,352	6.2	7.9	9.4	11.7
Bharat Financial Inclusion Limited (excl trainee loan officers) [@]	72	88	17,199	20,347	6.5	8.2	10.6	12.9
Jana Small Finance Bank	242	NA	21,309	NA	7.5	NA	9.9	NA
Ujjivan Small Finance Bank	140	163	17,885	20,377	6.3	6.7	NA	
Satin Credit Care Network	59	51	15,726	21,187	6.2	6.6	9.6	8.0
CreditAccess Grameen	78	89*	21,207	24,453*	6.2	7.5*	9.0	10.4*
Spandana Sphoorty Financial	24	46	12,236	19,912	4.2	7.8	6.5	11.5

Period ending	GLP per Branch (Rs. Million)		GLP per Client (in Rs.)		GLP per Employee (Rs. Million)		GLP per LO (Rs. Million)	
	Mar-17	Mar-18	Mar-17	Mar-18	Mar-17	Mar-18	Mar-17	Mar-18
Spandana Spahoorty Financial (excl trainee loan officers)	24	46	12,236	19,912	4.7	9.1	7.8	14.4
Utkarsh Small Finance Bank	46	70	13,977	18,761	4.2	5.5	8.0	11.2^
Muthoot Microfin Limited	51	63	25,610	24,132	4.9	5.0	7.8	6.8
Asirvad Microfinance Limited	26	29	15,050	16,247	4.6	5.8	8.7	10.7
Annapurna Finance Limited	50	52	13,767	15,886	5.3	5.6	8.2	8.4

Source: ICRA research; *Grameen data pertains to September 2017; ^pertains to December 2017; ^Company Investor presentations; @MFIN data

Being predominantly a rural player, which is in expansion phase, the portfolio per branch for Spandana is lower than some of the larger peers. Overall loan outstanding per client for Spandana is in line with the industry median loan outstanding per client.

Efficiency ratios

Period Ending	Clients per Employee		Clients per Branch		Clients per LO	
	Mar-17	Mar-18	Mar-17	Mar-18	Mar-17	Mar-18
MFI	309	309	2531	2511	367	481
SFB	340	NA	6088	NA	NA	NA
MFI+SFB	323	NA	3470	NA	NA	NA
Bharat Financial Inclusion Limited [#]	361	386	3,806	3,949	545	575
Bharat Financial Inclusion Limited (excl trainee loan officers) [^]	378	402	4205	4315	615	633
Jana Small Finance Bank	351	NA	11349	NA	464	NA
Ujjivan Small Finance Bank	351	330	7805	7996	NA	NA
Satin Credit Care Network	396	327	3719	3196	608	454
CreditAccess Grameen	293	305*	3690	3650*	425	425*
Spandana Spahoorty Financial [^]	346	392	1948	2285	530	577
Spandana Spahoorty Financial (excl trainee loan officers)	383	457	1948	2285	629	721
Utkarsh Small Finance Bank	300	295	3290	3748	571	666@
Muthoot Microfin Limited	191	208	1973	2591	304	284
Asirvad Microfinance Limited	309	360	1712	1805	580	660
Annapurna Finance Limited	386	352	3657	3298	593	531

Source: MFIN Micrometer, ICRA research; *Grameen data pertains to September 2017; @pertains to December 2017; ^MFIN data; #Investor presentation

Overall efficiency ratios in terms of clients per employee are in line with peers. There is scope for growth in clients handled per branch.

Geographical diversification

Geographical presence

Company Name	No of States		No of districts		Top state concentration
	Mar-17	Mar-18	Mar-17	Mar-18	Mar-18
Bharat Financial Inclusion Limited	16	16	322	342	16% - Odisha
Jana Small Finance Bank	20	NA	233	NA	NA
Ujjivan Small Finance Bank	24	24	209	209^	15% - TN (Dec'17)
Satin Credit Care Network	16	18	235	302	30% - UP
CreditAccess Grameen	5	5*	96	112*	59% - Kar (Sep-17)
Spandana Spahoorty Financial	13	15	192	222	22% - Kar
Equitas Small Finance Bank	13	14	NA	NA	NA
Utkarsh Small Finance Bank	10	10	110	110	41% - UP (Dec-17)
Muthoot Microfin Limited	11	15	133	168	NA
Asirvad Microfinance Limited	17	20	233	245	36% - TN (Sep-17)
Annapurna Finance Limited	10	14	129	174	47% - Odisha

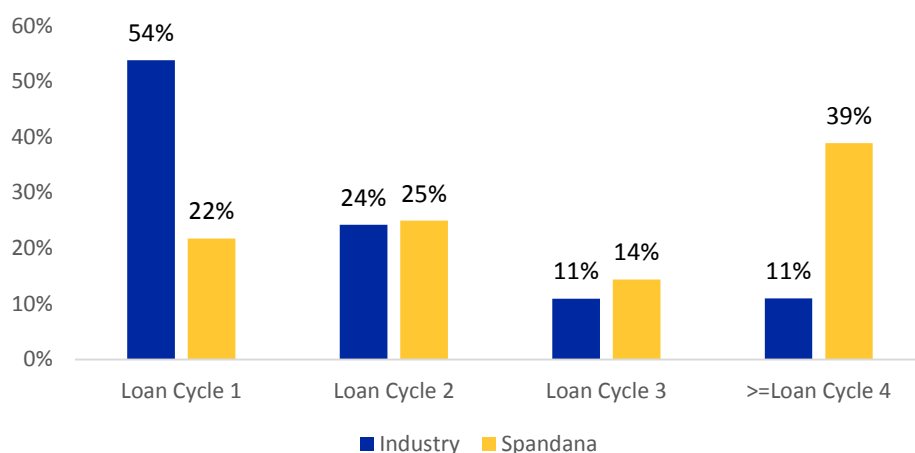
Source: MFIN Micrometer, Company presentations, ICRA Research; *Grameen data pertains to September 2017; ^pertains to December 2017

Spandana is well diversified geographically in terms of spread; covering more than 200 districts, and is fourth largest in terms of presence across districts. Demonetization highlighted the need for geographical diversification at both state and district levels, to reduce the adverse impact of local issues and events on an MFI's overall asset quality. Entities with concentrated operations in certain districts of Western Uttar Pradesh, parts of Madhya Pradesh, the Vidarbha region of Maharashtra and north Karnataka faced a sharper dip in asset quality. Earlier as well, asset quality was similarly impacted by local events like Kolar and neighbouring areas in Karnataka impacted by communal issues in March 2009; Chennai, Cuddalore, Villupuram and surrounding areas in Tamil Nadu in Dec 2015 owing to cyclone and subsequent floods; and Nanded and neighbouring areas in Maharashtra owing to political interference.

As per data collated by ICRA, MFIs and SFBs together were present in around 600 districts of the country as in December 31, 2017. However, Top 20 districts accounted for around 22% of the portfolio outstanding while Top 50 districts accounted for around 38%. Further share of portfolio outstanding in Top 10 districts in relation to net worth for MFIs/SFBs was analyzed and this ratio is higher than 1 for more than 75% of the industry players as on December 31, 2017 indicating concentrated portfolios for most players. For Spandana this ratio below 1 (57%), indicating well diversified portfolio at district level.

Comparison on key portfolio characteristics for Spandana Sphoorty Financial vis-a-vis the industry

Loan Cycle wise break-up of portfolio as on September 30, 2017

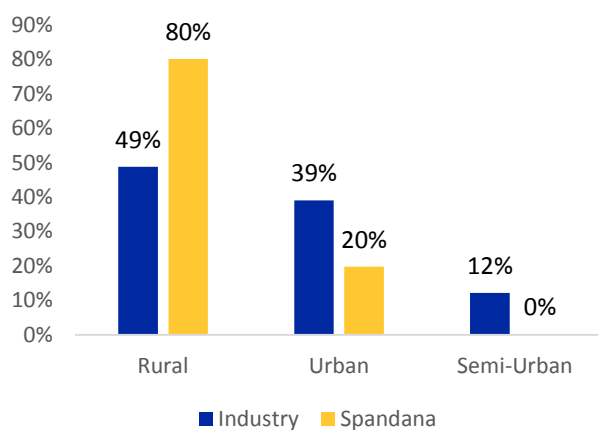


Source: ICRA research

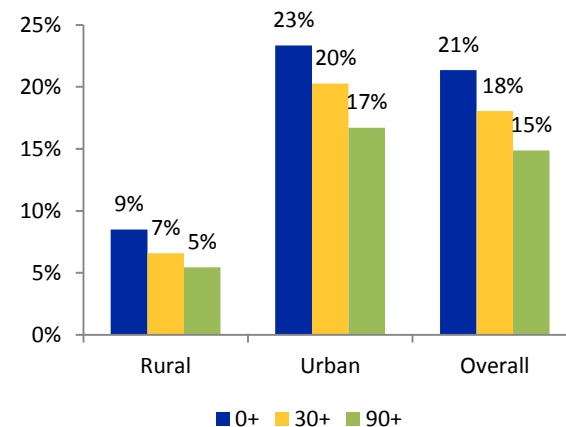
Owing to Spandana's track record of over 10 years, its portfolio vintage is better than industry, with over 40% of the portfolio in the fourth cycle. However, the share of portfolio in the first cycle may go up as it acquires new customers.

Higher rural focus

Urban/Rural split of portfolio



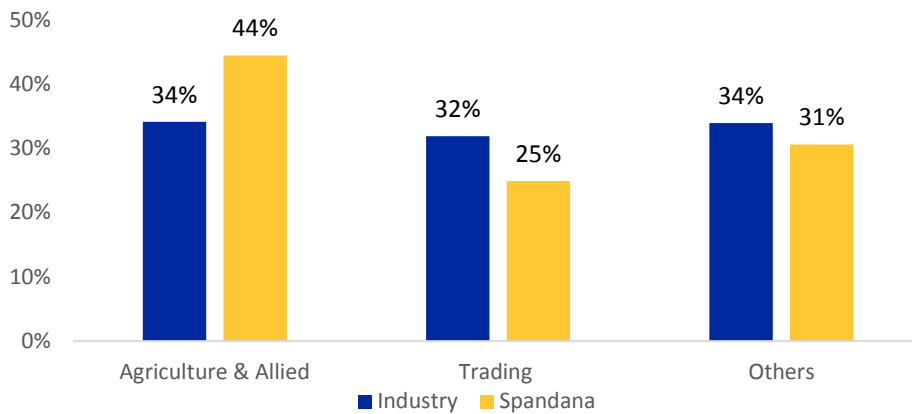
Portfolio performance across Rural/Urban areas



Source: ICRA research; Note: Portfolio performance data 22 NBFC-MFIs with a portfolio of Rs. 470 billion as on September 30, 2017

As of September 30, 2017, the share of the portfolio in urban (and semi-urban) areas was 52%. Exposure of MFIs to urban areas is on the rise owing to better connectivity, higher population density. However, trends indicate that delinquencies in the urban portfolios of NBFC-MFIs are nearly four times the delinquencies vis-a-vis rural areas, and therefore rural portfolios exhibited stronger performance vis-a-vis urban portfolios. Spandana's share of portfolio in rural areas is higher than the industry average. Consequently, the proportion of portfolio in agriculture and allied activities was higher for Spandana vis-a-vis the industry.

Activity wise break-up of portfolio based on AUM as on September 30, 2017

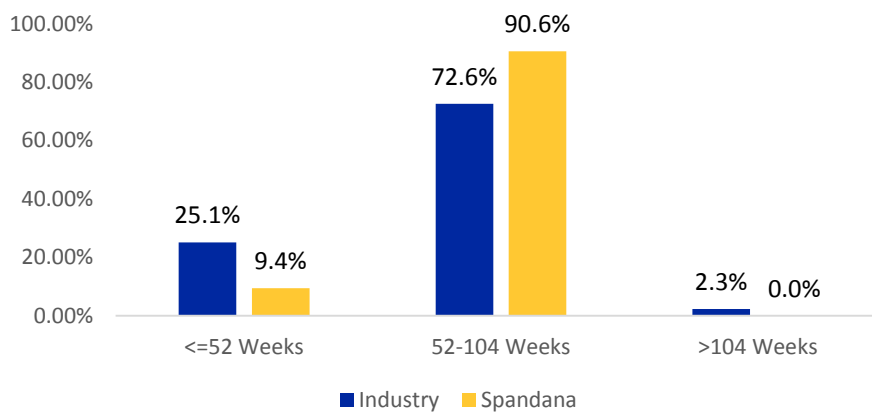


Source: ICRA research

Owing to its higher rural focus, the share of Agriculture and allied activities for Spandana was higher than that of the industry.

Most of the portfolio is in 1-2 year tenure

Tenure wise break-up of portfolio vis-a-vis industry as on September 30, 2017

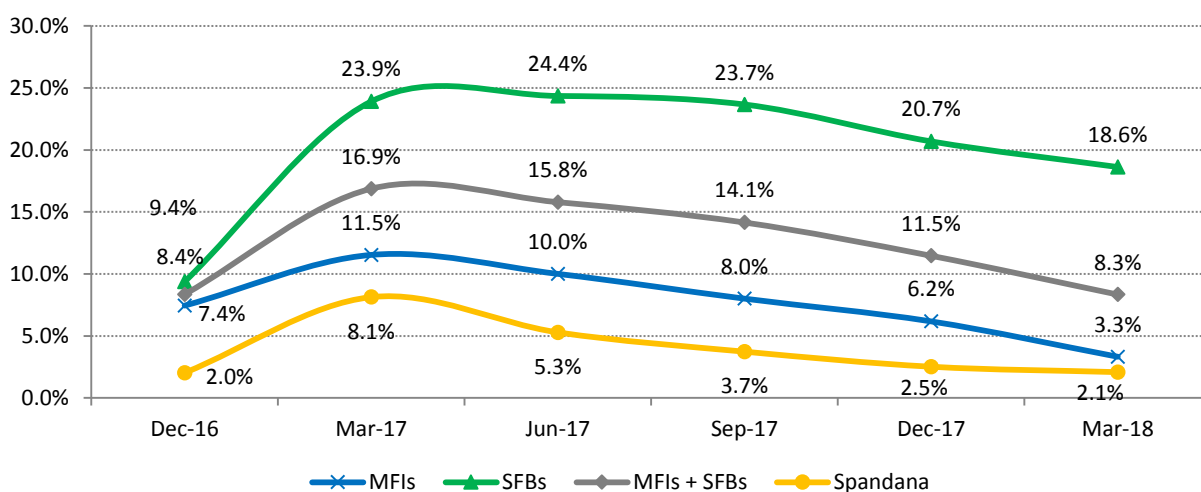


Source: MFIN Micrometer, ICRA research

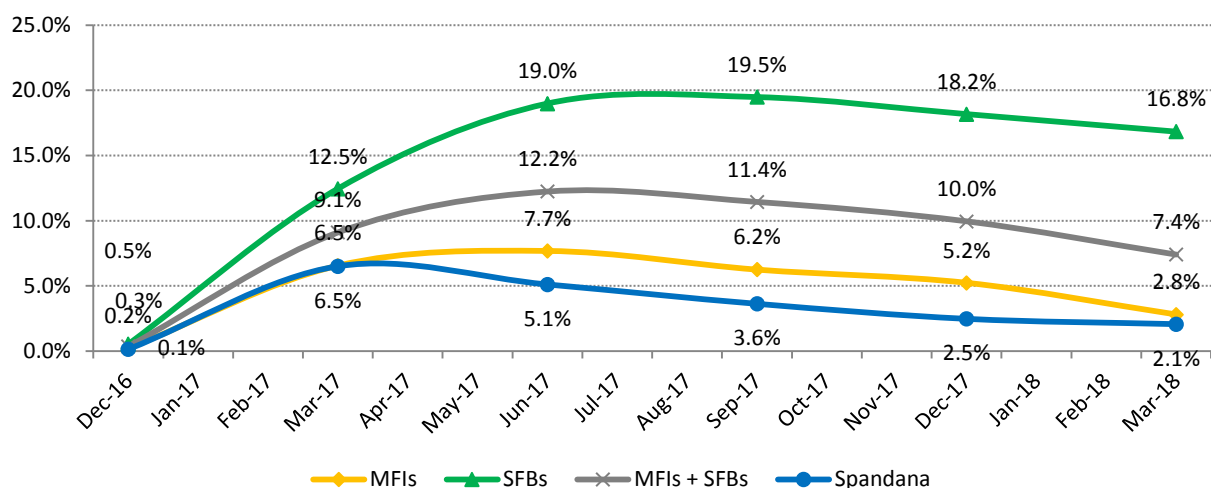
Given the higher share of repeat cycle customers, ticket sizes for Spandana were higher than peers as of 30 September 2017, and therefore the share of portfolio at tenure > 1 year is also higher than that of the industry.

Comparison on asset quality

Trends in 30 dpd delinquencies



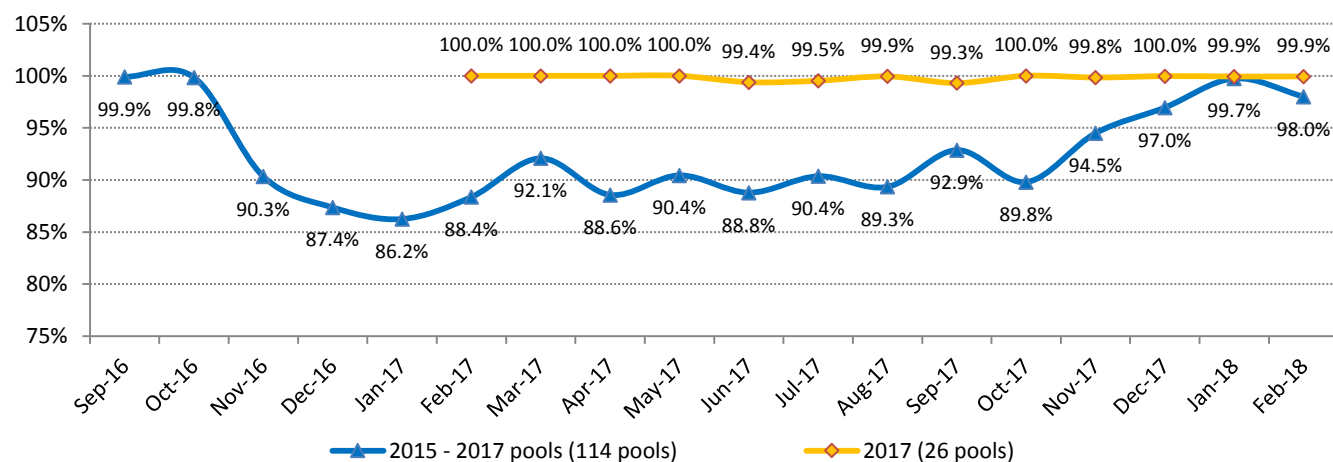
Trends in 90 dpd delinquencies



Source: ICRA research

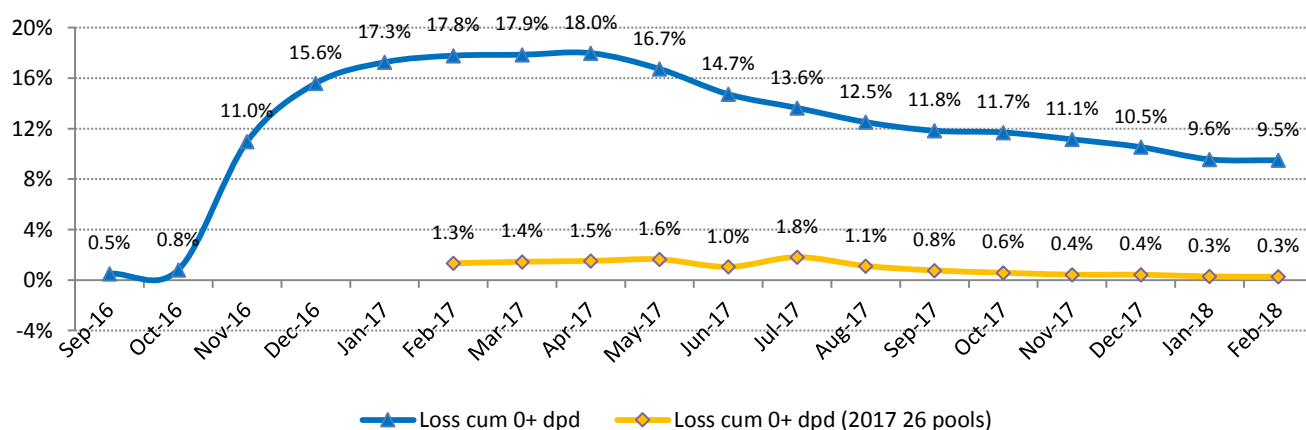
Good collection efficiencies of the loans disbursed post-demonetization has led to improvement in softer bucket delinquency trends for the sector (MFIs and SFBs). There has been a reduction in harder bucket delinquencies as well, due to increased portfolio growth, write-offs by some players and top-up loans offered by few MFIs – the 90+ dpd percentage declined from 12.2% as on June 2017 to 9.9% as on December 2017. The trend in 30+ and 60+ delinquencies have been improving. Spandana's performance has been superior to that of the industry, supported by higher rural focus, lower share of portfolio in affected districts and a geographically diversified portfolio. An analysis of the portfolio performance of the pools generated pre and post demonetization reflects better collection efficiencies and asset quality.

Comparison of collection efficiencies in pools generated pre and post demonetization



Source: ICRA research

Comparison of 0+ dpd in pools generated pre and post demonetization



Source: ICRA research

The 0+ delinquencies increased sharply in the months ensuing demonetization, as can be noted above. However, the same has shown an improving trend since May 2017. On the other hand, the pools generated post-demonetization have demonstrated better asset quality with significantly lower 0+ delinquencies.

Profitability metrics of the microfinance sector

Profitability metrics of the microfinance sector

Company	Year	Operating Expenses/ AMA	Operating Profit/ AMA	Provisions / AMA	PBT/ AMA	PAT/ AMA	PAT/ Average Networth	Debt / Equity	Cost to Income	GNPA	NNPA	AUM 3-yr CAGR
Bharat Financial Inclusion Limited	FY2016	5.1%	5.3%	0.3%	3.6%	3.8%	24.9%	3.7	49.1%	0.1%	0.0%	45%
	FY2017	5.0%	3.9%	3.2%	1.7%	2.6%	15.1%	2.9	50.2%	6.0%	2.7%	
	FY2018	5.0%	3.9%	1.7%	3.2%	3.2%	16.4%	2.6	50.5%	2.4%	0.1%	
Jana Small Finance Bank	FY2016	7.5%	3.6%	1.0%	2.6%	1.7%	13.9%	8.0	67.6%	0.2%	0.1%	26%
	FY2017	8.2%	3.8%	2.1%	1.8%	1.2%	9.4%	5.0	68.1%	0.7%	0.6%	
	FY2018	11.3%	-8.0%	10.8%	-18.8%	-19.5%	-127.6%	5.0	336.0%	42.2%	27.7%	
Ujjivan Small Finance Bank	FY2016	6.1%	5.7%	0.5%	5.4%	3.5%	18.3%	3.7	51.5%	0.2%	0.0%	32%
	FY2017	6.1%	4.9%	1.0%	4.3%	2.8%	14.1%	3.7	55.1%	0.3%	0.0%	
	FY2018	7.0%	3.4%	3.3%	0.1%	0.1%	0.4%	4.3	67.0%	3.6%	0.7%	
Satin Credit Care Network	FY2016	4.7%	0.5%	0.5%	2.5%	1.6%	22.4%	8.5	61.2%	0.2%	0.1%	39%
	FY2017	5.4%	-0.7%	1.1%	0.8%	0.5%	5.1%	6.1	77.6%	14.4%	12.8%	
	FY2018	4.7%	2.0%	3.7%	0.1%	0.1%	0.5%	4.3	57.6%	4.4%	2.6%	
CreditAccess Grameen	FY2016	4.9%	5.9%	0.6%	5.5%	3.6%	20.2%	5.0	45.1%	0.1%	0.0%	40%*
	FY2017	5.0%	6.9%	3.4%	3.6%	2.3%	13.1%	3.9	42.0%	0.1%	0.0%	
	H1FY2018	4.7%	5.6%	1.1%	2.4%	3.0%	16.7%	4.2	44.5%	5.4%	2.4%	
Spandana Sphoorty Financial*	FY2016	3.9%	5.9%	-5.0%	10.9%	10.9%	-33.5%	-2.9	39.4%	39.7%	0.1%	12%
	FY2017	4.2%	3.3%	-0.1%	3.4%	2.3%	-152.0%	1.8	56.1%	42.1%	2.9%	
	FY2018	3.2%	7.9%	1.0%	6.9%	5.1%	22.6%	1.6	28.7%	25.9%	0.3%	
Utkarsh Small Finance Bank	FY2016	5.1%	5.0%	0.6%	4.3%	2.6%	15.8%	4.9	50.7%	0.2%	0.1%	57%
	FY2017	6.2%	4.6%	2.2%	2.4%	1.5%	7.4%	2.9	57.4%	0.0%^	0.0%^	
	FY2018	6.5%	2.2%	4.6%	-2.5%	-1.7%	-8.5%	4.8	74.8%	NA	NA	
Muthoot Microfin Limited	FY2016	4.4%	3.9%	0.0%	3.9%	2.5%	25.3%	6.0	53.1%	0.1%	0.1%	22%
	FY2017	6.7%	4.2%	0.4%	3.8%	2.5%	28.7%	6.0	61.2%	0.3%	0.3%	
	FY2018	3.2%	2.2%	0.0%	2.2%	1.4%	15.9%	5.7	59.7%	NA	NA	
Asirvad Microfinance Limited	FY2016	5.3%	5.7%	0.9%	4.8%	3.0%	14.3%	3.4	48.0%	0.1%	0.1%	92%
	FY2017	6.5%	6.4%	3.2%	3.3%	2.1%	13.9%	6.1	50.4%	4.6%	1.4%	
	FY2018	6.0%	3.4%	6.4%	-2.1%	-1.3%	-11.7%	7.3	58.1%	2.3%	0.2%	
Annapurna Finance Limited	FY2016	4.9%	3.3%	0.5%	3.2%	2.0%	17.7%	7.4	59.7%	0.1%	0.0%	70%
	FY2017	4.8%	1.9%	0.6%	1.9%	1.3%	13.1%	7.8	72.1%	0.2%	0.0%	
	FY2018	5.1%	1.1%	2.3%	0.7%	0.5%	4.6%	7.0	66.4%	3.7%	0.3%	
Equitas Small Finance Bank	FY2016	6.0%	4.6%	0.3%	4.3%	2.8%	15.6%	2.3	56.6%	1.3%	0.9%	2%
	FY2017	8.5%	3.3%	1.0%	2.5%	1.6%	7.6%	3.3	72.4%	3.5%	1.5%	
	FY2018	7.8%	2.0%	1.5%	0.4%	0.3%	1.6%	5.3	80.0%	2.8%	1.7%	
Select NBFCs												
MAS	FY2016	2.1%	4.1%	0.9%	3.2%	2.1%	25.5%	6.5	34.4%	1.5%	1.2%	26%
	FY2017	2.0%	4.2%	0.9%	3.3%	2.2%	22.3%	4.0	31.8%	1.1%	1.0%	
	FY2018	1.8%	5.3%	2.2%	4.1%	2.7%	19.0%	2.5	25.9%	1.2%	0.9%	
SCUF	FY2016	5.0%	6.7%	2.7%	3.7%	2.6%	12.3%	3.3	40.5%	5.2%	1.6%	18%
	FY2017	4.8%	7.5%	3.8%	3.5%	2.4%	11.7%	3.5	36.2%	6.7%	1.8%	
	FY2018	5.1%	7.7%	3.9%	3.8%	2.5%	12.6%	3.9	39.7%	9.0%	3.4%	
Chola	FY2016	2.1%	4.4%	1.4%	2.9%	1.9%	16.7%	6.2	32.3%	3.5%	2.1%	19%
	FY2017	2.4%	4.1%	0.9%	3.2%	2.1%	18.0%	5.6	37.3%	4.7%	3.2%	
	FY2018	2.5%	4.4%	0.8%	3.6%	2.4%	20.8%	6.2	36.0%	2.9%	1.7%	

Source: ICRA research; Grameen data considering portfolio as on September 30, 2017; [^]considering RBI dispensation

* Please note that AMA referred to in this table for our Company corresponds to Gross AUM (including the old AP Portfolio) and consequently, the various AMA-related ratios have been calculated by ICRA Research to take into account our Gross AUM (including the old AP Portfolio). Accordingly, these ratios may differ from similarly titled ratios presented elsewhere in this Draft Red Herring Prospectus (for instance, in the "Selected Statistical Information", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" chapters).

MFIs have largely reported resilient earnings after the implementation of the Malegam committee guidelines, and with steady moderation in operating expense ratios and credit costs maintained below 1%. In the year ended 2017 and the year ended 2018, the credit costs increased because of the impacts of demonetisation, which affected profitability indicators of the sector. Further, most of the SFBs have been in transition mode for setting up of branches, investing in expansion of teams and information technology systems, all of which have led to an increase in operating expense ratios for SFBs.

Trends in profitability

Spandana	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
NIM/AMA	9.1%	7.5%	8.2%	9.6%	7.2%	10.8%
Other Income /AMA	0.0%	0.2%	0.2%	0.2%	0.2%	0.3%
Operating Expenses /AMA	4.2%	4.2%	4.5%	3.9%	4.2%	3.2%
Operating Profit/AMA	5.2%	3.5%	3.9%	5.9%	3.3%	7.9%
Provisions/AMA	48.2%	0.7%	-0.7%	-5.0%	-0.1%	1.0%
PBT/AMA	-43.0%	2.8%	4.7%	10.9%	3.4%	6.9%
Tax/AMA	0.0%	0.0%	0.0%	0.0%	1.0%	1.7%
Profit after tax (Rs. Bn)	-11.63	0.64	1.05	2.43	0.53	1.72
PAT/AMA	-43.0%	2.8%	4.6%	10.9%	2.3%	5.1%
PAT/Average Net Worth	314.4%	-6.9%*	-12.0%*	-33.5%*	-152.0%*	22.6%

Source: ICRA research; Although Spandana reported profit in these years, ROE impacted by negative net worth

Spandana's profitability indicators were impacted in the past because of high credit costs post the AP Crisis and consequent erosion in net worth of the company. However, the company has been profitable FY2014 onwards though ROEs have been negative owing to negative net worth of the company till FY2017. Spandana's operating expense ratios are better than the industry numbers. Further, credits costs post demonetization for Spandana has been superior to industry average.

Historical industry profitability indicators

Period Ending	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
MFIs and SFBs					
NIM/AMA	9.5%	9.8%	9.4%	9.4%	7.0%
Other Income /AMA	0.4%	0.5%	0.8%	0.9%	0.9%
Operating Expenses /AMA	6.4%	6.2%	6.0%	6.5%	6.4%
Operating Profit/AMA	3.5%	4.1%	4.4%	3.9%	1.5%
Provisions/AMA	0.4%	0.3%	0.3%	1.8%	3.7%
PBT/AMA	3.2%	3.9%	4.1%	2.3%	-2.0%
Tax/AMA	0.8%	1.0%	1.1%	0.5%	0.2%
PAT/AMA	2.4%	3.0%	3.0%	1.8%	-2.2%
PAT/Net Worth	28.9%	26.0%	23.8%	11.4%	-13.0%
MFIs					
NIM/AMA	8.4%	8.7%	8.8%	8.7%	7.9%
Other Income /AMA	0.9%	1.4%	1.7%	1.6%	1.5%
Operating Expenses /AMA	5.9%	5.7%	5.1%	5.5%	4.7%
Operating Profit/AMA	1.9%	2.5%	2.9%	2.4%	2.8%
Provisions/AMA	0.3%	0.0%	-0.1%	1.9%	2.2%
PBT/AMA	2.5%	3.5%	4.5%	2.2%	1.7%
Tax/AMA	0.4%	0.6%	1.0%	0.3%	0.1%
PAT/AMA	2.2%	3.0%	3.4%	1.9%	1.6%
PAT/ Average Net Worth	62.5%	40.1%	36.4%	14.4%	10.5%
SFB licensees					
NIM/AMA	10.7%	10.1%	10.1%	10.0%	5.8%
Other Income /AMA	0.6%	0.6%	1.0%	1.3%	1.4%
Operating Expenses /AMA	7.3%	7.1%	7.1%	7.6%	8.5%
Operating Profit/AMA	4.1%	4.1%	4.2%	3.7%	-1.2%
Provisions/AMA	0.3%	0.6%	0.7%	1.6%	5.4%
PBT/AMA	4.2%	3.5%	3.6%	2.4%	-6.4%
Tax/AMA	1.2%	0.9%	1.2%	0.8%	0.3%
PAT/AMA	3.0%	2.6%	2.5%	1.6%	-6.7%
PAT/ Average Net Worth	15.8%	13.4%	14.9%	9.0%	-37.0%

Source: ICRA research

OUR BUSINESS

To obtain a complete understanding of our business, prospective investors should read this chapter in conjunction with “Risk Factors”, “Industry Overview”, “Financial Statements” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 17, 92, 187 and 303, respectively, as well as the financial, statistical and other information contained in this Draft Red Herring Prospectus. Some of the information in the following chapter, especially information with respect to our strategies, includes certain forward-looking statements that involve risks and uncertainties. You should read “Forward-Looking Statements” on page 16 for a discussion of the risks and uncertainties related to those statements, and also “Risk Factors” on page 17 for a discussion of certain risks that may affect our business, financial condition, or results of operations. Our actual results may differ materially from those expressed in, or implied by, forward-looking statements.

The industry data in this chapter has been extracted from the report dated June 2018, titled ‘Microfinance sector in India’, prepared by ICRA Research. Neither we, nor the GCBRLMs and the BRLMs, nor any other person connected with the Offer has independently verified this information. See “Risk Factors – Third-party industry and industry-related statistical data and peer comparison and benchmarking of our Company with major microfinance players presented in this Draft Red Herring Prospectus may be incomplete, incorrect or unreliable” on page 32 and “Certain Conventions, Use of Financial Information and Market Data and Currency of Presentation - Industry and Market Data” on page 13.

Our Financial Year ends on March 31 of each year, and references to a particular Financial Year are to the twelve-month period ended March 31 of that year. Unless otherwise stated, or the context otherwise requires, the financial information used in this chapter is derived from our Restated Financial Information included on page 187.

Overview

We are a leading, rural focused NBFC-MFI with a geographically diversified presence in India. We offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. As of March 31, 2018, we were the fourth largest NBFC-MFI and the sixth largest amongst NBFC-MFIs and SFBs in India, in terms of AUM (Source: ICRA Research; see “Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters” on page 109). Further, according to ICRA Research, our operating expense to average managed assets (“AMA”) ratio was better than the industry as a whole for Fiscal 2018.

Through our extensive corporate history, we have developed an in-depth understanding of the borrowing requirements of the low-income client segment. Our business model involves regular client meeting processes through our employees, who maintain contact with our clients across the districts that we cover. As of March 31, 2018, we had 4,045 employees (including 2,746 credit assistants) operating out of 694 branches in 222 districts across 15 states in India. Through our loan products and client-centric approach, we endeavor to strengthen the socio-economic well-being of low-income households by providing financing on a sustainable basis in order to improve livelihoods, establish identity and enhance self-esteem.

We were incorporated as a public company in 2003 and registered as an NBFC with the RBI in 2004. Subsequently, we registered as an NBFC-MFI in 2015. Between the years 2005 to 2010, we grew our micro-finance operations and, as of March 2010, we were the second largest MFI in terms of AUM (Source: ICRA Research).

In October 2010, the MFI industry (including us) was severely impacted due to external regulatory action, as the government of the formerly unified Andhra Pradesh promulgated the AP Microfinance Ordinance 2010, which enforced several restrictions on the operations of MFIs (for details, see “Industry Overview – Historical Growth and Development of the Microfinance Industry – Andhra Pradesh (AP) Ordinance (2010)”). This severely impacted our collections and the consequent cash-flow shortage impacted our ability to service our debt, which in turn impaired our growth and profitability. Our lenders referred us to the corporate debt restructuring (“CDR”) mechanism of the RBI to develop a plan to restructure our borrowings and revive our business. We agreed on a CDR plan with our lenders, which allowed us to get cash-flow relaxations to enable us to continue our efforts towards portfolio diversification, process improvement and cost rationalization. These measures helped us turn our operations profitable from the year ended March 31, 2014.

Further during the time that we were under CDR, we deployed efforts to recover dues in AP, such as continuing to keep our branches open and continuing to engage with borrowers. Our operations turned profitable in the year ended March 31, 2014 and we went on to make profits for four consecutive years while operating under the CDR mechanism. Our restated profit after tax was ₹580.58 million, ₹1,072.96 million, ₹2,464.88 million and ₹420.58 million for Fiscals 2014, 2015, 2016 and 2017, respectively. As a result of our collections from the old AP portfolio and the profits generated from our operations in other states, we were able to restructure our outstanding debt as well as raise refinancing debt from our existing CDR lenders. We also received capital infusion from Kangchenjunga, our Corporate Promoter, and Kedaara AIF – 1, which enabled us to exit from CDR mechanism successfully in March 2017 with approvals from the RBI and our lenders. ICRA Research notes that we were one of only two major companies that were able to successfully exit from CDR.

Post our exit from CDR in March 2017, we increased our lender base, diversified our borrowings to new banks and NBFCs and also issued NCDs in the capital markets (leading to a reduction in Average Effective Cost of Borrowing to 13.82% for Fiscal 2018 from 16.31% for Fiscal 2017). As a result, during Fiscal 2018, with increasing flow of capital, we expanded our operations

and were able to effectively utilize our existing branch network and employees (that were earlier underutilized due to lack of capital).

Prior to our exit from CDR in 2017, we had limited access to capital, due to which we were able to offer loans in lower ticket sizes than the demand from our clients. According to ICRA Research, we had the lowest portfolio per branch amongst peer comparison of major NBFC-MFIs and SFBs, as of March 31, 2017. Post exit from CDR, we were able to optimize the ticket sizes and also acquire new clients at existing and new branches. This helped us grow our AUM in the year ended March 31, 2018 at one of the highest rates (144.1% in Fiscal 2018) among large NBFC-MFIs in India (Source: ICRA Research; see “Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters” on page 109). For Fiscal 2018, our Disbursements increased by 87.34% (from ₹20,591.65 million as of March 31, 2017 to ₹38,576.48 million as of March 31, 2018 and our Gross AUM grew from ₹12,970.75 million as of March 31, 2017 to ₹31,663.54 million as of March 31, 2018) and the Return on Annual Average Net Worth increased from 11.44% for Fiscal 2017 to 22.37% for Fiscal 2018. For further details, please see “Selected Statistical Information” on page 179.

The following table sets forth our key financial and operational metrics as of or for the periods indicated:

	As of / For the		
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
	(₹ in millions, except percentages and number of borrowers)		
Gross AUM ⁽¹⁾	31,663.54	12,970.75	12,195.38
Gross AUM Growth (%) ⁽²⁾	144.11%	6.36%	2.18%
Disbursements ⁽³⁾	38,576.48	20,591.65	17,933.03
Disbursement Growth ⁽⁴⁾	87.34%	14.83%	-9.57%
Borrowers ⁽⁵⁾	1.59	1.06	1.07
Total Revenue ⁽⁶⁾	5,725.97	3,642.00	3,513.49
Operating Expense/ Annual Average Gross AUM ⁽⁷⁾	4.83%	7.58%	7.41%
Operating Expense / Annual Average Gross AUM (including the old AP Portfolio) ⁽⁸⁾	3.56%	4.64%	4.19%
Cost to Income Ratio ⁽⁹⁾	28.93%	49.99%	40.13%
Provision and write-offs / Annual Average Gross AUM ⁽¹⁰⁾	1.67%	3.34%	0.89%
Profit before tax ⁽¹¹⁾	2,277.17	638.85	2,464.88
Profit after tax ⁽¹²⁾	1,703.95	420.58	2,464.88
Gross PAR 90+ (excluding the old AP Portfolio) ⁽¹³⁾	655.60	843.70	12.80
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽¹⁴⁾	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽¹⁵⁾	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽¹⁶⁾	0.03%	2.81%	0.08%
Collection Efficiency ⁽¹⁷⁾	99.25%	97.13%	99.41%
Return on Annual Average Gross AUM ⁽¹⁸⁾	7.64%	3.34%	20.43%
Return on Annual Average Net Worth ⁽¹⁹⁾	22.38%	11.44%	291.10%*
Net Worth ⁽²⁰⁾	9,840.88	5,386.92	1,964.38

Figures disclosed in the above table, except “Total Revenue”, “Profit before Tax” and “Profit after Tax” are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

Notes:

- (1) Gross AUM represents our total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) comprising the outstanding of loan portfolio held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization or assignment as at the end of the relevant year, excluding (in both cases) loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012. For a reconciliation of our Gross AUM to the loan portfolio appearing on our restated summary of assets and liabilities, please see “Selected Statistical Information” on page 179.
- (2) Gross AUM Growth represents percentage growth in Gross AUM for the relevant year over Gross AUM of the previous year.
- (3) Disbursements represent the aggregate of all loan amounts extended to our customers in the relevant year.
- (4) Disbursement Growth represents percentage growth in disbursement for the relevant year over disbursement of the previous year.
- (5) Borrowers represents the number of customers who have active loan accounts with us as at the end of the relevant year.
- (6) Total Revenue represents our restated total revenue for the year.
- (7) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses. Annual Average Gross AUM is the average of our Gross AUM as of the last day of the relevant year and our Gross AUM as of the last day of the previous year.
- (8) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses. Annual Average Gross AUM (including the old AP Portfolio) is the average of our Gross AUM (including the old AP Portfolio) as of the last day of the relevant year and our Gross AUM (including the old AP Portfolio) as of the last day of the previous year.
- (9) Cost to Income Ratio represents the sum of employee benefits expenses, other expenses, and depreciation and amortization expenses as a percentage of Net Interest Income plus our restated other income.
- (10) Provision and write-offs represents the aggregate of provisions and write offs.
- (11) Profit before tax represents our restated profit before tax.
- (12) Profit after tax represents our restated profit for the year
- (13) Gross PAR 90+ (excluding the old AP Portfolio) represents total loan outstanding that are overdue for 90 days or more (including any such loan outstandings that form part of our securitized loan portfolio), excluding loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
- (14) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents “Gross PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM as at the date mentioned

- (15) *Net PAR 90+ (excluding the old AP Portfolio)* represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (16) *Net PAR 90+ Ratio (excluding the old AP Portfolio)* represents “Net PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned.
- (17) *Collection Efficiency* represents the ratio of our collections (including overdue collections) for the year to billings for the year.
- (18) *Return on Annual Average Gross AUM* is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Gross AUM in such year.
- (19) *Return on Annual Average Net Worth* is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Net Worth in such year.
- * Our net worth, as restated as at March 31, 2015 was negative, amounting to ₹(270.89) million. As a consequence, our Return on Annual Average Net Worth for the year ended March 31, 2016 is much higher than our Return on Annual Average Net Worth for the years ended March 31, 2016 and 2017.
- (20) *Net Worth* represents our restated net worth as of the last day of the relevant year.

Competitive Strengths

Seasoned business model with resilient performance through business cycles

Through various business cycles, we have been able to leverage the inherent strength of our client centric business model, focus on internal controls, the expertise of our Individual Promoter and core management team to maintain our status as a leading NBFC-MFI. Our response to the 2010 AP crisis demonstrated the strength of our decision making, planning and execution. In the aftermath of the 2010 AP crisis, even while we were under CDR, we continued operations outside Andhra Pradesh in various states. In this period, we focused on rebuilding profitable operations through portfolio diversification, cost rationalization, customer retention, and recovery from our Andhra Pradesh portfolio. These measures helped us to raise new debt from existing lenders and gain capital infusion from Kangchenjunga, our Corporate Promoter and Kedaara AIF – 1, which allowed us to exit from CDR in March 2017. According to ICRA Research, we are one of the only two major MFIs to successfully exit from CDR post AP crisis.

Further, in November 2016, the Indian government announced the demonetization of currency notes of ₹500 and ₹1,000 denominations. ICRA Research notes that in the aftermath of demonetization, inadequate currency supply, political interference in some states and disruption in borrower cash flows led to a sharp dip in the collection efficiencies of MFIs (from over 98% prior to demonetization to approximately 75-80% in November and December 2016). During the months following the demonetization notification, we adopted practices that allowed borrowers to repay a portion of their installments and also supported them with interim loans. We also conducted meetings with clients, encouraging them to continue attending center meetings. These practices allowed us to manage the situation and maintain industry leading portfolio quality. Our Collection Efficiency for Fiscals 2017 and 2018 were 97.13% and 99.25% respectively. ICRA Research notes that our performance (in terms of reductions in 30 dpd delinquencies and 90 dpd delinquencies) and asset quality was superior to the industry after demonetization, as a result of our rural focus, lower share of portfolio in the most affected districts and our geographically diversified portfolio. For details, please see “*Industry Overview*” on page 92. Further, according to ICRA Research, our credit costs post demonetization were superior than the industry average.

Our track record of dealing with the aftermath of the 2010 AP Crisis, CDR and demonetization demonstrates the strength of our business model, policies and client relationships as well as our ability to manage the expectations of varying stakeholders in our business, including staff, lenders, shareholders and clients.

High degree of client engagement and robust risk management, leading to superior asset quality and collections

We focus on a high degree of client engagement through our large employee base and operating procedures. Our client engagement practices include village/block level centre meetings and client training. Prior to lending to a client, we impart training over three days on loan terms, utilization and repayment, insurance and client support services. We also conduct center meetings where clients interact with our staff at regular intervals (typically based on their installment payments frequency). For further details, please see “– *Credit Appraisal, Sanction, Disbursement and Repayment Processes*” on page 128. We believe that these practices help us stay in close contact with our clients, which enables us to collect installments on the due dates and at specified times. We believe that we have been able to perform better than our peers on collection efficiency as a result of our practices, staff training, incentive structures designed to reward process adherence and asset quality and regular client engagement activities.

Further, our risk management norms are designed keeping in mind the various kinds of risks to our business. We make changes to these norms from time to time in response to business environment to ensure a responsive risk management strategy. Many risk control measures are embedded in the business process. For example, we follow a set of eligibility criteria for clients, which is aimed at minimizing credit risk (for details, please see “– *Client Selection Policies and Procedures*” on page 130). Every prospective client prior to disbursement is also assessed for their credit history with other lenders reporting into the credit bureau. ICRA research notes that the vintage of our portfolio is better than the industry, with over 40% of the portfolio in the fourth cycle compared to 11% for the industry.

Further, in order to prevent frauds by our employees, we follow a standard transfer policy, whereby all our field employees are transferred after spending a fixed period (not exceeding 12 months) at one location. We follow certain criteria while transferring employees to prevent the possibility of collusion with each other. For example, no two employees from the same village or

tehsil of origin are allowed to work in the same branch and no two employees who have worked together in a branch are allowed to work together again in the same branch even after their transfers. Some of these controls have been automated with the use of technology. Our human resources management software has these kinds of controls built-in such that any transfer breaching the criteria cannot be executed. We also have well-established internal controls, a well-designed system for operations, strong policies and procedures to maintain financial discipline. Our internal audit department, which is overseen by the Audit Committee, is an independent function, which evaluates operational risks, internal controls, adherence to systems and conducts timely inspection of our branches. For details, please see “Our Management – Corporate Governance” on page 159.

Our high degree of client engagement and effective risk management policies have resulted in healthy asset quality.

The following table shows our key portfolio indicators:

	As of / For the		
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
	(₹ in millions, except percentages)		
Collection Efficiency ⁽¹⁾	99.25%	97.13%	99.41%
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽²⁾ (%)	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽³⁾	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽⁴⁾ (%)	0.03%	2.81%	0.08%
Gross PAR 0+ ⁽⁵⁾	676.17	1,330.70	42.48

Figures disclosed in the above table are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

Notes:

- (1) Collection Efficiency represents the ratio of our collections (including overdue collections) for the year to billings for the year.
- (2) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents “Gross PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM as at the date mentioned
- (3) Net PAR 90+ (excluding the old AP Portfolio) represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (4) Net PAR 90+ Ratio (excluding the old AP Portfolio) represents “Net PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned
- (5) Gross PAR 0+ represents total outstandings under our loans that are overdue for more than one day, excluding outstandings under loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.

Streamlined systems and processes and high employee productivity leading to low operating expense ratio

Our business processes are designed for scale and efficiency and we constantly review and endeavor to strengthen them as the scale of our operations increase. Our operational efficiency is also driven by streamlined systems and procedures and scalable workforce deployment. At the branch level, we have implemented standardized systems and a front-end interface that gives us real time information on demand and collections. The systems follow an accounting module with budget controls built and approval authorities clearly earmarked. These practices and systems help in reducing the time and cost of our operations. As a result, according to ICRA Research, we had the lowest operating expenses/AMA ratio amongst major NBFC-MFIs and SFBs for Fiscal 2018. Further, ICRA Research also notes that our employee productivity is best in the industry in terms of GLP per employee and clients per employee. For details, please see “Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters” on page 109.

In addition, with a view to offering timely service to our clients and thereby increase client retention and increasing our loan portfolio, we provide repeat loans on a timely basis to our existing clients. Faster processing of loans improves client experience and also helps save time, thereby improving cost utilization at branch level.

Our focus on the high potential and under-served rural segment

Rural Areas in India are a highly under-served market for formal banking services in terms of access, availability and suitability of products and services. Therefore, we strategically focus on clients in the rural sector. According to ICRA Research, while rural India accounts for approximately 68% of India’s population as of March 2017, it accounted for only 30% of total deposit accounts and 35% of the loan accounts in scheduled commercial banks. ICRA Research notes that the significant under penetration of credit in Rural Areas offers strong potential for improvement and that given the relatively deeper reach, existing client relationships and employee base, micro-finance institutions are well placed to address this demand, which is currently being met by informal sources such as local money lenders. Accordingly, with our focus on the rural segment as of September 30, 2017, 80% of our portfolio was located in Rural Areas, as compared with 49% for 22 NBFC-MFIs as a whole. As a consequence, the proportion of our portfolio in agriculture and allied activities is higher for us as compared with the industry. (Source: ICRA Research). Further, loans given to our clients for agriculture and allied activities can be classified as “Direct Agri” by banks pursuant to the RBI’s priority sector lending guidelines, which provides us with the opportunity to assign this portfolio to banks that need to meet their target on Direct Agri loans. As of March 31, 2018, 86.36% of our portfolio was located in Rural Areas.

In the context of asset quality, ICRA Research also notes that delinquency trends indicate that delinquencies in the urban portfolios of NBFC-MFIs are nearly four times the delinquencies in Rural Areas. Therefore, rural portfolios have exhibited stronger performance vis-a-vis urban portfolios. Further, ICRA Research notes that, in most states, the credit outstanding in urban areas outweigh that of Rural Areas by multiple times, indicating the extent of deficiency in credit availability in Rural Areas. While several initiatives by the Government and the RBI have been taken for improving the credit availability in Rural Areas, the gap remains substantial offering significant potential for private players to serve this unmet demand. In particular, ICRA Research notes that microfinance institutions with deep reach in Rural Areas are better placed to deliver credit to the largely underserved segment in the country. Further, borrowers in general are aware that loans from MFIs are important for them. Given the lack of organised financial aid to this segment of the society, for many of whom the alternate source of funds is moneylenders who charge exorbitant rates. Hence, ICRA Research observes that the general inclination of borrowers to default on these loans is low (*Source: ICRA Research*).

Geographically diversified operations leading to risk containment and business resilience

As of March 31, 2018, we cover more than 50,000 villages in 222 districts in 15 states across India through 694 branches. Our operations are well-diversified at the branch, district and state levels. Presence in widespread geographies in India offers us a potential growth opportunity to further grow the business penetration in same areas and also reach out to more congruent geographies.

To address geographic concentration risk, we have specified exposure caps at the state, district and branch levels. For instance, the gross loan portfolio of each state must not exceed 25% of our total portfolio (except for AP and Telangana, to which, the combined cap of our portfolio and of Criss Financial Holdings Limited, one of our Group Companies, is 6%) or 100% of our net worth. The gross loan portfolio for each district must not exceed 5% of our total portfolio and 10% of our net worth. With this adopted norm, our operations are geographically well-diversified with no single state contributing more than 22.5% to our AUM, no district contributing more than 2% to our AUM and no branch more than 0.35% to our AUM as of March 31, 2018. Further, according to ICRA Research, we had the second lowest GLP per branch amongst major NBFC-MFIs and SFBs, as of March 31, 2018.

Further, as per our risk containment norms, disbursements for any single state must be less than 25% of our total disbursements. In addition, total disbursement at each branch is capped at 600 loans per month, to ensure that sufficient supervisory checks can be done to maintain quality of appraisals. ICRA Research notes that the ratio of the share of portfolio outstanding of NBFC-MFIs/SFBs in their top 10 districts to their net worth is higher than 1 for more than 75% of industry players as of December 2017, indicating concentrated portfolios for most players. However, ICRA Research notes that for us, this ratio is below 1 (57%), indicating a well diversified portfolio at district level.

Significant industry experience of our Promoter and management team

We believe that the long-standing industry experience of our Individual Promoter and our management team provides us with an understanding of the needs and behavior of the clients particularly in Rural Areas, the nuances of lending to these clients and issues specific to the microfinance industry in India. We believe that this expertise gives us a competitive advantage in this industry and has helped us in maintaining our resilience through industry cycles.

Padmaja Gangireddy, our Individual Promoter and Managing Director, has over 20 years experience in the microfinance sector. She also founded SRUDO in 1998, leveraging her deep knowledge and understanding of the low-income market segment.

Deepak Goswami, our Chief Financial Officer, is a chartered accountant and holds a masters' degree in Management and a chartered financial analyst degree from Institute of Chartered Financial Analysts of India University, Tripura. Prior to joining our Company, he worked at SBI Cards & Payment Services Private Limited for more than six years where his last held position was Senior Vice President - Controllership. He has also previously worked at Comviva Technologies Limited, Tata Power Delhi Distribution Limited (previously known as North Delhi Power Limited) and at ACME Telepower Limited. Deepak Goswami joined our Company on January 31, 2018 and has more than 15 years of experience in finance. Abdul Feroz Khan is the Chief Strategy Officer of our Company. He holds a masters' degree in business administration from Institute of Chartered Financial Analysts of India University, Dehradun. He joined our Company in November 2008 as an assistant finance manager and was designated as the Chief Strategy Officer in May 2018. Nitin Prakash Agrawal is the Chief Risk Officer of our Company. He holds a post graduate diploma in Rural Management from Institute of Rural Management, Anand. He worked at Bennett, Coleman & Company Limited for three years; at Fullerton India Credit Company Limited; at ICICI Bank Limited; and at IntelleGrow (Jain Sons Finance Limited).

Further, at the field level, we have a high retention rate of employees at the middle to senior management level. The average experience of our assistant vice-presidents, division managers ("**Divisional Managers**") and cluster managers ("**Cluster Managers**") was 6.6 years, 7.5 years and 6.6 years, respectively, as of March 31, 2018.

For further details in relation to our Directors and Key Managerial Personnel, see "*Our Management*" on page 152.

Our Strategy

Leverage our popular income generation loan products to derive organic business growth

Through our client-centric business model, we focus on providing financing to our clients on a speedy and continual basis (while always adhering to our strict risk management policies), according to their life-cycle needs. We focus on providing income generation loans and our popular 'Abhilasha' loans (which are income generation loans) amounted to 87.06% of our Gross AUM.

ICRA Research estimates the microfinance credit opportunity to amount to ₹5–6 trillion (based on the current credit gap). For further details, please see “*Industry Overview*” on page 92. We expect to derive organic growth through our popular income generation loan products that are offered through the JLG model. To this end, we intend to utilize our existing branch infrastructure and employee base to increase our volume of income generation loans. We intend to offer income generation loans both to our existing clients (as they complete their existing loan cycles) and to new clients through our existing branches. We commence processing loans for existing clients at the time when two installments of their existing loan are due, so as to disburse loans on the same day that the existing loan is repaid.

In addition to our core business of providing micro-credit, we also have contractual arrangements with one of our Group Companies, Abhiram Marketing Services Limited (“**Abhiram Marketing**”), a company engaged in the business of consumer goods (such as mobile phones, sarees, solar lamps, pressure cookers, mixers and grinders and bicycles, among other products) that are intended for purposes such as improving the quality of life of our clients, improving health and hygiene for families, reducing household expenditures and improving awareness, communication and mobility. We believe that these products may attract clients to our branches, which may help in engendering client loyalty. Further, we endeavor to provide repeat loans on a timely basis to our existing JLG clients.

Leverage our existing branch network by increasing loan portfolio and enhancing employee productivity

We have a large branch network which can be further leveraged since we have maintained low exposure levels per branch thus far. While we were under CDR, we focused on retaining our branch franchise as much as possible and this required maintaining low ticket sizes (leading to low AUM/branch levels) to ensure that once our funding levels improve post CDR exit, we can leverage on the branch franchise. Within the branches, during the time that we were in CDR, we focused on retaining clients even though we had to keep our ticket sizes lower than the client demand and credit approval levels.

Since our exit from CDR in March 2017, we increased our lender base, diversified our borrowings and also received additional capital infusion from Kangchenjunga, our Corporate Promoter and Kedaara AIF – 1. With increased capital flow, we were able to enhance our ticket sizes and also acquire new clients at our existing branches. This helped us grow our AUM at one of the highest rates (144.1% in Fiscal 2018) among large NBFC-MFIs in India (Source: ICRA Research; see “*Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters*” on page 109). As a result, during the year ended March 31, 2018, with increasing flow of funding, AUM per branch grew from ₹24.66 million per branch as of March 31, 2017 to ₹45.62 million per branch in March 31, 2018. However, according to ICRA Research, we had the second lowest GLP per branch amongst peer comparison of NBFC-MFIs and SFBs, as of March 31, 2018, which we believe provides us with the potential to further increase our loan portfolio and enhance our employee productivity.

As our funding levels improve further, we can further expand our operations from the existing branch network and bring exposure per branch on par with industry averages. We believe that we have the existing physical infrastructure and workforce in place to increase our loan portfolio, without a proportionate increase in operating expenses.

Further, we believe that we have latent growth potential (i) by way of opening new branches in adjacent areas to our existing branch network; (ii) splitting large branches according to demand (allowing them to grow by acquiring more clients in the same geographies); and (iii) leverage on those states where we have less penetration though the states have large unmet potential.

Given the seasoning of our operating team, we can open branches in different regions and leverage on the experience of our seasoned field staff who can take up larger roles – for example, seasoned Credit Assistants (“**CAs**”) can be trained to assume the role of Branch Managers (“**BMs**”) while seasoned BMs can be trained to assume the role of Cluster Managers. Further, with the objective of expanding our loan portfolio, we intend to incentivize our employee base to further service more client demand while adhering to our risk containment norms - both to existing and new clients. This will help us improve our Gross AUM per employee (excluding trainee CAs) employee from our current level (₹9.10 million as of March 31, 2018) leading to increased employee productivity with expansion in client base.

Increase our presence in under-penetrated states and districts

We have grown our geographical presence by expanding our branches into different regions. With this strategy, we expanded our operations into two new states, Bihar and West Bengal, in the last two years besides restarting operations in Rajasthan where we had exited. Our contiguous growth strategy is also relevant for expanding into newer districts within the states where

we already have operations. We intend to continue to expand our geographical coverage into newer states and union territories as well where we see business potential (for instance, Assam, Delhi, Tamil Nadu, Pondicherry and Haryana).

According to ICRA Research, many large states such as UP, Bihar, MP, Gujarat, Chhattisgarh, Punjab, Haryana are under penetrated and offer good potential for growth. Some states such as Bihar, West Bengal and Rajasthan, (where we have commenced operations in the recent past) have relatively more rural population and relatively more low income households (*Source: ICRA Research*). These features offer growth opportunities for us in newer geographies.

We open new branches as per our business plan and evaluate certain key criteria while opening a new branch, including the following:

- Demand for credit in the area;
- Income and market potential to determine repayment capacity of borrowers;
- Availability of transportation and infrastructure facilities at the location;
- Level of economic activity and employment opportunities in the area (presence of factories, shops/malls and other enterprises);
- Growth potential (in terms of new client acquisitions);
- Major income sources for the local population;
- Whether a majority of the houses are self-owned;
- Competition from other MFIs in the area; and
- Socio-economic and law and order risks in the proposed area.

We ensure that any new state expansion is conducted in a phased manner. We first test the market by setting up a few branches. It is only after these branches are able to demonstrate full compliance with our internal processes and procedures that subsequent expansion is planned. We also only place experienced BMs and CAs in new branches as they serve to lay the foundation for the growth of future branches by providing the requisite training.

Further diversify our borrowing profile and reduce our cost of borrowings

Our funding sources are varied, as we believe that a diversified debt profile ensures that we are not overly dependent on any one type or source for funding. Post our exit from CDR, we have diversified our lender base and accessed diverse sources of liquidity, such as term loans, cash credit and subordinated debt from banks, financial institutions and non-banking financial companies, proceeds from loan assets securitized, and proceeds from the issuance of NCDs to meet our funding requirements.

We increased our lender base from three lenders as of March 31, 2017 to 22 as of March 31, 2018. Our Average Effective Cost of Borrowing reduced to 13.82% for Fiscal 2018 from 16.31% for Fiscal 2017. Further, our credit rating (by ICRA) improved from BBB- (Stable) as of August 2017 to BBB (Positive) as of February 2018 and BBB+ (Stable) in May 2018. We intend to further diversify our lender base by raising financing through lower cost avenues such as capital markets instruments such as NCDs, commercial paper and securitizations and through term loans from banks under priority sector lending. We believe that this diversification will enable us to meet funding requirements and further optimize Average Cost of Borrowings.

ICRA Research notes that the continuation of priority sector lending status for NBFC-MFIs and allowing NBFC-MFIs to act as business correspondents for banks augurs well for funding profile of NBFC-MFIs. Further NBFC-MFIs also have opportunities to raise off balance sheet funding through business correspondent model, securitization and assignments as a significant proportion of underlying portfolios which would qualify under the key categories of PSL targets.

Our Operational Overview

Our operations focus on women from low-income groups in Rural Areas who aspire to improve their financial well-being. Our main lending product is 'Abhilasha' loans, which are income generation loans designed to empower women by enabling them to set up and expand income generating activities. We offer Abhilasha loans primarily to women, who are willing to borrow in a group and are agreeable to accept joint liability for the loans. We provide loans to women in groups without any collateral, with each group consisting of eight to 10 women. Under the JLG model, loans are provided to individual clients. However, the group guarantees the repayment of loans given to individual members of the group. We believe that the JLG model is advantageous to both us and our clients. Through this model, our clients, who typically do not have collateral to avail loans, are able to gain access to credit. The JLG model also provides built-in support for our clients, in both good and bad financial circumstances. For our income generation loans, we presently focus on areas such as agriculture, agriculture allied activities,

small-scale activities and emergent needs. Our Abhilasha loans amounted to 91.01%, 85.44% and 87.06% of our Gross AUM as of March 31, 2016, 2017 and 2018.

We also provide certain other categories of loans, such as loans against property to clients who run businesses, are self-employed or salaried; 'shree' loans for low/lower middle-income women in AP with clear credit histories for cash flow smoothening or working capital requirements; gold loans given to individuals against the mortgage of gold jewelry for agriculture, business and short-term liquidity needs; and interim loans, which are top up loans given to existing clients (on a group guarantee) to use for their capital working needs, seasonal requirements or emergency needs. These other categories of loans together amounted to 8.99%, 14.56% and 12.94% of our Gross AUM as of March 31, 2016, 2017 and 2018.

In addition to our core business of providing micro-credit, we also have contractual arrangements with Abhiram Marketing, one of our Group Companies engaged in the business of sale of consumer goods (such as mobile phones, sarees, solar lanterns, pressure cookers, mixers and grinders and bicycles, among other products) that are intended for purposes such as improving the quality of life of our clients, improving health and hygiene for families, reducing household expenditures and improving awareness, communication and mobility. We believe that these products may attract clients to our brand, which helps in engendering client loyalty. For further details, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 303.

Our Branch Network

As of March 31, 2018, we had 694 branches located in 15 states in India. The following table sets forth the number of our branches in each state as of the dates indicated:

State	As of		
	March 31, 2018	March 31, 2017	March 31, 2016
Karnataka	128	111	115
Madhya Pradesh	120	94	95
Orissa	120	94	82
Maharashtra	92	70	72
Chhattisgarh	61	38	35
Andhra Pradesh	57	41	40
Jharkhand	36	26	20
Kerala	19	14	13
Gujarat	20	18	16
Goa	5	3	3
Uttar Pradesh	13	10	10
Bihar	9	3	0
Telangana	6	4	2
West Bengal	5	0	0
Rajasthan	3	0	0
Total	694	526	503

The following table sets forth the number of districts we cover in each state as of March 31, 2018:

State	Number of districts covered
Karnataka	30
Madhya Pradesh	45
Orissa	28
Maharashtra	28
Chhattisgarh	18
Andhra Pradesh	9
Jharkhand	20
Kerala	6
Gujarat	12
Goa	2
Uttar Pradesh	11
Bihar	6
Telangana	3
West Bengal	2
Rajasthan	2
Total	222

The following table sets forth the breakdown of our clients in each state as of the dates indicated:

State	For the Year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Madhya Pradesh	328,768	228,341	260,758

State	For the Year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Karnataka	324,834	182,463	187,527
Orissa	315,832	249,663	222,232
Maharashtra	218,967	136,368	157,171
Chhattisgarh	127,666	93,183	94,996
Jharkhand	79,902	56,544	52,341
Andhra Pradesh	75,700	34,559	14,886
Gujarat	48,766	30,621	24,358
Kerala	42,329	30,237	29,996
Goa	7,499	5,444	4,887
Bihar	7,256	73	-
Uttar Pradesh	5,452	9,067	20,727
Telangana	2,139	902	1,072
West Bengal	1,270	-	-
Rajasthan	322	-	-
Total	1,586,702	1,057,465	1,070,951

The following table sets forth our state-wise portfolio distribution (i.e. the ratio of our AUM from the respective state to our Gross AUM, expressed as a percentage) as of the dates indicated:

State	For the Year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
Karnataka	22.38%	18.30%	19.46%
Madhya Pradesh	22.00%	20.95%	23.42%
Orissa	18.79%	22.47%	20.09%
Maharashtra	13.68%	13.08%	14.02%
Chhattisgarh	7.45%	9.36%	8.42%
Andhra Pradesh	3.62%	3.29%	2.07%
Telangana	0.15%	0.15%	0.19%
Jharkhand	4.46%	4.88%	4.41%
Kerala	3.17%	3.48%	3.39%
Gujarat	2.92%	2.80%	2.19%
Goa	0.68%	0.78%	0.69%
Uttar Pradesh	0.24%	0.45%	1.64%
Bihar	0.39%	0.01%	0.00%
West Bengal	0.07%	0.00%	0.00%
Rajasthan	0.02%	0.00%	0.00%
Total	100.00%	100.00%	100.00%

Our Products

Abhilasha Loans

“Abhilasha” stands for “aspiration.” Our Abhilasha loans are given for income generation purposes and are designed for low-income households that aspire to improve their financial well-being through small ventures. Abhilasha loans are offered to women for setting up and expanding income generating activities (such as grocery stores and tailoring shops), smoothening household cash flows and acquiring productive assets (such as cattle and sewing machines). Our Abhilasha loans provide for repayment typically on a weekly / bi-weekly / monthly basis. The loan size ranges from ₹6,080 to ₹60,000 with a tenure of 12 to 36 months with an average loan size of ₹25,000. The interest rate on Abhilasha loans is 24.64% plus a 1% upfront processing fee.

As of March 31, 2018, Abhilasha loans amounted to 87.06% of our Gross AUM. The following table sets forth details of the AUM (excluding the old AP Portfolio) and disbursements of our Abhilasha loans as of/for the periods indicated:

Abhilasha Loans	As of/for the Year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
	<i>(₹ in millions, except percentages)</i>		
AUM (excluding the old AP Portfolio)	27,565.89	11,082.61	11,098.56
AUM, as a percentage of Gross AUM	87.06%	85.44%	91.01%
Disbursements	32,920.65	17,755.83	16,123.71

Other Loan Products

Loans against property

Loans against property are provided to clients who own businesses, are self-employed or salaried. These loans are given against the mortgage of residential houses / commercial shops (excluding any open plots on agriculture land). These loans are offered in AP and Telangana with a monthly repayment structure. The loan tenure ranges from 12 months to 60 months.

Shree loans

“Shree” or “good beginning” loans are provided in AP to low/lower middle-income women with a group guarantee. Shree loans seek to help borrowers smoothen cash flows and meet working capital requirements.

Gold loans

Gold loans are given against the mortgage of jewelry. They are offered on an individual loan basis and are designed to meet agriculture, business and short term liquidity needs. Our gold loans offer a repayment schedule where principal installments are as per the convenience of the clients, although interest due dates are fixed.

Interim loans

Interim loans are designed to assist clients who are struggling to meet short-term liquidity requirements. They are “top up” loans given to existing borrowers to meet their working capital needs, seasonal requirements or emergency needs. Interim Loans are offered to individuals on a group guarantee basis. The loan tenure ranges from 12 months to 36 months.

The following table sets forth details of the AUM (excluding the old AP Portfolio) and disbursements of our other loan products as of/for the periods indicated:

Other Loan Products	For the Year ended		
	March 31, 2018	March 31, 2017	March 31, 2016
	(₹ in millions)		
AUM (excluding the old AP Portfolio)	4,097.65	1,888.11	1,096.81
AUM, as a percentage of Gross AUM	12.94%	14.56%	8.99%
Disbursements	5,655.83	2,835.82	1,809.32

Client Selection Policies and Processes

We follow stringent client selection policies and processes which help in maintaining the quality of our assets.

Eligibility Criteria

We follow an eligibility criteria for clients, which is aimed at ensuring a healthy asset quality. The key elements of our client eligibility criteria are as follows:

- Only married (including divorced, widowed or separated) women are eligible for loans.
- Possession of an owned house is mandatory for new clients (owned directly or through an immediate family member) which ensures that the client does not migrate after taking multiple loans. Our CAs verify the information relating to house ownership and record the information on the client enrolment form. Existing clients are eligible for a subsequent loan even if they are staying in a rented house.
- Women between 18 and 59 years of age are eligible for loans. The age of her spouse may be up to 65 years. Both the client and her spouse must be economically active and contributing to the family income. Women above 55 years of age are considered only if they are healthy, active and are able to attend center meetings.
- Loans are given based on group guarantees. Group members must live near each other, within a distance of 0.5 km. They also must know each other prior to joining a group and taking on loans.
- All group members must agree to attend center meetings.
- If the client has loans outstanding from two other NBFC-MFIs and/or her overall indebtedness exceeds ₹80,000, then she is not eligible for a loan.
- Only one loan per family is permitted.

Client Due Diligence and Training Processes

Our branches enroll clients who satisfy our eligibility criteria. Immediately after the formation of the group, the CA visits the prospective clients' house to collect the Know-Your-Client ("KYC") documents and basic data of the clients. The prospective client is briefly informed of our rules and regulations, including the compulsory training for clients. Once the relevant KYC and clients' information is collected, it is sent for data entry in our system and credit bureau check.

Upon receiving a positive credit bureau response, the CA conducts the compulsory group training ("CGT"). We believe that group training is necessary for developing group cohesiveness and strict credit discipline. Having strong groups with a commitment to credit discipline is one of the contributing factors to the expansion of microfinance. We take time to teach each group to work together cordially and be responsible for financial transactions, both individually and as a group.

Prospective clients undergo at least two days of group training, covering various topics such as knowing our company, our product features, terms and conditions of loans, group guarantee, centre meeting processes and importance of attendance in centre meetings. On the last day of the group training or at a later date, group recognition test is done by the BM to determine the clients' level of understanding of the topics covered during the training. The BM then visits the homes of the new clients to verify eligibility and repayment capacity of the potential clients. If the BM is satisfied, he informs the group about the date and time when they should visit the branch office for loan disbursement process.

Credit Appraisal, Sanction, Disbursement and Repayment Processes

Receipt of Loan Applications

Following the introductory meeting, if the CA/BM receives a call from the prospective client expressing an interest in availing our loan product, the CA/BM visits the group and collect the KYC documents from each client. While doing this, the CA also checks that each client fulfills the eligibility criteria.

The CA crosschecks the copy with the original, fills up the Client Enrolment Form ("CEF") and obtains the client's signature/thumb impression on the loan documents forming part of the CEF.

Loan Evaluation

The attested documents are then submitted to the BM for his review. Upon being satisfied that the documents are appropriately filled in, the BM signs off on the CEF and the documents are uploaded on to the system. Our back-end operations team at our Registered Office then validates the uploaded documents and updates the client and KYC details on the system. If there are any gaps in the information provided, the back-end operations team rejects the application. At this point, the BM will be able to make the necessary corrections to the rejected applications. All loan applications successfully entered into the system will automatically effect a credit bureau check which will display the credit history of the borrower.

Depending on the indebtedness of a borrower, the maximum amount that can be disbursed to the borrower is sanctioned, after which the CGT and the Group Recognition Test ("GRT") are conducted with group members.

The BM then visits the houses of all qualified clients and note his observations. This appraisal process is to allow the BM to check whether the borrower meets the eligibility criteria mentioned above, conduct a reference check with the borrower's neighbors and determine the repayment capacity of the borrower.

Loan Sanction and Further Processing

For borrowers whose loans are approved and appraisals are satisfactory, the BM proceeds to sanction loans. On the day of disbursement, the clients and their spouses are briefed about the terms and conditions of the loan to ensure that they understand the terms. Loans are not disbursed to clients if their spouses are not present at the time of loan disbursement.

Loan Repayment Process

Loan installments are collected only at center meetings and not at the borrower's residence. As each borrower is expected to attend center meetings to pay instalments, attendance in center meetings is one of the important criteria that will be considered when disbursing a subsequent loan.

Before the meeting, the clients hand over their loan repayment schedule card and instalment amounts to one of the group members for collection and tallying. At the meeting, this group member then hands over the amount collected and the loan repayment schedule cards to the CA. Once the CA verifies the amount collected against the demand sheet, he proceeds to sign each member's loan repayment schedule card.

Centre Meetings

Centre Meetings are conducted fortnightly at a fixed place and time on a particular day. We select a common place large enough to accommodate all members of the group. We hold meetings in the house of any member of the group as agreed by all members. The center meeting typically takes place at a venue within 0.5km from house of all the borrowers.

The centre meeting is one of the core activities for our field staff and an important forum for interactions between our clients and us. Hence, we ensure that center meetings are conducted strictly as set out in our operational guidelines either on a weekly or fortnightly basis. These center meetings are vital for us for the following reasons:

- all financial (except loan disbursement) and non-financial transactions with our clients are conducted at the meeting.
- the meeting is our point of contact with our clients, and this helps in relationship building with the client.
- all our important schemes and policies are shared with our clients at the meeting.
- the meeting plays an important role in building our brand image, engaging and retaining the clients.
- Credit Assistant / staff visiting the center meetings get to know clients better.

Risk Management Policies and Procedures

Risk is an integral part of our business and sound risk management therefore is critical to our success. As a financial intermediary, we are exposed to risks that are particular to the lending that we do and the environment in which we operate. We continuously identify and implement comprehensive policies and procedures to assess, monitor and manage risk.

Our risk management process is continuously reviewed, improved and adapted in the context of changing risk scenarios and the agility of our risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. We assess the fitness of our risk management process on an event-driven basis.

Our risk management process has three components: the assessment of business risks, operational controls assessment and compliance processes. The Risk Management Committee reviews our risk management policies.

Concentration Risk

We aim to avoid concentration in both our loan portfolio and our borrowings. To mitigate concentration risk, we have well-defined geographic and lender dependence norms.

Loan Portfolio Caps

We monitor state level portfolio levels to ensure that the gross loan portfolio of each state does not exceed 25% of our total portfolio or 10% of our total net worth. In addition, our policy requires that the portfolios of our Company and Criss Financial Holdings Limited, one of our Group Companies in AP and Telangana together must not exceed 6% of the gross loan portfolio. Each district also must ensure that its gross loan portfolio does not exceed 5% of our total portfolio and 10% of our net worth. Each branch must ensure that its gross loan portfolio does not exceed 2% of our net worth, with only 5% of the operating branches on a standalone basis permitted to go up to 2% of our net worth. These caps are subject to a tolerance of 10%.

Disbursement Caps

Our disbursement limits stipulate that disbursements from each state must be less than 25% of our total disbursements. The disbursements from each district must not exceed 5%, and from each branch must not exceed 1%, of our total disbursements. These caps also are subject to a tolerance of 10%.

Borrowing Dependence Norms

In order to reduce dependency on any single lender, we have adopted a cap on borrowings from any single lender at 25%.

Political Risk

We recognize political risk as one of the major risks facing our business and believe that it can be mitigated through responsible lending, consistently following the fundamentals of microfinance, maintaining uncompromising discipline and client engagement.

Continue to Remain Rural Focused

We strategically focus on clients in Rural Areas in India, as the rural sector is a highly under-penetrated market for formal banking. According to ICRA Research, while rural India accounts for approximately 68% of India's population as of March

2017, it accounted for only 30% of total deposit accounts and 35% of total loan accounts. ICRA Research notes that the significant under penetration of credit in Rural Areas offers strong potential for improvement and that given the relatively deeper reach, existing client relationships and employee base, micro-finance institutions are well placed to address this demand, which is currently being met by informal sources such as local money lenders. Our goal is to maintain 85% of our portfolio as rural at all times.

Maintain a Robust Client Grievance Redressal Mechanism

We have a well-defined and fully automated Client Grievance Redressal Mechanism (“**CGR**”) mechanism (through toll-free numbers) for ensuring timely redressal. We have also established a dedicated follow-up team and quality team, which ensures timely closure and quality call monitoring. In Fiscal 2018, we serviced 1,810 client calls within the defined turnaround time.

Avoid Over-Indebtedness and Multiple Borrowing among Borrowers

We adhere to a KYC policy, mandatory credit bureau and automated systems to ensure a seamless implementation of RBI regulations stipulated to MFIs with controls, thereby avoiding over-indebtedness and multiple borrowing among our borrowers.

Establish Appropriate Collection Practices

We have designed and implemented collection practices in alignment with RBI and SRO guidelines and the relevant regulatory frameworks. We conduct client protection awareness programs for our employees in vernacular languages with focus on treating our clients with the utmost respect.

Operational Risk

Our core business is to provide collateral-free loans in Rural Areas, which requires enhanced operational risk management. To mitigate the operational risks we face in our business, we follow the following policies.

Product and Process Design

We adhere to strict client selection criteria, particularly in order to avoid disbursing loans to fake clients. These criteria include owning a house and lending to only one person per household to avoid multiplicity of loans to single client and risk of defaults. See “– Client Selection—Eligibility Criteria” on page 130.

Cap of Number of Disbursed Loans

The number of loans that may be disbursed by a single branch is capped at 600 per month. This cap is to ensure quality appraisals, proper documentation and clear explanation of the product and policy and terms and conditions to the client.

If any branch has the sufficient resources and demand for the disbursements of loans above 600 in a month, written approval to do so will be required from designated authorities. Incentives pertaining to loan disbursement are only released post completion of branch audits by the internal auditor.

Grading of branches

Based on the internal control and process compliance levels coupled with collections record, on a case-by-case basis, after due assessments, branches are given a risk grading – platinum, gold, silver and bronze. The risk grading is based on the total score the branch is given in our internal control questionnaire, and there are incentives and dis-incentives associated with each grade. For example, silver-graded branches are audited once every two months while bronze-graded branches are audited once every month. Risk gradings are regularly reviewed for upgrades and downgrades. This helps in supervision and control of operations in higher risk branches. The disbursement norms are also calibrated based on branch categories.

Strict Transfer Policy

We have a series of guidelines and rules in place to ensure against any fraudulent behavior from employees. We follow a standard transfer policy, whereby employees at branches/cluster/division are transferred at set frequency maximum within 12 months. In addition, we have guidelines that set out the minimum and maximum distance between an employee’s native place and her or his place of posting. New employees are not hired from what we deem restricted areas (identified on the basis of our previous experience), and undergo a thorough background check.

We also have a cash management policy in place to minimize the risk of losing cash by employees committing fraud or embezzling cash, or losing cash through theft/robbery.

Internal Control Systems

We have a well-established and strong internal controls system with well-designed systems, policies and procedures to maintain financial discipline. Our internal control systems are commensurate with the nature of our business and the size and complexity of our operations. Our Board of Directors, the Audit Committee and Risk Management Committee seek to maintain compliance at all levels based on the guidelines received on various issues of control from the RBI and the government of India.

Our internal audit department consists of 84 members with an average of three years' experience in performing branch audits. It is an independent function that ensures, checks and evaluates operational risks, internal controls, internal financial controls, adherence of systems, policies and procedures by conducting inspection of branches. These are routinely tested and cover all branches and the head office. Significant audit observations and follow-up actions are reported to the audit and risk management committee.

We have also utilized services of an external risk-control firm to supplement our internal audit efforts in specific functions.

The Audit Committee oversees our internal audit function. The Audit Committee reviews the adequacy and effectiveness of our internal control system, including internal financial controls, and monitors the implementation of audit recommendations, including those related to strengthening of our risk management policies and systems. The Audit Committee monitors compliance with inspection and audit reports of the RBI, internal audit as well as with statutory auditors.

Each of our branches is audited at least once every Quarter. Risk areas are identified every month and branches are audited more than once wherever there are triggers of risk.

An internal audit executive covers up to 12 branches. Risk areas are identified every month and branches are audited more than once wherever there are triggers of risk. As part of their field training, Executive Trainees and Management Trainees will also spend six weeks in the branches and do a detailed presentation on them.

We have recently appointed an international audit firm as our internal auditor, starting from Fiscal 2019.

Segregation of Duties and Responsibilities

We have clearly defined roles and responsibilities for every position in the field. By segregating the duties and responsibilities, we ensure that different staff members are responsible for different functions so that no single employee handles end-to-end functions of a given work chain (for example, the client acquisition, loan disbursement process, collections and accounting are handled by different staff members). The field operations have the following roles and associated responsibilities:

- CA: New client acquisitions, conduct group training, conduct meetings, accept loan applications, loan disbursements, repayment collections and loan utilization checks.
- Cashier (One of the CAs on a rotational basis): Repayment collection counting, assist in loan disbursements and branch cash management.
- BM: House visits of new clients, GRT, verify member basic data form information, verify loan applications, oversees loan disbursements, loan sanctions, monitor visits of group, identification of new villages for new clients acquisition and overall branch management.

Human Resources

The following table sets a break-up of our employees by function as of the dates indicated:

	As of		
	March 31, 2018	March 31, 2017	March 31, 2016
Credit Assistants	2,746	1,984	1,635
Branch Managers	690	512	502
Field monitoring (Cluster Managers, Divisional Managers, AVPs and VPs)	166	157	144
Back end operations	106	110	115
Finance, accounts and secretarial	38	34	51
IT	30	36	33
Human resources	53	59	63
Internal audit	84	51	71
Others	132	101	137
Total	4,045	3,044	2,751

Training and Development

Training and development is an important function for us in meeting business challenges and helping us attain a competitive advantage on the field. We have made learning an integral part of our organizational culture and aim to ensure that the environment we create and foster is conducive to learning. As a part of this effort, we have an in-house training department, which focuses on the needs of both individual employees as well as the organization as a whole. The training team is focused on producing targeted and tangible results for our business.

The objectives driven by our training department are broadly as follows:

- To induct all employees to the micro-finance sector
- To induct all employees to our Company, make them aware of the history of the organization along with mission, vision and values of the company.
- To introduce the new employees to the work culture of the organization along with some of the key HR-related policies
- To provide an in-depth understanding of the operational process and ground level operations of the company
- To enable the employees to understand their job responsibilities and help them in reaching the organization's objectives
- To introduce new employees to the work culture of the organization and help him/her in understanding the job role for reaching the organization's objectives
- To support employees in adapting and getting involved quickly in the workplace.

Client Feedback and Grievance Redressal Mechanism

As part of our Code of Conduct and our compliance with RBI's Fair Practices Code and SRO's Code of Conduct (MFIN), we adhere to the following multi-tier CGR mechanism.

Field Level

Credit Assistants conduct centre meetings once in two weeks and the borrowers can share grievances if any in these meetings. BMs and Cluster Managers also visit centre meetings and borrowers who have any unresolved grievances at the Credit Assistant level can reach out to the BMs and Cluster Managers. In addition, when any non-branch staff visits the field (e.g., Cluster Managers, Divisional Managers, AVPs, VPs or any head office staff), must compulsorily visit the field, meet with clients, gather feedback and resolve grievances, if any. Further, the relevant BM's contact number must be listed on the loan cards. In group trainings as well as at the time of loan disbursements, clients and their spouses should be made aware that they can contact the BM at any time at the listed number for any grievance.

Branch Level

Each branch needs to display the contact number of officials prominently in clear view so that visitors can access them. Each branch also has a complaints register, which allows any person to walk into the branch and register a complaint in the register. Cluster Managers must check complaints registers each time they visit a branch and ensure the registers are available. They then must sign the register with the date. If complaints are unresolved, Cluster Managers must report it back to Divisional Managers.

Head Office Level

Each loan card has the phone number of the client support service based in the HO. Clients can contact that number and have their complaints redressed.

Cross checks with internal auditors are also in place. Internal Auditors must check that each branch has a client feedback/complaints register, with the knowledge that if there are any complaints that have been lodged, they should have been addressed by the Cluster Manager on his or her last visit to the branch. Any unaddressed complaint observed in the field during client interactions or in the complaints register should be reported as an exception to the Senior Management and the Audit Committee of the Board.

All State Heads and Internal Auditors are responsible for ensuring compliance with the above. Any shortcomings in the above process compliance are treated as a breach of our Code of Conduct, which may result in strict disciplinary action.

In addition to the above, if the complainant feels that her complaint is not being resolved by our officials, she can also contact the MFI Network (MFIN) and Sa-Dhan, the Association of Community Development Finance Institutions. If complaints are not redressed within a period of one month, the client may appeal to the Officer-in-Charge of Regional Office of DNBS of the RBI.

Competition

We face significant competition from unorganized, small participants in the market across all our business segments in addition to other small finance banks, scheduled commercial banks and NBFCs as well as local moneylenders. Our competitors include Bandhan Bank Limited, Bharat Financial Inclusion Limited, Jana Small Finance Bank Limited, Ujjivan Small Finance Bank Limited, Satin Creditcare Network Limited, CreditAccess Grameen Limited, Equitas Small Finance Bank Limited, Utkarsh Small Finance Bank Limited, Muthoot Microfin Limited, Asirvad Microfinance Limited, Annapurna Finance Limited, Sonata Finance Private Limited, Arohan Financial Services (P) Limited.

In addition, many of our potential clients in the lower income segments do not have access to any form of organized institutional lending, and rely on loans from informal sources, especially money lenders, landlords, local shopkeepers and traders at much higher interest rates. Therefore, we also face significant competition from these unorganized and unregulated market participants who are prevalent in the semi-urban and Rural Areas, which are our key areas of focus and whose target client segment is the same as ours.

Properties

As of March 31, 2018, apart from one branch, all properties used for our operations, including our branches and our head office, have been taken on a lease basis.

Intellectual Property

Our Company has filed applications for registering certain trademarks including "Spandana", "Spandana Sphoorty" and "SSFL". For details, see *"Government and Other Approvals"* on page 336.

Information Technology

Our information technology system works in synchronization with our operating procedures through robust and scalable IT infrastructure. We have an integrated web-based smart ERP system which complements our business processes across all branches providing real time platform to carry out multiple business transactions with a user-friendly interface. Employees in the branches scan and upload the loan applications which are then automatically directed to the Credit Bureau for checks and verification with the back-office. Turnaround time ("TAT") for this process is one day. We have implemented the tabs in a few branches and TAT has improved to five minutes. Our IT support system involves all aspects of gathering, storing, tracking, retrieving and using information within the organization which helps our employees to track a client's sanction status, repayment schedules, outstanding balances and collections. The continuous improvement in our IT system has resulted in increased transparency and efficiency, cost optimization, improved reporting, and allowed management to make informed and data driven decisions. Also, this has allowed us to become more aware of the kind of risks that are associated with the nature of business; there are checks, triggers and controls in place which limit transactions beyond authorized limit and maker and checker concept enables the real time reconciliation. We have a customized single window system for posting accounting entries in the system. For example, once activities like loan disbursements, collections, pre-closure and advance collection are saved, the system automatically posts entries in the accounts module. The system enables various stakeholders to access various automated reports at any point in time. We also have a dedicated IT support team at head office which responds to the issues and queries raised by different stakeholders. Keeping client and employee satisfaction at the forefront, we continuously thrive to improve our IT support system which enables our business to grow its operations.

Insurance

We maintain insurance policies that we believe are customary for companies operating in our industry. Our principal types of coverage include directors' and officers' liability insurance and key man insurance. Our insurance policies may not be sufficient to cover our economic loss. For details, see *"Risk Factors – Our insurance coverage may not be adequate to protect us against all potential losses, which may have a material adverse effect on our business, financial condition and results of operations"* on page 27.

Certifications and Awards

For a list of our awards and accreditations, see *"History and Certain Corporate Matters – Awards and Accreditations"* on page 145.

Corporate Social Responsibility

We have focused our CSR initiatives on imparting financial literacy to women of low-income segment. Through our experience, we learnt that many of these women often do not understand their own cash-flows, which results in the absence of any financial planning. At times, they fail to understand the economics of business and the opportunities available to them that will enable them to expand their business. We also observed that the women, though economically active and contributing to the household income, do not often play any part in the decision-making process.

Having identified these gaps, the financial literacy programs are designed to enable and equip them to understand household cashflows, understand various sources of saving and actively participate in financial planning and decision-making at the household level. As per our CSR Policy, we are required to contribute at least two percent of the average net profits of our Company made during the three years preceding financial years, on CSR.

These financial literacy programs were conducted in different states in their local language within the local context. The events also encourage cross-learning among the participants by giving them a platform to share their experiences, successes and challenges.

We also conducted workshops on business ideas to help women understand business opportunities in their local areas. For example, we facilitate these workshops by giving them a theme that allows them to come up with business ideas centered around it. Participants are then encouraged to pick appropriate ideas if they fit within their person context. Through these workshops, we strive to help women understand the markets and the demand-supply gap.

REGULATIONS AND POLICIES

Given below is a summary of certain sector-specific relevant laws and regulations as prescribed by the Government of India or state governments which are applicable to our Company. The information in this chapter has been obtained from publications available in the public domain. The description of the applicable regulations as given below has been provided in a manner to provide general information to the investors and is not exhaustive and shall not be treated as a substitute for professional legal advice. The statements below are based on the current provisions of applicable law, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

Pursuant to a certificate of registration issued by RBI on October 16, 2004, our Company was registered as non-deposit taking NBFC, and was granted the NBFC-MFI status by the RBI on April 13, 2015. Our Company is a systemically important non-deposit accepting NBFC, in terms of the guidelines issued by the RBI. We are a leading rural India focused MFI with a geographically diversified presence. We offer income generation loans under the joint liability group model, predominantly to under-banked women from low-income households in rural areas. For further details, see “Our Business” on page 118.

For details of approvals obtained in accordance with applicable regulations, see “Government and Other Approvals” on page 336.

1. Key regulations applicable to our Company

Reserve Bank of India Act, 1934 (“RBI Act”)

The RBI is entrusted with the responsibility of regulating and supervising NBFCs by virtue of powers vested in Chapter IIIB of the RBI Act.

The RBI Act defines an NBFC as: (a) a financial institution which is a company; (b) a non-banking institution which is a company and which is in the principal business of receiving deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or (c) such other non-banking institution or class of institutions as the RBI may, with the previous approval of the Central Government, and by notification in the Official Gazette, specify.

A company would be categorized as an NBFC if it has net owned fund of twenty-five lakh rupees or such other amount, not exceeding two hundred lakh rupees, as the Bank may, by notification in the official gazette, specify. Further, NBFCs are required to obtain a certificate of registration pursuant to Section 45 IA from the RBI prior to commencement of the business as a non-banking financial institution.

Pursuant to Section 45-IC of the RBI Act, 1934, every NBFC is required to create a reserve fund and transfer thereto a sum not less than 20% of its net profit every year, as disclosed in the profit and loss account and before any dividend is declared. Further, no appropriation can be made from such fund by the NBFC except for the purposes specified by the RBI from time to time and every such appropriation shall be reported to the RBI within 21 days from the date of such withdrawal.

Master Circular, Foreign Investments in India, issued by RBI dated January 4, 2018 (updated as on April 10, 2018) read with Consolidated FDI Policy Circular of 2017, issued by the Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India, dated August 28, 2017 (“FDI Policy”)

Foreign investment into NBFCs, carrying on activities approved for FDI, will be subject to the conditions specified in paragraph 5.2.26 of the FDI Policy and foreign investment of up to 100% is permitted under the automatic route.

IRDA (Registration of Corporate Agents) Regulation, 2015

These regulations govern corporate agents and prescribe code of conduct and compliances for corporate agents who undertake functions as distributors of insurance products. These regulations broadly set out the procedures and eligibility criteria in relation to the application for seeking registration as a corporate agent. A corporate agent is permitted to act as a corporate agent for a maximum of three insurance companies in each life, general and health insurances and is required to have a board approved policy on the same. Every corporate agent is required to adhere to a code of conduct on soliciting and servicing of insurance policies as prescribed by the regulations.

2. Key regulations applicable to all NBFCs (including an NBFC-MFI)

Based on the type of liabilities incurred, NBFCs are categorized into, deposit accepting NBFCs (“NBFCs-D”), and non-deposit taking NBFCs (“NBFCs-ND”). Further, NBFCs-ND are categorised into systemically important and other non-deposit taking NBFCs, based on certain quantitative thresholds and the kind of activity they conduct. Within this broad categorization the different types of NBFCs are (a) asset finance companies, (b) investment companies, (c) loan companies, (d) infrastructure finance companies, (e) systemically important core investment companies, (f) infrastructure debt funds, (g) NBFC - micro finance institutions, (h) NBFC – factors, (i) mortgage guarantee companies and (j) NBFC - non-operative financial holding companies.

Master Direction – Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (“Master Directions”)

The RBI had issued the Master Directions dated September 1, 2016 (updated as on February 23, 2018) which apply to NBFCs who are systemically important NBFCs. These directions apply to the following categories of NBFCs:

- (i) every systemically important non-deposit taking NBFC (“**NBFC-ND-SI**”) registered with the RBI under the provisions of RBI Act, 1934;
- (ii) every deposit taking NBFC registered with the RBI under the provisions of RBI Act, 1934;
- (iii) every NBFC-Factor registered with the RBI under section 3 of the Factoring Regulation Act, 2011 and having an asset size of ₹5,000 million and above;
- (iv) every infrastructure debt fund NBFC registered with the RBI under the provisions of RBI Act, 1934;
- (v) every NBFC – Micro Finance Institutions (“**NBFC-MFIs**”) registered with the RBI under the provisions of RBI Act, 1934 and having an asset size of ₹5,000 million and above; and
- (vi) every NBFC – Infrastructure Finance Company registered with the RBI under the provisions of RBI Act, 1934 and having an asset size of ₹5,000 million and above.

An NBFC-MFI means a non-deposit taking NBFC (other than a company formed and registered under section 25 of the Companies Act, 1956 or or Section 8 of the Companies Act, 2013) that fulfils the following conditions:

- (i) an NBFC (those registered in the North Eastern regions of India must maintain a minimum net owned fund of ₹20 million) that extends loans to the micro finance sector shall have a minimum net owned fund of ₹50 million;
- (ii) shall ensure that not less than 85% of its net assets are in the nature of “qualifying assets” only the assets originated on or after January 01, 2012 shall have to comply with the Qualifying Assets criteria.

“Net assets” are defined as total assets other than cash and bank balances and money market instruments.

“Qualifying Assets” is defined as a loan which satisfies the following criteria:-

- (i) loan disbursed by an NBFC-MFI to a borrower with a rural household annual income not exceeding ₹100,000 or urban and semi-urban household income not exceeding ₹160,000;
- (ii) loan amount does not exceed ₹60,000 in the first cycle and ₹100,000 in subsequent cycles;
- (iii) total indebtedness of the borrower does not exceed ₹100,000; provided that loan, if any availed towards meeting education and medical expenses shall be excluded while arriving at the total indebtedness of a borrower;
- (iv) tenure of the loan not to be less than 24 months for loan amount in excess of ₹30,000 with prepayment without penalty;
- (v) loan to be extended without collateral;
- (vi) aggregate amount of loans, given for income generation, is not less than 50% of the total loans given by the MFIs; and
- (vii) loan is repayable on weekly, fortnightly or monthly instalments at the choice of the borrower.

NBFC-ND-SI means an NBFC not accepting or holding public deposits and having total assets of ₹5,000 million and above as shown in the last audited balance sheet.

Multiple lending, Over Borrowing and Ghost Borrowers

- (i) NBFC-MFIs can lend to individual borrowers who are not members of a Joint Liability Group (“JLG”) or Self Help Group (“SHG”) or to borrowers that are members of a JLG or SHG;
- (ii) borrower cannot be a member of more than one SHG or JLG;
- (iii) not more than two NBFC-MFIs can lend to the same borrower;

- (iv) there must be a minimum moratorium period between the grant of the loan and the due date for the repayment of the first instalment. The moratorium period shall not be less than the frequency of repayment; and
- (v) recovery of loan given in violation of the regulations should be deferred till all prior existing loans are fully repaid.

Corporate Governance

Constitution of committees: All NBFC-ND-SIs are required to constitute the following committees:

- (i) Audit Committee: NBFC-ND-SIs are required to constitute an audit committee consisting of not less than three members of its board of directors;
- (ii) Nomination Committee: NBFC-ND-SIs are required to constitute a nomination committee to ensure 'fit and proper' status of proposed/ existing directors.
- (iii) Risk Management Committee: NBFC-ND-SIs are required to constitute a risk management committee to manage the integrated risk beside the asset liability management committee.

Fit and proper criteria: All NBFC-ND-SIs are required to (a) maintain a policy approved by the board of directors for the approval for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis in the format prescribed under Master Directions; (b) obtain a declaration and undertaking from directors giving additional information on the directors, in the format prescribed under the Master Directions; (c) obtain a deed of covenant signed by directors, in the format prescribed under the Master Directions; and (d) furnish to the RBI a quarterly statement on change of directors and a certificate from the managing director of the NBFC-ND-SIs that fit and proper criteria in selection of the directors has been followed and the certificate for quarter ended March should be certified by the statutory auditor.

All NBFC-ND-SIs are required to place before the board of directors, at regular intervals, as may be prescribed by the board of directors, the following:

- (i) Progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the concerned NBFC.
- (ii) Conformity with corporate governance standards including composition of committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions etc.

All NBFC-ND-SIs shall rotate the partners of the chartered accountant firm conducting the audit, every three years so that the same partner shall not conduct audit of the company continuously for more than three years.

All NBFC-ND-SIs shall frame their internal guidelines on corporate governance with the approval of the board of directors which shall be published on the company's website.

Acquisition or transfer of control

NBFC-ND-SIs are required to obtain prior written permission of RBI for, (a) any takeover or acquisition of control, which may or may not result in change in management, (b) any change in the shareholding, including progressive increases over time, which would result in acquisition or transfer of shareholding of 26% or more of the paid up equity capital except for any shareholding going beyond 26% due to buyback of shares or reduction in capital where it has approval of a competent court where such buyback has to be reported within one month, and (c) any change in the management of the NBFC-ND-SIs which results in change in more than 30% of the directors, excluding independent directors

Capital Adequacy Requirements

NBFC-ND-SIs are required to maintain a CRAR consisting of Tier I and Tier II capital which should not be less than 15% of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items. The Tier-I capital in respect of applicable NBFCs (other than NBFC-MFIs and IDF-NBFC), at any point of time, was required to not be less than 8.5% by March 31, 2016 and 10% by March 31, 2017.

Asset Classification Norms applicable to all NBFC-MFIs

All NBFC-MFIs shall adopt the following norms:

- (i) A “standard asset” means the asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;
- (ii) A “non-performing asset” means an asset for which interest or principal payment has remained overdue for a period of 90 days or more.

Asset Classification Norms applicable to our Company while operating as an NBFC-ND-SI:

Every NBFC-ND-SI shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realization, classify its lease/ hire purchase assets, loans and advances and any other forms of credit into the following classes, namely:

- (i) Standard assets;
- (ii) Sub-standard assets;
- (iii) Doubtful assets; and
- (iv) Loss assets.

The class of assets referred to above shall not be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for the upgradation.

- (i) A “standard asset” means the asset in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;
- (ii) A “Sub-standard asset” means an asset which has been classified as non-performing asset for a period not exceeding 18 months. Provided that the period ‘not exceeding 18 months’ stipulated in this sub-clause shall be ‘not exceeding 16 months’ for the financial year ending March 31, 2016; ‘not exceeding 14 months’ for the financial year ending March 31, 2017; and ‘not exceeding 12 months’ for the financial year ending March 31, 2018 and thereafter;
- (iii) A “doubtful asset” means a:
 - (a) a term loan, or
 - (b) a lease asset, or
 - (c) a hire purchase asset, or
 - (d) any other asset.

Which remains a sub-standard asset for a period ‘exceeding 18 months’ for the financial year ended March 31, 2015; ‘exceeding 16 months’ for the financial year ended March 31, 2016; ‘exceeding 14 months’ for the financial year ending March 31, 2017 and ‘exceeding 12 months’ for the financial year ending March 31, 2018 and thereafter.

- (iv) A “loss asset” means loss asset shall mean:
 - (a) an asset which has been identified as loss asset by the applicable NBFC or its internal or external auditor or by the Bank during the inspection of the applicable NBFC, to the extent it is not written off by the applicable NBFC; and
 - (b) an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

Prudential Norms:

Capital Adequacy: All NBFC-MFIs shall maintain capital adequacy ratio consisting of Tier I and Tier II capital which shall not be less than 15% of its aggregated risk weighted assets. The total of Tier II Capital at any point of time, shall not exceed 100% of Tier I capital.

Provisioning Norms:

The following provisioning norms have to be maintained by NBFC-MFIs:

For non-performing assets meeting “Qualifying Assets” criteria,

- (i) provisioning norms for the non-AP portfolio shall be as below:

The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

- (ii) provisioning norms for AP portfolio shall be as per the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended from time to time.

Transparency in Interest Rates and pricing of credit

To ensure fair practice in lending, NBFC-MFIs are permitted to have only three components in the pricing of loans viz., the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof). They are not permitted to charge penalty on delayed payments or to collect any security deposit/ margin from their borrowers. In addition, NBFC-MFIs are subject to pricing stipulations in relation to the ceiling on margins, interest rates, processing fee, administrative charges, penalties and insurance premium. NBFC-MFIs are required to have a standard loan agreement, and provide borrowers with a loan card reflecting details of the loan, including effective rate of interest, other terms and conditions attached to the loan, information which adequately identifies the borrower, acknowledgements by the NBFC-MFI of all repayments including instalments received and final discharge and all loan card shall be in vernacular language. Further, the effective rate of interest charged by the NBFC-MFIs are required to be prominently displayed in all offices and websites of, and all literature issued by the NBFC-MFIs.

Ensuring compliance with conditionalities

Every NBFC-MFI has to be a member of all Credit Information Companies (CICs) established under the Credit Information (Companies Regulation) Act, 2005, provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the conditions regarding membership of SHG/ JLG, level of indebtedness and sources of borrowing.

All NBFC-MFIs are required to become member of at least one Self-Regulatory Organization (“SRO”) which is recognized by the RBI and will also have to comply with the Code of Conduct prescribed by the SRO.

The responsibility for compliance to all regulations prescribed for NBFC-MFIs lies primarily with the NBFC-MFIs themselves. The industry associations/ SROs also play a key role in ensuring compliance with the regulatory framework. In addition, banks lending to NBFC-MFIs also ensure that systems, practices and lending policies in NBFC-MFIs are aligned to the regulatory framework.

Regulation of excessive interest charged by NBFCs

The board of each NBFC-ND-SI shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter. The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest. The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

Pricing of credit by NBFCs

- (i) Margin cap, cap on the difference between the amount charged to the borrower and the cost of funds to the NBFC-MFI, shall not exceed 10 per cent for large MFIs (loans portfolios exceeding Rs. 100 crore) and 12 per cent for the others.
- (ii) The interest rates charged by an NBFC-MFI to its borrowers will be the lower of the following:
 - (a) The cost of funds plus margin as indicated in para (i) above; or
 - (b) The average base rate of the five largest commercial banks by assets multiplied by 2.75. The average of the base rates of the five largest commercial banks shall be advised by the RBI on the last working day of the previous quarter, which shall determine interest rates for the ensuing quarter.
- (iii) NBFC-MFIs shall ensure that the average interest rate on loans sanctioned during a quarter does not exceed the average borrowing cost during the preceding quarter plus the margin, within the prescribed cap.
- (iv) The maximum variance permitted for individual loans between the minimum and maximum interest rate cannot exceed 4 per cent.
- (v) The average interest paid on borrowings and charged by the NBFC-MFI shall be calculated on average monthly balances of outstanding borrowings and loan portfolio, respectively.
- (vi) Processing charges shall not be more than 1% of gross loan amount. Processing charges need not be included in the margin cap or the interest cap.
- (vii) NBFC-MFIs shall recover only the actual cost of insurance for group, or livestock, life, health for borrower and spouse. Administrative charges, where recovered, shall be as per applicable IRDA guidelines.

Guidelines on private placement of NCDs (maturity of more than 1 year) by NBFCs

NBFCs shall put in place a board approved policy for resource planning which, inter-alia, shall cover the planning horizon and the periodicity of private placement. The NCD guidelines are applicable to issuance of non-convertible debentures with a maturity period of more than one year, and prescribe, among other things, the issuance of private placement of NCDs in two separate categories, those with a maximum subscription of less than ₹10 million and those with a minimum subscription of ₹10 million and above per investor. There shall be a limit of 200 subscribers in respect of issuances with a maximum subscription of less than ₹10 million, and the subscription shall be secured. The minimum subscription per investor shall be ₹20,000. There shall be no limit on the number of subscribers in respect of issuances with a minimum subscription of ₹10 million and above, and the option to create security in favour of subscribers will be with the issuers. For NCDs of maturity up to one year, guidelines on Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010, dated June 23, 2010, by Internal Debt Management Department, RBI shall be applicable. An NBFC shall not extend loans against the security of its own debentures (issued either by way of private placement or public issue).

Fair Practices Code for NBFCs

All NBFCs covered under the Master Directions having customer interface are required to adopt a fair practices code. The Master Directions stipulate the form and manner of applications to be made for procuring loans; terms and conditions of the loans; manner of disbursement of loans; and prescribes general conditions on the manner of recovery of loans. The board of directors of the company is required to lay down a grievance redressal mechanism and all NBFCs are required to display the contact details of the grievance redressal officer on their website and at their branches. NBFC-MFIs are required to make necessary organizational arrangements to assign responsibility to designated individuals within the company and establish systems of internal control including audit and periodic inspection, to ensure compliance with the fair practices code. Further, as a measure of customer protection and in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, all NBFCs shall not to charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers. All NBFCs are required to adopt an interest model taking into account relevant factors such as cost of funds, margin and risk premium. The rate of interest and reasons for charging differential interest is required to be disclosed to the borrower. For recovery of loans, NBFCs should not resort to undue harassment. NBFCs shall also ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

Master Direction (Know Your Customer) (KYC) Direction, 2016

The RBI had issued the Master Directions Know Your Customer Directions dated February 25, 2016 (updated as of April 20, 2018) to follow certain customer identification procedure while undertaking a transaction. These directions are applicable to every entity regulated by RBI specifically, scheduled commercial banks, regional rural banks, local

area banks, primary (urban) co-operative banks, all India financial institutions, NBFCs, miscellaneous non-banking companies and residuary non-banking companies, amongst others. Every entity regulated thereunder shall duly adopt a KYC policy which has four elements, namely, customer acceptance policy; risk management policy; customer identification procedures; and monitoring of transactions. The NBFCs shall ensure compliance with the KYC policy through specification of who constitutes 'senior management'; allocation of responsibility for effective implementation of policies and procedures; independent evaluation of policies in place; an internal audit system; and submission of quarterly audit and compliance to the audit committee.

Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 (“Monitoring of Frauds - Master Directions”)

The RBI had issued the Monitoring of Frauds - Master Directions dated September 29, 2016 is applicable to all deposit taking NBFCs and NBFC-ND-SIs. All NBFCs covered under the Monitoring of Frauds – Master Directions shall put in place a reporting system for recording of frauds. All frauds are required to be reported to the Frauds Monitoring Cell or Regional Offices of the department of Non-Banking Supervision. All frauds reported in the company shall be disclosed in their balance sheets. Fraud reports are required to be submitted to the Central Fraud Monitoring Cell of the RBI in case amount of fraud ₹1000 million and above. In cases where the amount of fraud is less than ₹1000 million, reports shall be sent to the regional office of the Department of Non-Banking Supervision of the RBI. All NBFCs covered under the Monitoring of Frauds – Master Directions shall submit a copy of quarterly reports on frauds outstanding to the regional office of the RBI within 15 days of each quarter.

Master Direction – Non – Banking Financial Company Returns (Reserve Bank) Directions, 2016, dated September 29, 2016

The direction lists down detailed instructions in relation to submission of returns, including their periodicity, reporting time, due date, purpose and the requirement of filing such returns by various categories of NBFCs, including an NBFC-ND-SI.

Guidelines for Relief Measures by NBFCs in areas affected by Natural Calamities, 2016, dated July 28, 2016, issued by the RBI

The RBI extended the applicability of the guidelines issued to banks, in regard to matters relating to relief measures to be provided in areas affected by natural calamities, vide FIDD.No.FSD.BC.52/ 05.10.001/ 2014-15 dated March 25, 2015, FIDD No.FSD.BC.12/ 05.10.001/ 2015-16 dated August 21, 2015 and FIDD.No.FSD.BC.27/ 05.10.001/ 2015-16 dated June 30, 2016, to NBFCs.

Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs, 2017, dated November 9, 2017, issued by the RBI

These directions specify the activities that cannot be outsourced and provide the basis for deciding materiality of outsourcing. It mandates the supervisory requirements and risk management practices to be complied with by every NBFC before outsourcing its activities.

Financial Inclusion by Extension of Banking Services – Use of Business Correspondents

RBI by its notification dated June 24, 2014, permitted non-deposit taking NBFCs-ND to act as business correspondents of banks, allowing them to offer limited services with the aim of accelerating financial inclusion. Permission has been given to the banks to engage the NBFC-ND as business correspondents. Before this notification, the NBFCs could not be appointed as business correspondents which provide limited services on behalf of banks in unbanked areas. On the basis of the recommendations by the Nachiket Mor Committee Report, certain conditions need to be satisfied in order for the banks to engage NBFCs-ND as business correspondents.

These conditions are as follows:

- (i) It should be ensured that there is no comingling of bank funds and those of the NBFC-ND appointed as business correspondent;
- (ii) There should be specific contractual arrangement between the bank and the NBFC-ND to ensure that possible conflicts of interest are adequately taken care of; and
- (iii) Banks should ensure that the NBFC-ND does not adopt any restrictive practices such as offering savings or remittance functions only to its own customers and the forced bundling of services offered by the NBFC-ND and the bank does not take place

Master Direction- Information Technology Framework for the NBFC Sector dated June 8, 2017

These directions are categorised into two parts, those which are applicable to all NBFCs with asset size above ₹500 crore (considered Systemically Important) are provided in the section A ,which recommends Information Technology /Information Security (IT/IS) framework, Business continuity planning (BCP), Disaster Recovery (DR) Management, IT audit etc. and for NBFCs with asset size below ₹500 crore are provided in the section B, which mandates that it has a board approved information technology policy/ Information System policy. It requires to form information technology strategy committee with an independent director as its chairman and formulate an information technology policy subject to the approval of the board.

3. Other Regulations

In addition to the above, our Company is required to comply with the provisions of the Companies Act, FEMA, RBI guidelines on securitisation of standard assets, labour laws, various tax related legislations and other applicable statutes for its day-to-day operations.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief history of our Company

Our Company was incorporated as Spandana Sphoorty Innovative Financial Services Limited (“SSIFSL”) on March 10, 2003 at Hyderabad, Andhra Pradesh, India as a public limited company under the Companies Act, 1956. A certificate of commencement of business was issued to SSIFSL on November 11, 2003 by the Registrar of Companies, Andhra Pradesh and Telangana at Hyderabad (“RoC”). On October 16, 2004, the Reserve Bank of India (“RBI”) granted a certificate of registration bearing registration no. N-09.00414 to our Company, for the registration of our Company as a non-deposit accepting non-banking financial company (“NBFC”) under Section 45IA of the Reserve Bank of India Act, 1934. Subsequently, pursuant to a special resolution dated November 26, 2007 passed by our Shareholders, the name of our Company was changed to Spandana Sphoorty Financial Limited. Pursuant to a letter dated December 26, 2007, the RBI granted its no objection to the change of name of our Company to Spandana Sphoorty Financial Limited and a fresh certificate of incorporation consequent to change of name was issued by the RoC to our Company on January 3, 2008. Further, a fresh certificate of registration bearing registration no. N-09.00414 pursuant to the change of name was issued by the RBI on January 11, 2008. Our Company was granted NBFC – Microfinance Institution (“NBFC-MFI”) status by the RBI with effect from April 13, 2015 and a modified certificate of registration bearing registration no. N-09.00414 was issued by the RBI to this effect. For further details of the registrations in relation to the business of our Company, see “Government and Other Approvals” on page 336.

For details regarding the description of our activities, products, services, market, growth, technology, managerial competence and standing with reference to prominent competitors, see “Our Management”, “Our Business” and “Industry Overview” on pages 152, 118 and 92, respectively.

Changes in Registered Office

The details of change in the registered office of our Company since incorporation are given below:

Date of change of Registered Office	Details of change of the address of the registered office
September 1, 2004	From “Spandana Bhawan”, Nayudupet, Pothuru Village, Guntur Rural Mandal, Guntur 522 005, Andhra Pradesh, India to #5-96-2, 6/12, Brodipet, Guntur 522 002, Andhra Pradesh, India
March 29, 2005	From #5-96-2, 6/12, Brodipet, Guntur 522 002, Andhra Pradesh, India to Spandana House, Door No. 8-24-51, Opp: Golden Tobacco Company, Mangalagiri Road, Guntur 522 001, Andhra Pradesh, India
November 2, 2005	From Spandana House, Door No. 8-24-51, Opp: Golden Tobacco Company, Mangalagiri Road, Guntur 522 001, Andhra Pradesh, India to D.No. 7-1-19/5, Vamsi Ram’s Jyothi Bhopal Apartments, Opp: Country Club Road, Begumpet, Hyderabad 500 016, Telangana, India
July 2, 2008	From D.No. 7-1-19/5, Vamsi Ram’s Jyothi Bhopal Apts, Opp: Country Club Road Begumpet, Hyderabad 500 016, Telangana, India to Plot No. 79, Care Crystal Building, Vinayak Nagar Colony, Gachibowli, Hyderabad 500 032, Telangana, India
November 24, 2015	From Plot No. 79, Care Crystal Building, Vinayak Nagar Colony, Gachibowli, Hyderabad 500 032, Telangana, India to Plot No: 31 and 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad 500 032, Telangana, India

The changes in the registered office were made to ensure greater operational efficiency and for administrative convenience.

Main Objects of our Company

The main objects contained in the MoA of our Company are as follows:

- To carry on the business of providing microfinance services (mainly Non Banking financial services as permitted by the Reserve bank of India) to large number of low income households directly or indirectly, in their villages and slums and thus to help them and their families to improve their standard of living.*
- To carry on the business of financing development activities through long term loans and other means of financing upon such terms and conditions as the company may think fit for the purposes of :*
 - agricultural development (which term includes, inter alia, land acquisition and development, irrigation, watershed development, crop cultivation, plantation, horticulture, forestry, animal husbandry and allied activities, such as dairy, poultry, fishery, aqua culture and floriculture).*
 - industrial development (which term includes, inter alia, agro-processing, mining and quarrying utilities – including water, power and renewable sources of energy – manufacturing, including handicrafts, construction, trade and distribution, transport, and services of all kinds).*
 - market linkage development (which term includes, inter alia, provision of inputs for and marketing of output of agricultural and industrial development activities including facilities for storage, trading and transport for such inputs and outputs).*

- (iv) *habitat development (which term includes, inter alia, purchase, construction, upgradation, extension and modification of buildings and infrastructure for residential, agricultural, commercial or industrial purposes)*

but exclusively targeted to the poor men and women in generation and enhancement of livelihoods in India.

3. *To provide collateral free credit to poor men and women through groups, deliver credits, thrift and savings, insurance and other financial services to them at their group meetings or in a common place of attendance in the cities, towns, villages of India with a view to provide them sustainable livelihood and enhancement of their and their family living conditions based on their needs, skills and traditional livelihood occupations and to carry on the business of Micro Finance.*
4. *To carry on and undertake the business of research, consultancy, technical assistance and training in the fields of development finance and other financial services, as intermediary for other companies or organizations.*
5. *To carry on the business of lending and advancing money, giving credits, on any terms and with or without collateral security to any person, firm, company, body corporate, trust, Individual, Association of persons, households, small and medium enterprises, small scale industries, farmers, etc. by providing loans of any type such as personal, business, corporate, income generation, consumption, consumer, Infrastructure development, housing, agriculture and commodity financing, purchase of machinery, etc. on such terms as may be determined from time to time.*
6. *To enter into guarantees, contracts of indemnity and suretyships of all kinds, to receive money on deposit or loan upon such terms as may be determined from time to time to secure or guarantee in any manner and upon such terms as may be determined from time to time the payment of any sum of money or the performance of any obligation by any person, firm, company, body corporate, trust, Individual, Association of person, households, small and medium enterprises, small scale industries, farmers, etc.*
7. *To act as an agent/ collaborator/ partner with banks, insurance companies, mutual funds and other financial institutions in administering the extension of finance to any person, firm, company, body corporate, trust, Individual, Association of person, households, small and medium enterprises, small scale industries, etc.*
8. *To buy, sell, market or otherwise deal in shares, stocks, securities, bonds, debentures, deposits, certificates, units of other financial investment or savings instruments and finance or make investments in such and related business.*

The main objects as contained in the MoA enable our Company to carry on the business presently being carried out and the activities proposed to be undertaken pursuant to the objects of the Offer. For further details, see “Objects of the Offer” on page 89.

Amendments to the MoA

Set out below are the amendments to our MoA:

Date of Shareholders' resolution	Particulars
September 26, 2005	Clause V of the MoA was amended to reflect the increase in the authorised share capital of the Company from ₹50,000,000 divided into 5,000,000 Equity Shares of ₹10 each to ₹100,000,000 divided into 10,000,000 Equity Shares of ₹10 each.
July 10, 2006	Clause 1 of the MoA was amended to reflect the present main objects of the MoA of the Company: “1. <i>To carry on the business of providing Microfinance services (mainly Non Banking financial services as permitted by the Reserve Bank of India) to large number of low income households directly or indirectly, in their villages and slums and thus to help them and their families improve their standard of living.</i> 5. <i>To carry on the business of lending and advancing money, giving credits, on any terms and with or without collateral security to any person, firm, company, body corporate, trust, Individual, Association of persons, households, small and medium enterprises, small scale industries, farmers, etc. by providing loans of any type such as personal, business, corporate, income generation, consumption, consumer, infrastructure development, housing, agriculture and commodity financing, purchase of machinery, etc. on such terms as may be determined from time to time.</i> 6. <i>To enter into guarantees, contracts of indemnity and suretyships of all kinds, to receive money on deposit or loan upon such terms as may be determined from time to time and to secure or guarantee in any manner and upon such terms as may be determined from time to time the payment of any sum of money or the performance of any obligation by any person, firm, company, body corporate, trust, Individual, Association of persons, households, small and medium enterprises, small scale industries, farmers, etc.</i>

Date of Shareholders' resolution	Particulars
	7. To act as an agent/ collaborator/ partner with banks, insurance companies, mutual funds and other financial institutions in administering the extension of finance to any person, firm, company, body corporate, trust, Individual, Association of persons, households, small and medium enterprises, small scale industries, farmers, etc. 8. To buy, sell, market or otherwise deal in shares, stocks, securities, bonds, debentures, deposits, certificates, units of other financial investment or savings instruments and finance or make investments in such and related business.”
June 26, 2007	Clause V of the MoA was amended to reflect the increase in the authorised share capital of the Company from ₹100,000,000 divided into 10,000,000 Equity Shares of ₹10 each to ₹500,000,000 divided into 10,000,000 Equity Share of ₹10 each and 40,000,000 Compulsorily Convertible Preference Shares of ₹10 each.
November 26, 2007	Amended to reflect the change of name of the Company from Spandana Sphoorty Innovative Financial Services Limited to Spandana Sphoorty Financial Limited.
August 1, 2008	Clause V of the MoA was amended to reflect the reclassification of the authorised share capital of the Company from ₹500,000,000 divided into 10,000,000 Equity Shares of ₹10 each and 40,000,000 CCPS of ₹10 each to ₹500,000,000 divided into 16,483,000 Equity Shares of ₹10 each and 33,517,000 CCPS of ₹10 each.
November 27, 2008	Clause V of the MoA was amended to reflect reclassification of the authorised share capital of the Company from ₹500,000,000 divided into 16,483,000 Equity Shares of ₹10 each and 33,517,000 CCPS of ₹10 each to ₹500,000,000 divided into 50,000,000 Equity Shares of ₹10 each.
September 23, 2011	Clause V of the MoA was amended to reflect increase in the authorised share capital of the Company from ₹500,000,000 divided into 50,000,000 Equity Shares of ₹10 each to ₹20,000,000,000 divided into 900,000,000 Equity Shares of ₹10 each and 1,100,000,000 Preference Shares of ₹10 each.
March 6, 2018	Clause V of the MoA was amended to reflect the reclassification and increase in the authorised share capital of the Company from ₹20,000,000,000 divided into 900,000,000 Equity Shares of ₹10 each and 1,100,000,000 Preference Shares of ₹10 each to ₹21,500,000,000 divided into: (i) 900,000,000 Equity Shares of ₹10 each; (ii) 296,500,000 Class A CCPS of ₹10 each; (iii) 150,000,000 Class A1 CCPS of ₹10 each; (iv) 800,000,000 Class B CCPS of ₹10 each; (v) 1,500,000 Series C OCRPS of ₹10 each; (vi) 500,000 FY 18 Series A OCRPS of ₹10 each; (vii) 500,000 FY 18 Series B OCRPS of ₹10 each; (viii) 500,000 FY 19 Series A OCRPS of ₹10 each; and (ix) 500,000 FY 19 Series A OCRPS of ₹10 each.

Major events and milestones of our Company

The table below sets forth the key events in the history of our Company:

Calendar Year	Particulars
2003	• Our Company was incorporated as Spandana Sphoorty Innovative Financial Services Limited
2004	• Our Company obtained NBFC registration
2007	• Our Company received funding from JM Financial and Lok Capital
2008	• Our Company changed its name to Spandana Sphoorty Financial Limited • Our Company received funding from Valiant Capital
2010	• Our Company opted for corporate debt restructuring under the CDR mechanism
2015	• Our Company obtained NBFC – MFI license with effect from April 13, 2015
2017	• Our Company exited from the CDR • Our Company received funding from Kangchenjunga and Kedaara AIF - 1
2018	• Our Company received further funding from certain existing shareholders

Awards and Accreditations

We have received the following awards and accreditations:

Calendar Year	Awards and Accreditations
2004	Received alpha plus rating from M-Cril

Calendar Year	Awards and Accreditations
2010	Assigned MFI grading of “mfr1” by CRISIL Limited
2013	Rated “CRISIL D (Reaffirmed)” by CRISIL Limited
2014	Rated “CRISIL D (Reaffirmed)” by CRISIL Limited
2015	Rated “CRISIL D” by CRISIL Limited
2016	- Awarded “The Best Micro Financial Company of the Year 2016” by International Product & Service Awards (IPSA) - Awarded “Best Micro Financial Company in Southern India” by Worldwide Achievers at their Business Leaders Summit & Awards 2016 - Awarded “Regional Best Employer 2016-17” by Employer Branding Institute – India at the 11th Regional Employer Branding Awards
2017	- Rated “ICRA BBB - (Stable)” by ICRA Limited - Awarded “The Most Trusted Micro Financial Company of the Year” at the Rising Leadership Awards 2017 by APS Research and Media - Awarded “Telangana’s Best Employer Brand Awards 2017” at the 12th Regional Employer Branding Awards - Awarded “Best NBFC – MFI for Promotional Schemes” runner-up by Chamber of Indian Micro Small & Medium Enterprises (CIMSME) at MSME Banking & NBFC Excellence Awards - 2016
2018	- Upgraded to “ICRA BBB (Positive)” by ICRA Limited - Awarded “The Best Micro Finance Company of the Year” at the Golden Star Awards 2018 by APS Research and Media

Lock-outs and Strikes, injunctions or restraining orders

As on the date of this Draft Red Herring Prospectus, there have been no lock-outs or strikes at any time in our Company and our Company is not operating under any injunction or restraining order.

Details regarding acquisition of business/ undertakings, mergers, amalgamation, revaluation of assets, if any

Our Company has neither acquired any entity, business, undertaking, nor undertaken any merger, amalgamation or revalued its assets since incorporation apart from the acquisition of M.G. Brothers Finance Limited in the year 2007 and its subsequent disposal in the year 2008.

Capital raising activities through equity and debt

Except as mentioned in “*Capital Structure*” on page 69, our Company has not raised any capital through equity issuances. For details on the outstanding debt facilities of our Company as on May 31, 2018, see “*Financial Indebtedness*” on page 327.

Defaults or rescheduling of borrowings with financial institutions/ banks and conversion of loans into equity

Except as stated below, there have been no defaults or rescheduling of borrowings with financial institutions/ banks. None of our outstanding loans have been converted into Equity Shares. Also see “*Risk Factors*” and “*History and Certain Corporate Matters – Other Agreements*” on pages 17 and 150, respectively.

With respect to facilities availed from ICICI Bank Limited, there has been a delay of eight days in repayment of loan during April 2017, which has been waived off pursuant to a letter dated May 29, 2018 by ICICI Bank Limited.

Time and cost overruns

Our Company has not implemented any projects and has, therefore, not experienced any time or cost overruns in relation thereto.

Changes in the activities of our Company during the last five years

Our Company has operated as an NBFC since the year 2004. Subsequently, our Company was granted NBFC-MFI status by the RBI with effect from April 13, 2015.

Except as stated above, there have been no changes in the activities of our Company during the last five years which may have had a material effect on the profits and loss account of our Company, including discontinuance of lines of business, loss of agencies or markets and similar factors.

Our Shareholders

Our Company has 16 Shareholders as of the date of this Draft Red Herring Prospectus. For further details, regarding our Shareholders, see “*Capital Structure*” on page 69.

Strategic or Financial Partners

Our Company does not have any financial and strategic partners as of the date of this Draft Red Herring Prospectus.

Our Holding Company

Kangchenjunga Limited is the holding company of our Company. For details of our holding company, see “*Our Promoters and Promoter Group*” on page 170.

Our Subsidiaries

As on the date of this DRHP, our Company has one Subsidiary. Unless stated otherwise, information in relation our Subsidiary is as on the date of this Draft Red Herring Prospectus.

Caspian Financial Services Limited (“Caspian Financial”)

Corporate Information

Caspian Financial was incorporated on October 13, 2017 under the Companies Act, 2013 as a public limited company. It has its registered office at Plot No. 31 and 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Hyderabad 500 032, Telangana, India.

Caspian Financial is authorised to engage in the business of, *inter alia*, lending and advancing money, giving credits on any terms, with or without security to any person, firm, company, body corporate, trust, individual, etc., financing development activities through long term loans and other means of financing, entering into guarantees, contracts of indemnity and suretyship of all kinds, carrying out research, consultancy, technical assistance and training in the field of development finance, acting as an agent/ collaborator/ partner with banks, insurance companies, mutual funds and other financial institutions, buying, selling marketing or dealing in securities and various financial products and hire purchase of movable properties of any kind.

Capital Structure

The authorised share capital of Caspian Financial is ₹50,000,000 divided into 5,000,000 equity shares of ₹10 each and the issued and paid up share capital of Caspian Financial is ₹20,000,000 divided into 2,000,000 equity shares of ₹10 each.

Shareholding

Our Company directly holds 1,999,994 equity shares of ₹10 each aggregating to 99.99% of the issued and paid up share capital of Caspian Financial. Padmaja Gangireddy, VSRRV, Abdul Feroz Khan, Raghu Vinay Sanka, Raju Danttu and Aluri Naveen Rao each hold one equity share (on behalf of our Company) aggregating to 0.00% of the issued and paid up share capital of Caspian Financial.

Accumulated Profits or Losses of subsidiary not accounted for by us

There are no accumulated profits or losses of our Subsidiary that are not accounted for by our Company in the Restated Consolidated Financial Statements.

Business Interest

Except as disclosed in “*Our Business*” and “*Related Party Transactions*” on pages 118 and 177, respectively, our Subsidiary does not have any business interests in our Company.

Common Pursuits among our Subsidiary and our Company

There are no common pursuits among our Subsidiary and our Company.

Significant Sales/ Purchases between our Subsidiary and our Company

Our Subsidiary is not involved in any sales or purchase with our Company where such sales or purchases exceed in value in the aggregate of 10% of the total sales or purchases of our Company.

Summary of Key Agreements and Shareholders' Agreements

1. ***OCCRPS Share Purchase Agreement dated March 21, 2017 entered into amongst thirty seven banks/ financial institutions listed in the schedule to the agreement (“Sellers”), ICICI Bank Limited, India Infoline Finance Limited (“IIFL”), Kangchenjunga and Kedaara AIF – 1 (Kangchenjunga and Kedaara AIF – 1 “collectively “Investors”) (“OCCRPS Share Purchase Agreement”)***

Our Company entered into the OCCRPS Share Purchase Agreement pursuant to which 791,007,721 OCCRPS were sold by the Sellers to the IIFL for a total consideration of ₹2,135.72 million. The OCCRPS were subsequently converted into 791,007,721 Class B CCPS and transferred by IIFL to the Investors, proportionately. The Class B CCPS were converted into 8,948,425 Equity Shares on May 15, 2018. For more details, see “*Capital Structure – Notes to the Capital Structure*” on page 69.

2. ***Share Subscription Agreement dated March 29, 2017 entered into amongst Padmaja Gangireddy, Kangchenjunga, Kedaara AIF – 1 (Kangchenjunga and Kedaara AIF – 1, collectively “Investors”) and our Company (“Investor Share Subscription Agreement”).***

Our Company entered into the Investor Share Subscription Agreement pursuant to which (i) 8,068,626 Equity Shares of the Company at a price of ₹235.48 per Equity Share and 110,000,008 Class A CCPS at a price of ₹10 each for a total consideration of ₹3,000.00 million; and (ii) 124,999,989 Class A CCPS at a price of ₹10 each for a total consideration of ₹1,249.99 million were subscribed to by the Investors and allotted by our Company, in two tranches. For more details, see “*Capital Structure – Notes to the Capital Structure*” on page 69.

3. ***Shareholders’ Agreement dated March 29, 2017 entered into amongst Kangchenjunga, Kedaara AIF – 1 (Kangchenjunga and Kedaara AIF – 1 collectively, “Investors”), Padmaja Gangireddy, Vijaya Siva Rami Reddy Vendidandi, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, JM Financial Trustee Company Private Limited, Lok Advisory Services Private Limited, Valiant, Helion II, Helion and our Company (“Shareholders’ Agreement”), read with the amendment agreement to the Shareholders’ Agreement dated April 16, 2018.***

Our Company entered into the Shareholders’ Agreement pursuant to which the Investors made an investment in our Company by subscribing to Equity Shares and Class A CCPS in terms of the Investor Share Subscription Agreement. The Shareholders’ Agreement records the terms of the parties in relation to the governance, management and control of our Company, the shareholding and transfer of Equity Shares and other securities except the OCCRPS.

In terms of the Shareholders’ Agreement, certain parties have the right to nominate directors on board of our Company, as their representative. The Investors have a right to nominate directors to the Board as their representatives, proportionate to the pro rata share of the Investors in the Company (“**Investor Nominee Directors**”). Till such time JM Financial Trustee Company Private Limited holds at least 6.75% of the Equity Share capital, whether individually or collectively, by JM Financial Trustee Company Private Limited and/or its permitted transferees, it has right to nominate one nominee director to the Board (“**JM Financial Nominee Director**”). Padmaja Gangireddy is required to represent herself on the Board and has the right to nominate one additional director (“**Promoter Nominee Director**”).

Further, pursuant to the Shareholders’ Agreement, Padmaja Gangireddy has undertaken to refrain from competing with our business or otherwise engage in any business activity that may compete with us, two years from the date of the agreement or upon Padmaja Gangireddy ceasing to hold such minimum shares in our Company as prescribed in the Shareholders’ Agreement or ceasing to serve in her executive capacity in the Company. Further, Padmaja Gangireddy, our Promoter Group and all existing shareholders other than JM Financial Trustee Company Private Limited have also undertaken to refrain from soliciting our employees, directors, officers, canvassing or soliciting the business or employment of any current client of our Company or inducing any client, vendor or supplier of any group entity or subsidiary(ies) of our Company. Further, pursuant to the Shareholders’ Agreement. Under the Shareholders’ Agreement, the rights of the Investors include but are not limited to pre-emptive rights, anti-dilution, most favoured rights, the right of first refusal, right of first offer, tag along rights and drag along rights. Further, the Shareholders Agreement provides for exit right which include undertaking an initial public offering.

Subsequently, our Company executed an amendment agreement dated April 16, 2018 to the Shareholders Agreement with the then existing shareholders, whereby the Shareholders Agreement was amended to supplement and amend certain terms of the Shareholders’ Agreement vis-à-vis the respective rights and obligations of the Shareholders.

4. ***Amendment Agreement dated June [21], 2018, entered into amongst our Company, Kangchenjunga, Kedaara AIF – 1, (Kangchenjunga and Kedaara AIF – 1 collectively, “Investors”), Padmaja Gangireddy, VSRRV, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, JM Financial Trustee Company Limited (on behalf of JM Financial India Fund II), JM Financial Products Limited, Valiant, Helion II and Helion (“Amendment Agreement”)***

Our Company has entered into an amendment agreement to the Shareholders Agreement with, in order to amend the Shareholders Agreement. Pursuant to the terms of this Amendment Agreement, all special rights, except as stated in the Amendment Agreement, shall stand terminated from such date on which our Equity Shares are listed on the Stock Exchanges pursuant to the Offer. However, the parties to the Shareholders' Agreement have agreed that in terms of the Amendment Agreement, our Corporate Promoter, Kangchenjunga and our Individual Promoter, Padmaja Gangireddy, shall continue to have the right to appoint nominee directors on our Board notwithstanding the termination of the Shareholders Agreement. In terms of this Amendment Agreement, at any time on and after the listing of the Equity Shares, subject to Applicable law, and appropriate regulatory and corporate approvals, including but not limited to the approval of the Shareholders, the Corporate Promoter shall have the right to appoint (a) three nominee directors, so long as the Corporate Promoter continues to hold at least 30% of our issued and paid up Equity Share capital, (b) two nominee directors, so long as the Corporate Promoter continues to hold at least 20% of our issued and paid up Equity Share capital, and (c) one nominee director, so long as the Corporate Promoter continues to hold at least 5% of our issued and paid up Equity Share capital. Further, the Corporate Promoter shall continue to have the right to appoint at least one of their nominee directors as a member on the Audit Committee, the Risk Management Committee and the Nomination and Remuneration Committee; and the quorum for all Board meetings of our Company shall require at least one Corporate Promoter nominee director.

In addition to the Corporate Promoter's rights, pursuant to the terms of this Amendment Agreement, our Individual Promoter, Padmaja Gangireddy shall also continue to have the right (a) for a period of three years from the date of listing of the Equity Shares, to continue on our Board and to appoint one nominee director on our Board, irrespective of her shareholding in our Company and irrespective of continuing to hold the position of Managing Director, (b) from the date which is three years after the date of listing of our Equity Shares, in the event that our Individual Promoter is not the Managing Director of our Company, to appoint (I) three nominee directors, so long as the Individual Promoter continues to hold at least 30% of our issued and paid up Equity Share capital, (II) two nominee directors, so long as the Individual Promoter continues to hold at least 20% of our issued and paid up Equity Share capital, and (III) one nominee director, so long as the Individual Promoter continues to hold at least 5% of our issued and paid up Equity Share capital. Further, so long as the Individual Promoter continues to hold 5% or more of our issued and paid up Equity Share capital, she shall continue to be on our Board. Pursuant to the terms of this Amendment Agreement, from the date which is three years after the date of listing of our Equity Shares pursuant to the Offer, in the event that our Individual Promoter is the Managing Director of our Company, she will continue to have the right to appoint one nominee director on our Board in addition to herself being on our Board, as long as she continues to hold at least 2% of our issued and paid up Equity Share capital. Further, our Individual Promoter shall continue to have the right to appoint at least one of her nominee directors as a member on the Audit Committee, the Risk Management Committee and the Nomination and Remuneration Committee; and the quorum for all Board meetings of our Company shall require at least one Individual Promoter nominee director. Pursuant to the terms of the Amendment Agreement, our Individual Promoter shall not be liable to retire by rotation from our Board, and subject to applicable law and appropriate corporate approvals, her nominee directors shall not be liable to retire by rotation.

The Amendment Agreement shall *ipso facto* terminate if listing of our Equity Shares is not completed on or before March 31, 2019. In the event that the Amendment Agreement is terminated, then the rights of our Corporate Promoter shall be reinstated as per the Shareholders' Agreement, prior to its amendment pursuant to the Amendment Agreement.

5. *Promoter subscription agreement dated March 31, 2017 entered into amongst Kangchenjunga, Kedaara AIF - 1, Padmaja Gangireddy and our Company ("Promoter Subscription Agreement")*

Our Company entered into the Promoter Subscription Agreement pursuant to which: (i) 283,771 partly paid-up FY18 Series A OCRPS; (ii) 283,771 partly paid-up FY 18 Series B OCRPS; (iii) 283,771 partly paid-up FY19 Series A OCRPS; (iv) 283,771 partly paid-up FY19 Series B OCRPS; and (v) 11,35,085 partly paid up Series C OCRPS (collectively, "**Promoter Partly Paid-Up OCRPS**"). For details, see "*Capital Structure – Notes to the Capital Structure – Preference Share Capital*" on page 72. Pursuant to the Promoter Subscription Agreement, the Promoter Partly Paid-Up OCRPS are required to be converted upon the payment of the balance subscription amounts by Padmaja Gangireddy. The payments of balance subscription amounts is in turn linked to the achievement of pre-determined profitability targets by our Company. The Promoter OCRPS were fully paid up and converted into Equity Shares on June 20, 2018. For details, see "*Capital Structure – Notes to the Capital Structure*" on page 69.

6. *Share Purchase Agreement dated March 29, 2017 entered into amongst JM Financial Trustee Company Private Limited on behalf of JM Financial India Fund III, JM Financial Investment Managers Limited, Kangchenjunga, Kedaara AIF - 1 (together, Kangchenjunga and Kedaara AIF – 1 termed as "Investors") and our Company*

The agreement was entered into by our Company pursuant to which 6,582,276 Equity Shares (comprising JM Financial India Fund III – Scheme C holding 1,057,931 Equity Shares and JM Financial India Fund III – Scheme D holding 5,524,345 Equity Shares) were acquired by Kangchenjunga, Kedaara AIF – 1 and JM Financial Investment Managers Limited ("**JM Purchaser**").

In terms of this share purchase agreement, (i) 3,268,962 Equity Shares held by JM Financial India Fund III – Scheme C and Scheme D shall be purchased by Kangchenjunga and Kedaara AIF – 1 in two tranches (sale of a total of 2,402,687 Equity Shares, of which 2,351,561 Equity Shares was purchased by Kangchenjunga and 51,126 Equity Shares purchased by Kedaara AIF - 1, for a total purchase consideration of ₹565.78 million, under the first tranche and sale of 866,275 Equity Shares, of which 847,842 Equity Shares were purchased by Kangchenjunga and 18,443 Equity Shares were purchased by Kedaara AIF - 1 for a total purchase consideration as shall be determined at a later stage, under the second tranche); and (ii) 3,313,314 Equity Shares held by JM Financial India Fund III – Scheme C and Scheme D shall be purchased by the JM Purchaser in two tranches (sale of 2,435,286 Equity Shares for a purchase consideration of ₹578.33 million, under the first tranche and sale of 878,028 Equity Shares for a total purchase consideration as shall be determined in terms of this shareholders' agreement at a later stage, under the second tranche).

7. *Share Purchase Agreement dated March 27, 2017 entered into amongst Padmaja Gangireddy, Kangchenjunga, Kedaara AIF – 1, India Infoline Finance Limited and our Company*

Our Company entered into a share purchase agreement dated March 27, 2017, whereby, the OCCRPS of our Company were transferred to India Infoline Finance Limited and converted into 791,007,721 Class B CCPS which were transferred by India Infoline Finance Limited to Kangchenjunga and Kedaara AIF - 1, proportionately.

8. *Share Purchase Agreement dated April 24, 2017 entered into amongst Padmaja Gangireddy, Kangchenjunga, Kedaara AIF – 1 and our Company (“Share Purchase Agreement”)*

The Share Purchase Agreement was entered into by our Company pursuant to which 389,849 Equity Shares held by Padmaja Gangireddy were acquired by Kangchenjunga and Kedaara AIF – 1.

9. *Share Purchase Agreement dated April 27, 2017 entered into amongst Lok Advisory Services Private Limited, Kangchenjunga, Kedaara AIF - 1 and our Company*

Further, a share purchase agreement dated April 27, 2017 was entered into amongst Padmaja Gangireddy, Kangchenjunga, Kedaara AIF – 1 (the Investors) and our Company for the purposes of the sale of 319,065 Equity Shares held by Lok Advisory Services Private Limited of our Company (constituting 100% of the shareholding of our Company) to the Investors (purchase of 312,276 Equity Shares by Kangchenjunga and 6,789 Equity Shares by Kedaara AIF – 1. For details of transfers made pursuant to this agreement, see “*Capital Structure – History of the Equity Share Capital held by our Promoters*” on page 74

Other Agreements

Except as disclosed below, our Company has not entered into any material contracts other than in the ordinary course of business carried on or intended to be carried on by our Company in more than two years preceding this Draft Red Herring Prospectus.

1. *Master Restructuring Agreement dated September 24, 2011 entered into amongst certain banks/ financial institutions listed in the schedule to the agreement (“Existing Lenders”), ICICI Bank Limited and our Company (“Master Restructuring Agreement”)*

Our Company has entered into the Master Restructuring Agreement in relation to implementing the CDR package approved by the CDR empowered group pursuant to its letter of approval dated June 29, 2011 and further amended by letters dated July 27, 2011 and August 25, 2011 from the CDR cell. Pursuant to the aforesaid approvals, the financial assistance provided by the Existing Lenders to our Company was restructured and additional financial assistance was extended to our Company (“**CDR Package**”). Pursuant to the Master Restructuring Agreement, the existing cash security available with individual banks was adjusted against their existing term debt exposures, thereby decreasing the term debt of our Company to ₹21,467.03 million. Further, it was proposed that out of the adjusted term debt of ₹21,467.03 million, an amount of ₹10,000.00 million be converted into OCCRPS share with a dividend of 0.001% per annum payable and the balance term debt of ₹11,467.03 million be repaid in 72 monthly instalments commencing from April 15, 2012 with interest rate of 12% per annum. Certain Existing Lenders that had subscribed to commercial papers issued by our Company were required to provide a working capital term loan of ₹1,500.00 million.

Pursuant to the terms of the Master Restructuring Agreement, by way of security, certain rights and interests created by our Company in relation to securing any term debt provided by any lender were made to rank *pari passu* with other lenders in relation to restructured terms debt, working capital term loans and all other amounts payable under the CDR related documents. In addition, our Company entered into a deed of hypothecation dated September 13, 2011 in favour of IDBI Trusteeship Services Limited (“**Security Trustee**”) over the current assets (including book debts) and other movable assets of our Company excluding cash collaterals. Our Company was also required to secure all restructured term debt, working capital loans and all amounts payable by way of a pledge of 7,278,371 Equity Shares of our Company (constituting 53.73% of the issued and paid up capital of our Company) and to this effect, Padmaja Gangireddy and Vijaya Siva Rami Reddy Vendidandi entered into a pledge agreement dated September 24, 2011 in favour of IDBI Trusteeship Services Limited.

Further, pursuant to the terms of the Master Restructuring Agreement, certain Existing Lenders had agreed to make available a rupee term loan facility pursuant to a rupee term loan agreement dated April 19, 2014 entered between the existing Lenders, ICICI Bank Limited and our Company, for an aggregate amount of ₹11,502.50 million to our Company and that such Existing Lenders had agreed to differ each principal repayment/ redemption instalment of the CDR debt and OCCRPS due to them by a period of two years commencing from January 2014 until December 2015. Further, pursuant to the security arrangement set out in the terms of the Master Restructuring Agreement, our Company has entered into a security trustee agreement dated April 29, 2014 with ICICI Bank Limited, IDBI Trusteeship Services Limited, certain lender listed as priority lenders in the agreement in relation to creating security in favour of IDBI Trusteeship Services Limited to be held in trust and for the benefit of the relevant parties on behalf of such priority lenders.,

2. ***Settlement Agreement dated March 21, 2017 entered into amongst certain banks/ financial institutions listed in the schedule to the agreement (“Existing Lenders”), ICICI Bank Limited (“Monitoring Institute”), IDBI Trusteeship Services Limited (“Security Trustee”) and our Company.***

Our Company entered into separate portfolio assignment transactions with five Existing Lenders, which include, ICICI Bank Limited, erstwhile ING Vyasa Bank Limited, Karnataka Bank Limited, Karur Vyasa Bank Limited and Punjab National Bank (“**Portfolio Assignees**”). Further, in terms of the portfolio assignment transactions, our Company also issued corporate guarantees in favour of such Portfolio Assignees. Pursuant to the CDR, the aforesaid master restructuring agreement and the rupee term loan agreement, our Company agreed to settle all its obligations to the Existing Lenders in relation to the restructured term debt and priority debt outstanding to each Existing Lender and the amounts outstanding under the corporate guarantees issued in favour the Portfolio Assignees. Kangchenjunga and Kedaara AIF – 1 (“**Investors**”) agreed to make an initial investment in our Company by way of subscribing to our Company’s Equity Shares and CCPS for an aggregate amount of approximately ₹3,000 million. In addition, India Infoline Finance Limited purchased the OCCRPS of our Company from the Existing Lenders at a 73% discounted price on the face value. The aforesaid proposal was approved by the CDR Empowered Group in its meeting held on January 22, 2016 for our Company to settle and discharge all its liabilities to the Existing Lenders.

3. ***Memorandum of understanding dated December 9, 2013 entered into between Abhiram Marketing and our Company read with supplemental agreements dated December 31, 2013, September 20, 2014 and March 31, 2016.***

Pursuant to the MoU, Our Company has agreed to leverage our customer network to provide marketing and distribution services to Abhiram Marketing with respect to certain consumer durables products and services of Abhiram Marketing selected by us. Further, as per the terms of the supplemental agreements, Abhiram Marketing is required to pay 13% as commission to our Company for the sale and distribution of products on behalf of Abhiram Marketing. For details, see “*Our Business*” and “*Risk Factors*” on pages 118 and 17.

Guarantees

Our Promoters, who are participating in the Offer for Sale, have not provided any guarantees to any third parties.

OUR MANAGEMENT

Board of Directors

In terms of our Articles of Association, our Company is required to have not more than 11 Directors and not less than three Directors.

As of the date of this Draft Red Herring Prospectus, our Board comprises of 10 Directors.

The following table sets forth details regarding our Board of Directors:

Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
1.	Deepak Calian Vaidya Designation: Non-Executive Chairman and Independent Director Address: Suraj, 249/251, Walkeshwar Road, Mumbai 400 006, Maharashtra, India Occupation: Consultant Nationality: Indian Term: June 6, 2018 to June 5, 2023 DIN: 00337276	73	• Apollo Gleneagles Hospital Limited • Apollo Hospitals Enterprise Limited, • Bombay Oxygen Corporation Limited • Indraprastha Medical Corporation Limited • Marudhar Hotels Private Limited • PPN Power Generating Company Private Limited • Stelis Biopharma Private Limited • Sterling Pharma Solution Limited • Strides Shasun Limited • Solara Active Pharma Sciences Limited • Suntec Business Solutions Private Limited • UTI Capital Private Limited
2.	Padmaja Gangireddy Designation: Managing Director Address: Flat No. A-208, “A” Block, Jayabheri Orange County, Nanakramguda, Financial District, Gachibowli, Hyderabad 500 032, Telangana, India Occupation: Business Nationality: Indian Term: April 19, 2016 to April 18, 2019 DIN: 00004842	52	• Caspian Financial Services Limited
3.	Jagadish Capoor Designation: Non-Executive, Independent Director Address: 1601, Brooke Ville, 359 Mogul Lane, Mahim (West) Mumbai 400 016, Maharashtra, India Occupation: Consultant Nationality: Indian Term: June 6, 2018 to June 5, 2023 DIN: 00002516	78	• AGS Transact Technologies Limited • Assets Care and Reconstruction Enterprise Limited • BanyanTree Bank Limited • HDFC Securities Limited • India Transact Services Limited • LIC Housing Finance Limited • LIC Pension Fund Limited • LIC HFL Trustee Company Private Limited • Manappuram Finance Limited • Nitesh Estates Limited • Quantum Trustee Company Private Limited
4.	Bharat Dhirajlal Shah Designation: Non-Executive, Independent Director Address: Flat No. 21, Hill Park, Building No. 2 A G Bell Marg, Malabar Hill Mumbai 400 006, Maharashtra, India Occupation: Business Nationality: Indian	71	• 3M India Limited • Apollo Munich Health Insurance Co. Limited • Digikredit Finance Private Limited • Exide Industries Limited

Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
	Term: April 13, 2018 to April 12, 2023 DIN: 00136969		- HDFC Securities Limited - Hexaware Technologies Limited - Mahindra Lifespace Developers Limited - Salisbury Investments Private Limited - Sterling Pharma Solutions Limited - Stride Shasun Limited - Tata Sky Limited
5.	Abanti Mitra Designation: Non-Executive, Independent Director Address: Flat No. B-2505, Floor 25th, Oberoi Woods Mohan, Gokhale Road, Goregaon, East Mumbai 400 063, Maharashtra, India Occupation: Business Nationality: Indian Term: May 4, 2017 to May 3, 2022 DIN: 02305893	39	- Development Equities Private Limited - Positron Advisory Services Private Limited - Positron Consulting Services Private Limited
6.	Ramachandra Kasargod Kamath Designation: Non-Executive Director* Address: B/2004, Neptune CHSL, Sun City, Adi Shakaracharya Marg, Powai, Mumbai 400 076, Maharashtra, India Occupation: Consultant Nationality: Indian Term: Liable to retire by rotation DIN: 01715073	62	- Aavas Financiers Limited - BQ Padmavathy Finance Academy Private Limited - Centrum Capital Limited - Manipal Technologies Limited - New Opportunity Consultancy Private Limited
7.	Amit Sobti Designation: Non-Executive Director* Address: J-125, J Block, Opposite Chawla Nursing Home, Rajouri Garden, Tagore Garden, West Delhi 110 027, New Delhi, India Occupation: Service Nationality: Indian Term: Liable to retire by rotation DIN: 07795874	39	Nil
8.	Kartikeya Dhruv Kaji Designation: Non-Executive Director* Address: The Imperial, Apt 3901, BB Nakashe Marg, Tardeo, Mumbai 400 034, India Occupation: Service Nationality: Indian Term: Not liable to retire by rotation DIN: 07641723	35	Aavas Financiers Limited
9.	Darius Dinshaw Pandole Designation: Non-Executive Director** Address: 6, Rajab Mahal, 144 Maharshi Karve Road, Churchgate, Mumbai 400 020, Maharashtra, India Occupation: Service Nationality: Indian Term: Liable to retire by rotation DIN: 00727320	52	- Credibility Financial Services Private Limited - Fairchem Speciality Limited - JM Financial Asset Management Limited - Mahindra Logistics Limited

Sr. No.	Name, designation, address, occupation, nationality, term and DIN	Age (years)	Other directorships
10.	Sunish Sharma Designation: Non-Executive Director* Address: 1305 North Tower, The Imperial, B.B. Nakashe Marg, Tardeo, Tulsiwada, Mumbai 400 034, Maharashtra, India Occupation: Business Nationality: Indian Term: Liable to retire by rotation DIN: 00274432	43	• Mahindra Logistic Limited • Manjushree Technopack Limited • Vedant Fashions Private Limited

* Nominee of Kedaara Capital

** Nominee of JM Financial Products Limited

Relationship between our Directors

None of our Directors are related to each other.

Brief Biographies of Directors

Deepak Calian Vaidya is a Non-Executive Chairman and Independent Director of our Company. He is a fellow of the Institute of Chartered Accountants in England and Wales since 1979. He has served as a director on the board of the directors of Capricorn Securities India Private Limited, Arc Advisory Services Private Limited and Chaityadeep Investments Private Limited. He also serves as a director on the board of directors of Apollo Gleneagles Hospital Limited, Apollo Hospitals Enterprise Limited, Bombay Oxygen Corporation Limited, Indraprastha Medical Corporation Limited, Marudhar Hotels Private Limited, PPN Power Generating Company Private Limited, Stelis Biopharma Private Limited, Sterling Pharma Solution Limited, Strides Shasun Limited, Solara Active Pharma Sciences Limited, Suntec Business Solutions Private Limited and UTI Capital Private Limited. He has been a Director on our Board since June 6, 2018.

Padmaja Gangireddy is the Managing Director of our Company. She holds a bachelors' degree in science and a bachelors' degree in communication and journalism. She attended a course on credit and micro enterprise development from Durham University, UK. She pursued a microfinance training program from Naropa University, USA and has successfully completed the HBS-Accion program on strategic leadership for microfinance from Harvard Business School. She has also pursued an executive education programme from Indian School of Business, Hyderabad. She worked at ASSIST (a non-governmental organisation) for seven years and her last held title was deputy director. She founded SRUDO in 1998. She also serves as a director on the board of directors of Caspian Financial Services Limited. She has been a Director on our Board since April 19, 2003.

Jagadish Capoor is an Independent Director of our Company. He holds a bachelors' degree in commerce and a masters' degree in commerce from Agra University. He has previously worked as the deputy governor of the Reserve Bank of India for more than four years. He also serves as a director on the board of directors of AGS Transact Technologies Limited, Assets Care and Reconstruction Enterprise Limited, HDFC Securities Limited, India Transact Services Limited, LIC Housing Finance Limited, LIC Pension Fund Limited, LIC HFL Trustee Company Private Limited, Manappuram Finance Limited, Nitesh Estates Limited, Quantum Trustee Company Private Limited and Secure Value India Limited. He has been a Director on our Board since June 6, 2018.

Bharat Dhirajlal Shah is an Independent Director of our Company. He also holds a certificate from the University of Bombay in financial management and a national diploma in applied chemistry from Borough Polytechnic, London. He is the chairman of HDFC Securities Limited and a co-founder of HDFC Bank Limited. He joined HDFC Bank Limited as an executive director in 1994 and has held the positions of head – custody and depository, retail, human resources, private banking, infrastructure and merchant services for a period of 12 years. He continues to be associated with HDFC Bank Limited as an advisor. He also serves as director on the board of directors of 3M India Limited, Apollo Munich Health Insurance Co. Limited, Digikredit Finance Private Limited, Exide Industries Limited, HDFC Securities Limited, Hexaware Technologies Limited, Mahindra Lifespace Developers Limited, Salisbury Investments Private Limited, Sterling Pharma Solutions Limited, Stride Shasun Limited and Tata Sky Limited. He has been a Director on our Board since April 13, 2018.

Abanti Mitra is an Independent Director of our Company. She holds a post graduate diploma in rural management from Institute of Rural Management, Anand. She has previously worked as an executive with Astra Marine Private Limited for one year, a management executive at Micro-Credit Ratings International Limited for two years, and a manager with ICICI Bank Limited for approximately three years. She also serves as a director on the board of directors of Development Equities Private Limited, Positron Consulting Services Private Limited and Positron Advisory Services Private Limited. She has served as a Director on our Board previously from 2012 to 2016. She has been a Director on our Board since May 4, 2017.

Ramachandra Kasargod Kamath is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelors' degree in Commerce from University of Mysore. He is an honorary fellow of the Indian Institute of Banking & Finance since 2009. He was certified as an associate of the Indian Institute of Bankers in 1994. He has previously worked with Corporation Bank for 28 years, where his last held position was general manager. He has worked as chairman and managing director with Punjab National Bank for five years. He was an executive director at Bank of India for five years and also the chairman and managing director at Allahabad Bank for five years. He held the post of chairman of the Indian Banks Association for two years. He also serves as a director on the board of directors of Aavas Financiers Limited, BQ Padmavathy Finance Academy Private Limited, Centrum Capital Limited, Manipal Technologies Limited and New Opportunity Consultancy Private Limited. He has a proprietary concern named KR Kamath for management advisory services rendered by him. He has been a Director on our Board since May 4, 2017.

Amit Sobti is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelor's degree in Arts (Business Economics and Computer Science) from Brown University. He is currently a senior principal at Ontario Teachers' Pension Plan (Asia) Limited in India. He has been in this role since 2016. He has over 15 years of experience in private equity, including over two years with Unitas Capital Private Limited, nine years with Warburg Pincus LLC, and two years with Rhone Group LLC. He has been a Director on our Board since May 29, 2017.

Kartikeya Dhruv Kaji is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelors' degree in arts (economics) from the Dartmouth College, New Hampshire and a master's degree in business administration (finance and entrepreneurial management) from the Wharton School of the University of Pennsylvania. Kartikeya Dhruv Kaji currently serves as a Principal at Kedaara Capital Advisors LLP. He has previously worked with Perella Weinberg Partners and Merrill Lynch in New York, and with Temasek Holdings Advisors India Private Limited. He has been a Director on our Board since March 31, 2017.

Darius Dinshaw Pandole is a Nominee Director of our Company and is appointed by JM Financial Products Limited. He holds a bachelors' degree in Arts from Harvard University and a masters' degree in Business Administration from the University of Chicago. He is the managing director and chief executive officer – PE and Equity AIFs at JM Financial Limited. Prior to this, he was a partner at New Silk Route Advisors, a private equity advisory firm primarily focussed on India. He was also an executive director at IDFC Asset Management Company Limited, which managed the India Development Fund, an infrastructure focused private equity fund. He also serves as a director on the board of directors of Credibility Financial Services Private Limited, Fairchem Speciality Limited, JM Financial Asset Management Limited and Mahindra Logistics Limited. He has been a Director on our Board since July 18, 2017.

Sunish Sharma is a Nominee Director of our Company and is appointed by Kedaara Capital. He holds a bachelors' degree in Commerce (Hons.) from the University of Delhi and a masters in business administration from Indian Institute of Management, Calcutta, where he was awarded the Dr. Joginder Kumar Chowdhury Gold Medal. He has also passed the final examination at the Institute of Cost and Works Accountants of India (now known as Institute of Cost Accountants of India) and is a qualified cost accountant. He has previously worked with McKinsey & Co. for six years and at the time of leaving he held the position of engagement manager. He has also worked with General Atlantic for eight years where his last held position was managing director. He is the managing partner and co-founder of Kedaara Capital Advisors LLP. He has extensive private equity investment experience in business services and technology, healthcare, financial services and consumer sectors. He is also a co-founder of the Ashoka University and the Young India Fellowship, an initiative that was launched in collaboration with the University of Pennsylvania's School of Engineering and Applied Sciences. He was one of the authors of the NASSCOM-McKinsey Report on "Strategies to achieve the Indian IT industry's aspiration". He was featured on the list of "Asia's 25 most influential people in private equity" by the Asian Investor magazine published in the year 2013, and also on the list of "Hottest Young Executives" in the Business Today magazine published in the year 2011. He also serves as a director on the board of directors of Mahindra Logistic Limited, Manjushree Technopack Limited and Vedant Fashions Private Limited. He has been a Director on our Board since March 31, 2017.

Confirmations

None of our Directors is or was a director of any listed company during the last five years preceding the date of this Draft Red Herring Prospectus, whose shares have been or were suspended from being traded on the BSE or the NSE, during the term of their directorship in such company.

Except for our Director, Sunish Sharma who is a director of a company which was delisted as per the details provided below, none of Directors is or was a director of any listed company which has been or was delisted from any stock exchange during the term of their directorship in such company:

S. No.	Particulars	Details
1.	Name of the company	Manjushree Technopack Limited
2.	Name of the stock exchange(s) on which the company was listed	BSE Limited and the NSE
3.	Date of delisting on stock exchanges	March 24, 2015
4.	Whether delisting was compulsory or voluntary	Voluntary Delisting

S. No.	Particulars	Details
5.	Reasons for delisting	For efficient competitive management
6.	Whether the company has been relisted	No
7.	Date of relisting	Not Applicable
8.	Term of directorship in the company	Nominee director, retirement by rotation as per article of association

The delisting of Manjushree Technopack Limited was prior to the appointment of Sunish Sharma as a director on the board of Manjushree Technopack Limited. Kedaara AIF – 1 was not an investor of Manjushree Technopack Limited when it got delisted

No consideration in cash or shares or otherwise has been paid or agreed to be paid to any of our Directors or to the firms or companies in which they are interested by any person either to induce them to become or to help them qualify as a Director, or otherwise for services rendered by them or by the firm or company in which they are interested, in connection with the promotion or formation of our Company.

None of the Directors have committed any violation of securities law in the past and no such proceeding (initiated by SEBI or otherwise) are pending against any of the Directors.

Terms of appointment of the Executive Director

The terms of appointment of Padmaja Gangireddy, our Managing Director, are as per the resolutions passed at the board meeting dated April 14, 2016, at the AGM dated August 19, 2016, at the board meeting dated July 25, 2017, and at the AGM dated August 24, 2017.

Term	From April 19, 2016 to April 18, 2019
Compensation and benefits	She was paid a gross salary of ₹2,250,000 per month, for the Financial Year 2016. Pursuant to a resolution dated July 25, 2017 passed by our Board, subsequently approved by the Shareholders pursuant to resolution dated August 24, 2017, it was decided to increase her remuneration to ₹30,000,000 per annum (fixed salary) with effect from April 1, 2017 to April 19, 2019. Additionally, the variable salary component to be paid in addition to the fixed salary component is: - When Company's profit before tax is greater than 50% of the Company's profit before tax for the immediately preceding Financial Year, the variable salary shall be equivalent to 75% of the fixed component. - When Company's profit before tax is greater than 30% but less than 50% of the Company's profit before tax for the immediately preceding Financial Year, the variable salary shall be equivalent to 37.5% of the fixed component. - When Company's profit before tax is less than 30% of the Company's profit before tax for the immediately preceding Financial Year, the Managing Director shall not be entitled to any variable salary. Benefits: - Entitlement of leave and its encashment as per rules of the Company; - Contribution to provident fund as per rules of the Company; - Gratuity as per rules of the Company; - Company (owned and maintained) car and telephone (both mobile and land lines), fax and internet at residence for official and personal use; - Provision of security guard at residence; - Provision of personal secretary; and - Not subject to retire by rotation.

Payment or benefit to Directors of our Company

The sitting fees and other remuneration paid to our Directors for Fiscal 2018 are as follows:

Remuneration to Executive Director:

Our Company has paid a gross salary of ₹30.00 million to our Managing Director in Fiscal 2018.

Remuneration to Non-Executive Directors:

Except as disclosed below, our Company has not paid sitting fees to any of our other non-executive Directors. All reasonable expenses including reasonable out of pocket expenses incurred by the Directors for attending Board meetings or committee meetings of the Company, in connection with the Directors' performing their duties as Directors are borne by the Company.

Our Company has, pursuant to a resolution of our Board, dated June 15, 2017, subsequently approved by the Shareholders pursuant to resolution dated August 24, 2017, fixed annual fee for each of the non-executive independent directors of the

Company up to ₹2,000,000, inclusive of sitting fees for attending the meetings of our Board or any committee thereof, to commensurate with the time devoted and the contribution made by them.

The details of total expense incurred by our Company towards sitting fees paid to the non-executive Directors during Fiscal 2018 is as follows:

S.No.	Name of the Director	Sitting fees paid (₹ in million)
1.	Sunish Sharma	Nil
2.	Darius Dinshaw Pandole	Nil
3.	Kartikaya Dhruv Kaji	Nil
4.	Amit Sobti	Nil
5.	Ramachandra Kasargod Kamath	1.83
6.	Abanti Mitra	0.92
7.	Annapureddy Gopalareddy ⁽¹⁾	Nil
8.	Sundaram Ramakrishnan ⁽²⁾	Nil
9.	Madhav Rao Potturi ⁽³⁾	Nil
10.	Vijay Bhaskar Pedomallu ⁽⁴⁾ ⁽⁵⁾	Nil
11.	Bharat Dhirajal Shah ⁽⁶⁾	Nil
12.	Deepak Calian Vaidya ⁽⁷⁾	Nil
13.	Jagadish Capoor ⁽⁸⁾	Nil

⁽¹⁾ Resigned from our Board with effect from April 24, 2017

⁽²⁾ Resigned from our Board with effect from May 2, 2017

⁽³⁾ Resigned from our Board with effect from October 18, 2017

⁽⁴⁾ Appointed to our Board with effect from March 3, 2018

⁽⁵⁾ Ceased to be on our Board with effect from May 4, 2018

⁽⁶⁾ Appointed to our Board with effect from April 13, 2018

⁽⁷⁾ Appointed to our Board with effect from June 6, 2018

⁽⁸⁾ Appointed to our Board with effect from June 6, 2018

Arrangement or understanding with major Shareholders, customers, suppliers or others

Except for our Nominee Directors, namely, Sunish Sharma, Kartikaya Dhruv Kaji, Ramchandra Kasargod Kamath and Amit Sobti, who are the Nominee Directors of Kedaara Capital, and Darius Dinshaw Pandole, who is the Nominee Director of JM Financial Products Limited, who have been appointed pursuant to the Shareholders' Agreement dated March 29, 2017, as amended, none of our directors have an arrangement or understanding with the major Shareholders, customers, suppliers or others, pursuant to which any of our Directors were appointed on our Board or as a member of the senior management.

Shareholding of Directors in our Company

Except as disclosed below, none of our Directors hold any Equity Shares:

Name of Director	Number of Equity Shares	Pre-Offer Percentage Shareholding (%)	Post-Offer Percentage Shareholding (%)
Padmaja Gangireddy	11,670,067	19.57	●
Abanti Mitra	4,247	0.01	●

For details on the build up of our Promoter, refer to "Capital Structure – Build up of our Promoters' shareholding in our Company" on page 74.

Our Articles of Association do not require our Directors to hold any qualification shares.

Interest of Directors

All Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company. The Directors may also be regarded as interested in the securities, if any, held by them in our Subsidiary and also to the extent of any dividend payable to them and other distributions in respect of such securities and the securities of the Subsidiary that may be subscribed by or allotted to them or the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters.

Our Directors have no interest in any property acquired by our Company within two years prior to the date of this Draft Red Herring Prospectus or presently intended to be acquired by our Company or in any transaction for acquisition of land, construction of building and supply of machinery.

Except for Padmaja Gangireddy who is our Individual Promoter, and the Nominee Directors appointed by Kedaara Capital, none of our Directors have any interest in the promotion of our Company. For details, see "Our Promoters and Promoter Group" on page 170.

Some of our Directors are interested in the Equity Shares, if any, held by them or Equity Shares that may be subscribed by or allotted to them, their relatives or to the companies, firms and trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Offer. Our Directors may also be deemed to be interested to the extent of employee stock options held by them or that may be granted to them from time to time under the Spandana ESOP Scheme 2018. For details on the shareholding of Directors in our Company, refer to “*Capital Structure – Shareholding of Directors in our Company and Shareholding of Directors in our Subsidiary or Associate Company*” on page 81.

Except as disclosed in “*Our Promoters and Promoter Group*” and “*Related Party Transactions*” on pages 170 and 177, respectively and any sitting fees or remuneration paid to our Directors, no amount or benefit has been paid, or given, within the two years preceding the date of filing of this Draft Red Herring Prospectus or is intended to be paid, or given, to any of our Directors. Some of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares held by them or the shareholder they represent.

No loans have been availed by our Directors from our Company and Subsidiary.

Except for inter-corporate advances granted to Caspian Financial Services Limited and Abhiram Marketing Services Limited, in which our Managing Director, Padmaja Gangireddy is interested, by our Company, none of the beneficiaries of loans, advances and sundry debtors are related to our Directors. For details, see “*Related Party Transactions*” on page 177.

Except for our Managing Director, none of our Directors are party to any bonus or profit sharing plan of our Company.

Our Nominee Directors may be deemed to be interested to the extent of the shareholding in our Company of the entities nominating them. Some of the Directors may be deemed to be included in the contract/ arrangement entered into or to be entered into by our Company with any company in which our Directors hold directorship or any partnership firm in which they are parties.

Business interest

Except as stated in this chapter and “*Related Party Transactions*” on page 177, our Directors do not have any other interest in our business or our Company.

Except as disclosed under “– *Terms of appointment of the Executive Director*” on page 156, none of our Directors have entered into a service contract with our Company pursuant to which they are entitled to any benefits upon termination of employment, except any options which may be granted to them under the Spandana ESOP Scheme 2018, and statutory benefits payable upon termination of employment in our Company or upon retirement.

Changes in our Board in the last three years

Name	Date of Appointment/ Resignation/ Redesignation	Reason
Sundaram Ramakrishnan	September 24, 2015	Appointed as Nominee Director of SIDBI
Lakshmi Narasaiah Gunturu	November 22, 2015	Resigned as Director
Natarajan Ranganathan	February 8, 2016	Appointed as Nominee Director of Helion II
Abanti Mitra	November 1, 2016	Resigned as Independent Director
Natarajan Ranganathan	November 1, 2016	Resigned as Nominee Director of Helion II
Kartikeya Dhruv Kaji	March 31, 2017	Appointed as Nominee Director of Kedaara Capital
Sunish Sharma	March 31, 2017	Appointed as Nominee Director of Kedaara Capital
Perur Seshappa Prasad	March 31, 2017	Resigned as Director
Annapureddy Gopalareddy	April 25, 2017	Resigned as Independent Director
Sundaram Ramakrishnan	May 2, 2017	Resigned as Nominee Director of SIDBI
Abanti Mitra	May 4, 2017	Appointed as Additional Director (Independent)
Ramchandra Kasargod Kamath	May 4, 2017	Appointed as Additional Director (Independent)
Amit Sobti	May 29, 2017	Appointed as Nominee Director of Kedaara Capital
Darius Dinshaw Pandole	May 19, 2017	Appointed as Nominee Director of JM Financials
Darius Dinshaw Pandole	July 18, 2017	Withdrawal of nomination by JM Financials
Darius Dinshaw Pandole	July 18, 2017	Appointed as Nominee Director of JM Financial Products
Abanti Mitra	August 24, 2017	Appointed as Additional Director (Independent)
Ramchandra Kasargod Kamath	August 24, 2017	Appointed as Additional Director (Independent)
Madhav Rao Potturi	October 18, 2017	Resigned as Independent Director
Vijay Bhaskar Pedamullu	March 3, 2018	Appointed as Additional Director (Independent)
Bharat Dhirajlal Shah	April 13, 2018	Appointed as Additional Director (Independent)
Vijay Bhaskar Pedamullu	May 4, 2018	Deceased
Deepak Calian Vaidya	June 6, 2018	Appointed as Additional Director (Independent)
Jagadish Capoor	June 6, 2018	Appointed as Additional Director (Independent)

Name		Date of Appointment/ Resignation/ Redesignation	Reason
Ramchandra Kamath	Kasargod	June 14, 2018	Redesignated as Non-Executive - Nominee Director

Borrowing Powers of Board

In accordance with the Articles of Association and pursuant to a resolution dated June 14, 2018 passed by our Shareholders, our Board is authorised to avail loans from time to time, with or without security and on such terms and conditions as our Board may deem fit, provided the total amount of monies including money already borrowed by our Company (excluding temporary loans obtained from bankers of our Company in the ordinary course of business) shall not at any time exceed the limit of ₹80,000 million, irrespective of the fact that such aggregate amount of borrowings outstanding at any one time may exceed the aggregate for the time being of the paid up capital of our Company and its free reserves not set apart for any specific purpose. Further, pursuant to a resolution dated June 14, 2018 passed by our Shareholders, our Board is authorised to make offer, invite, subscribe to, and allot, unsubordinated or subordinated, listed or unlisted, secured or unsecured, NCDs on a private placement basis during a period of one year from passing of the resolution, on such terms and conditions as the Board or any committee thereof may decide, in its absolute discretion, provided the total amount of NCDs allotted shall not exceed ₹20,000 million.

Corporate Governance

In addition to the corporate governance provisions under the Companies Act, 2013, which are currently applicable to us, the corporate governance provisions of the SEBI Listing Regulations will also become applicable to us immediately upon the listing of the Equity Shares on the Stock Exchanges.

Currently, our Board has 10 Directors, including two women directors. In compliance with the requirements of SEBI Listing Regulations, we have one Executive Director, four Independent Directors and five Non-Executive Directors on our Board.

We are in compliance with the requirements of the applicable regulations, including the SEBI Listing Regulations and the Companies Act, in respect of corporate governance including constitution of our Board and committees thereof.

Our Board functions either as a full board or through various committees constituted to oversee specific operational areas. The executive management provides our Board detailed reports on its performance periodically.

Committees of our Board

In addition to the committees of our Board detailed below, our Board may from time to time, constitute committees for various functions.

Audit Committee

The members of the Audit Committee are:

1. Abanti Mitra (Chairperson) (Designation: Non-Executive Director);
2. Bharat Dhirajlal Shah (Designation: Non-Executive Director); and
3. Kartikeya Dhruv Kaji (Designation: Non-Executive Director).

The Audit Committee was constituted by a meeting of our Board held on May 15, 2018 by demerging the erstwhile Audit and Risk Management Committee and was last reconstituted by a meeting of our Board held on June 14, 2018. The scope and function of the Audit Committee is in accordance with Section 177 of the Companies Act, 2013 and SEBI Listing Regulations and its terms of reference include the following:

- (a) Overseeing the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- (b) Recommending to the Board, the appointment, re-appointment, and replacement, remuneration, and terms of appointment of the statutory auditor, internal auditor and cost auditor;
- (c) Reviewing and monitoring the auditor's independence and performance and the effectiveness of audit process;
- (d) Approving payments to the statutory auditors, internal auditor and cost auditor, for any other services rendered by them;

- (e) Reviewing with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to:
 - (i) Matters required to be stated in the Director's responsibility statement to be included in the Board's report in terms of Section 134(3)(c) of the Companies Act, 2013;
 - (ii) Changes, if any, in accounting policies and practices and reasons for the same;
 - (iii) Major accounting entries involving estimates based on the exercise of judgment by management;
 - (iv) Significant adjustments made in the financial statements arising out of audit findings;
 - (v) Compliance with listing and other legal requirements relating to financial statements;
 - (vi) Disclosure of any related party transactions; and
 - (vii) Qualifications and modified opinions in the draft audit report.
 - (f) Reviewing with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
 - (g) Scrutiny of inter-corporate loans and investments;
 - (h) Valuation of undertakings or assets of the Company, wherever it is necessary;
 - (i) Evaluation of internal financial controls and risk management systems;
 - (j) Approval or any subsequent modification of transactions of the Company with related parties;
- Explanation:** The term "related party transactions" shall have the same meaning as provided in Clause 2(zc) of the SEBI Listing Regulations and/or the applicable Accounting Standards and/or the Companies Act, 2013.
- (k) 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;
 - (l) Establishing a vigil mechanism for directors and employees to report their genuine concerns or grievances;
 - (m) Reviewing, with the management, the performance of statutory and internal auditors and adequacy of the internal control systems;
 - (n) 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;
 - (o) Discussion with internal auditors on any significant findings and follow up thereon;
 - (p) 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;
 - (q) Discussion with statutory auditors, internal auditors and cost auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
 - (r) Looking 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;
 - (s) Approval of appointment of the chief financial officer (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;
 - (t) Reviewing the functioning of the whistle blower mechanism, in case the same is existing;
 - (u) Carrying out any other functions as provided under the Companies Act, the Listing Regulations and other applicable laws;

- (v) To formulate, review and make recommendations to the Board to amend the Audit Committee charter from time to time;
- (w) To review the financial statement with respect to its subsidiaries, if any, in particular investments made by the unlisted subsidiaries;
- (x) To examine the efficacy of audit functions and systems and suggesting steps on a periodic basis (quarterly, half yearly) for its improvement.
- (y) To facilitate smooth conduct of audits by external agencies, Statutory Auditors, Reserve Bank of India (RBI), lenders and any other external auditors as appointed by the Company or any other stakeholders (lenders, shareholders, regulators, government etc.)
- (z) To report, on a quarterly basis, the key findings of the quarter , as well as the action taken report on the same for previous quarters, to the Board of Directors.
- (aa) To review compliance of various inspections and audit reports of internal, concurrent and statutory auditors and commenting on the action taken report prepared by the management and ensuring submission to the Board of the Company from time to time.
- (bb) To monitor and review all frauds that may have occurred in the Company involving an amount of Rs. 0.1 million and above or as decided from time to time.
- (cc) To report such frauds and other flag-offs to the Board of Directors regulators and other stakeholders, as the case warrants, along with the extent of losses. This would include drafting a calendar of reporting frauds and the remedial measures taken, to the Board of the Company.
- (dd) To conduct a root cause analysis and identify the systemic lacunae, if any, that may have facilitated perpetration of the fraud and put in place measures to rectify the same. Also, to ascertain reasons for delay in detection of such frauds, if any.
- (ee) To ensure the staff accountability is examined at all levels in all the cases of frauds and actions, if required, is completed quickly without loss of time.
- (ff) To review efficacy of remedial actions taken to prevent recurrence of frauds, such as strengthening internal controls and putting in place other measures as may be considered relevant to strengthen preventive mechanism.
- (gg) Reviewing and recommending to the board of directors of the Company potential risks involved in any new business plans and processes; and
- (hh) Framing, devising, monitoring, assessing and reviewing the risk management plan and policy of the Company from time to time and recommend for amendment or modification thereof;
- (ii) Any other similar or other functions as may be laid down by Board from time to time and/or as may be required under applicable laws.

The Audit Committee met five times in Fiscal 2018 (as part of the former Audit and Risk Management Committee).

Risk Management Committee

The members of the Risk Management Committee are:

1. Bharat Dhirajlal Shah (Chairman) (Designation: Non-Executive Director);
2. Ramachandra Kasargod Kamath (Designation: Non-Executive Director); and
3. Kartikeya Dhruv Kaji (Designation: Non-Executive Director)

The Risk Management Committee was constituted by our Board of Directors at their meeting held on May 15, 2018 by demerging the erstwhile Audit and Risk Management Committee. The terms of reference of the Risk Management Committee include the following:

- (a) To review the Company's risk management policies in relation to various risks;
- (b) To review the risk return profile of the Company. Capital adequacy based on risk profile of the MFI's balance sheet, business continuity plan and disaster recovery plan, key risk indicators and significant risk exposures and implementation of enterprise risk management; and

- (c) To hold such risk reviews to ensure adequate monitoring as may be felt necessary by the internal as well as external stakeholders and to apprise the Board of the Company on a periodic basis.

The Risk Management Committee met five times in Fiscal 2018 (as part of the former Audit and Risk Management Committee).

Stakeholders' Relationship Committee

The members of the Stakeholders' Relationship Committee are:

1. Abanti Mitra (Chairperson) (Designation: Non-Executive Director);
2. Bharat Dhirajlal Shah (Designation: Non-Executive Director); and
3. Kartikeya Dhruv Kaji (Designation: Non-Executive Director).

The Stakeholders' Relationship Committee was constituted by our Board of Directors at their meeting held on May 15, 2018. The terms of reference of the Stakeholders' Relationship Committee include the following:

- (a) Redressal of grievances of shareholders, debenture holders and other security holders, including complaints related to the transfer of shares, including non-receipt of share certificates and review of cases for refusal of transfer/ transmission of shares and debentures, non-receipt of balance sheet, non-receipt of declared dividends, non-receipt of annual reports, or any other documents or information to be sent by the Company to its shareholders, etc. and assisting with quarterly reporting of such complaints;
- (b) Allotment of shares, approval of transfer or transmission of shares, debentures or any other securities;
- (c) Dematerialisation of shares and re-materialisation of shares, issue of duplicate certificates and new certificates on split/ consolidation/ renewal;
- (d) Non- receipt of declared dividends, balance sheets of the Company, annual report or any other documents or information to be sent by the Company to its shareholders;
- (e) Overseeing the performance of the registrars and transfer agents of our Company and to recommend measures for overall improvement in the quality of investor services; and
- (f) Carrying out any other function as prescribed under the SEBI Listing Regulations, Companies Act, 2013 and the rules and regulations made thereunder, each as amended or other applicable law.

Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

1. Bharat Dhirajlal Shah (Chairperson) (Designation: Non-Executive Director);
2. Abanti Mitra (Designation: Non-Executive Director);and
3. Kartikeya Dhruv Kaji (Designation: Non-Executive Director).

The Nomination and Remuneration Committee was constituted by a meeting of our Board held on February 21, 2013 and was last re-constituted by a meeting of our Board held on May 15, 2018. The scope and function of the Nomination and Remuneration Committee is in accordance with Section 178 of the Companies Act, 2013 and the SEBI Listing Regulations. The terms of reference of the Nomination and Remuneration Committee include:

- a) Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees in accordance with Section 178(4) of the Companies Act, 2013;
- b) Formulation of criteria for the performance of evaluation of independent directors and the Board;
- c) Devising a policy on Board diversity;
- d) Identify persons who are qualified to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance. The Company shall disclose the remuneration policy and the evaluation criteria in its annual report;

- e) To determine key performance indicators of senior executives of the Company and specify deliverables for the executive in line with the business plan of the Company.
- “Senior executives to include the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Whole Time Directors, the Head of Departments of various functions and other key managerial personnel as decided from time to time in consultation with the Board of the Company and other stakeholders.”
- f) To objectively examine the annual manpower plan in relation to the business plan of the company and to examine management recommendations regarding manpower strategy and suggest corrective actions, if required.
- g) To finalise top tier organization structure including top field level functionaries and direct reportees on a periodical basis or as and when required.
- h) To evaluate and approve the compensation packages of above mentioned persons with particular reference to fixed and variable pay (including bonuses and Employees Stock Options).
- i) To recommend to the Board a policy, relating to remuneration for the Directors and Key Managerial Personnel
- j) Determining the Company’s policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- k) Perform such functions as are required to be performed by the compensation committee under the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, including the following:
- (a) administering employee stock option schemes, employee stock purchase schemes, stock appreciation rights schemes, general employee benefits scheme and retirement benefit schemes (“**Schemes**”);
 - (b) delegating the administration and superintendence of the Schemes to any trust set up with respect to the Schemes;
 - (c) formulating detailed terms and conditions for the Schemes including provisions specified by the Board of Directors of the Company in this regard;
 - (d) determining the eligibility of employees to participate under the Schemes;
 - (e) granting options to eligible employees and determining the date of grant;
 - (f) determining the number of options to be granted to an employee;
 - (g) determining the exercise price under of the Schemes; and
 - (h) construing and interpreting the Plan and any agreements defining the rights and obligations of the Company and eligible employees under the Schemes, and prescribing, amending and/or rescinding rules and regulations relating to the administration of the Schemes.
- l) Framing suitable policies and systems to ensure that there is no violation of securities laws by, the Company, its employees or trust set up with respect to the Schemes, if any, of any applicable laws in India or overseas, including:
- (i) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended; and
 - (ii) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as amended;
- m) Determine whether to extend or continue the terms of appointment of the independent directors, on the basis of the report of performance evaluation of independent directors; and
- n) Perform such other activities as may be delegated by the Board of Directors and/or are statutorily prescribed under any law to be attended to by such committee.”

The Nomination and Remuneration Committee met four times in Fiscal 2018.

Corporate Social Responsibility Committee

The members of the Corporate Social Responsibility Committee are:

- (a) Ramachandra Kasargod Kamath (Chairperson) (Designation: Non-Executive Director);

- (b) Abanti Mitra (Designation: Non-Executive Director); and
- (c) Padmaja Gangireddy (Designation: Managing Director).

The Corporate Social Responsibility Committee was constituted by our Board pursuant to a resolution dated August 6, 2014, and was last reconstituted pursuant to a resolution of our Board dated July 25, 2017. The terms of reference, powers, quorum and other matters in relation to the Corporate Social Responsibility Committee of our Company were updated by a meeting of our Board held on July 25, 2017 to be in accordance with Section 135 of the Companies Act, 2013 and the applicable rules thereunder.

The Corporate Social Responsibility Committee met once in Fiscal 2018.

IPO Committee

The members of the IPO Committee are:

1. Sunish Sharma (Designation: Non-Executive Director);
2. Padmaja Gangireddy (Designation: Managing Director); and
3. Kartikeya Dhruv Kaji (Designation: Non-Executive Director).

The IPO Committee was constituted by our Board of Directors on May 15, 2018. The IPO Committee has been authorized to approve and decide upon all activities in connection with the Offer, including, but not limited to, to approve the Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, to decide the terms and conditions of the Offer, including the Price Band and the Offer Price, to appoint various intermediaries, negotiating and executing Offer related agreements and to submit applications and documents to relevant statutory and other authorities from time to time. The terms of reference of the IPO Committee include:

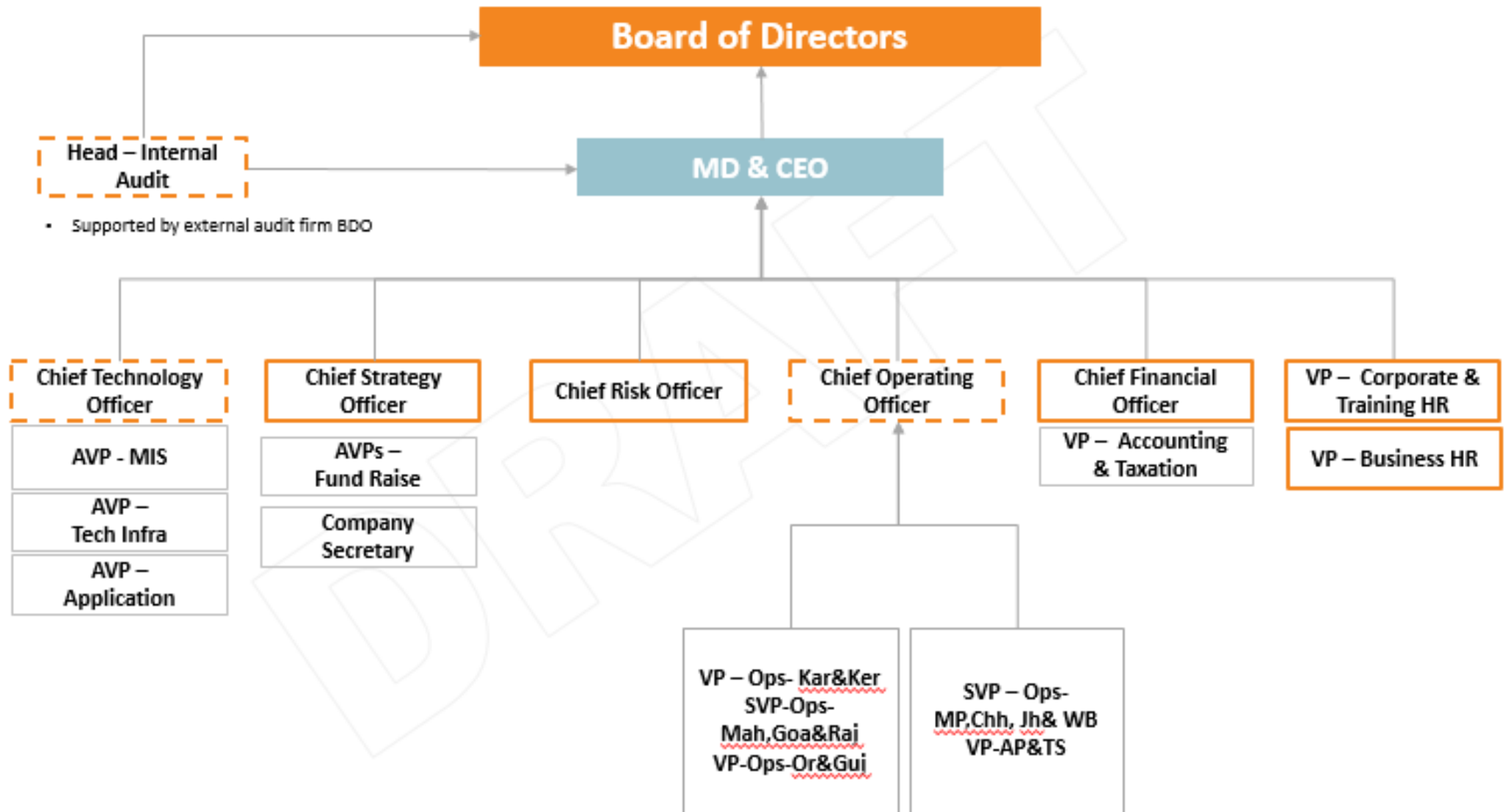
- a) To make applications seeking clarifications, obtain approvals and seek exemptions from wherever necessary, to the RBI, SEBI, the Registrar of Companies, Hyderabad and any other governmental or statutory authorities as may be required in connection with the Offer and accept on behalf of the Board such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions as may be required;
- b) To finalize, settle, approve, adopt and file, in consultation with the BRLMs, where applicable, the DRHP, the RHP the Prospectus, the preliminary and final international wrap and any amendments, supplements, notices, addenda or corrigenda thereto, and take all such actions as may be necessary for the submission and filing of these documents including incorporating such alterations/corrections/ modifications as may be required by SEBI, the RoC or any other relevant governmental and statutory authorities or in accordance with Applicable Laws;
- c) To decide in consultation with the BRLMs on the size, timing, pricing, discount, reservations and all the terms and conditions of the Offer, including the price band(including the offer price for anchor investors), bid period, Offer price, and to accept any amendments, modifications, variations or alterations thereto;
- d) To appoint and enter into and terminate arrangements with the BRLMs, underwriters to the Offer, syndicate members to the Offer, brokers to the Offer, escrow collection bankers to the Offer, refund bankers to the Offer, registrars, legal advisors, statutory auditors, experts, printers, advertising agency(ies), monitoring agency, if any, and any other agencies or persons or intermediaries to the Offer and to negotiate, finalise and amend the terms of their appointment, including but not limited to the execution of the mandate letter with the BRLMs and negotiation, finalization, execution and, if required, amendment of the offer agreement with the BRLMs and the Selling Shareholders;
- e) To negotiate, finalise and settle and to execute and deliver or arrange the delivery of the DRHP, the RHP, the Prospectus, offer agreement, syndicate agreement, underwriting agreement, share escrow agreement, cash escrow agreement, registrar agreement, ad agency agreement, monitoring agency agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Offer;
- f) To approve suitable policies on insider trading, whistle-blowing, risk management, and any other policies as may be required under the Listing Regulations or any other Applicable Laws;
- g) To approve any corporate governance requirements, code of conduct for the Board, officers and other employees of the Company that may be considered necessary by the Board or the IPO Committee or as may be required under the Listing Regulations or any other Applicable Laws;
- h) To seek, if required, the consent/ waiver of the lenders of the Company, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents/ waivers that may be required in relation to the Offer or any actions connected therewith;

- i) To open and operate bank accounts in terms of the escrow agreements and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
- j) To open and operate bank accounts of the Company in terms of Section 40(3) of the Companies Act, 2013, as amended, and to authorize one or more officers of the Company to execute all documents/deeds as may be necessary in this regard;
- k) To authorize and approve incurring of expenditure and payment of fees, commissions, brokerage, remuneration and reimbursement of expenses in connection with the Offer;
- l) To issue receipts/allotment letters/confirmation of allotment notes either in physical or electronic mode representing the underlying Equity Shares in the capital of the Company with such features and attributes as may be required and to provide for the tradability and free transferability thereof as per market practices and regulations, including listing on one or more stock exchange(s), with power to authorize one or more officers of the Company to sign all or any of the aforesaid documents;
- m) To authorize and approve notices, advertisements in relation to the Offer in consultation with the relevant intermediaries appointed for the Offer;
- n) To authorize any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorney, to do such acts, deeds and things as such authorized person in his/her/its absolute discretion may deem necessary or desirable in connection with any issue, transfer, offer and allotment of Equity Shares in the Offer;
- o) To give or authorize any concerned person on behalf of the Company to give such declarations, affidavits, certificates, consents and authorities as may be required from time to time;
- p) To seek, if required, any approval, consent or waiver from the Company's lenders, and/or parties with whom the Company has entered into various commercial and other agreements, and/or any/all concerned government and regulatory authorities in India, and/or any other approvals, consents or waivers that may be required in connection with any issue, transfer, offer and allotment of Equity Shares and to take such actions or give such directions as may be necessary or desirable and to obtain such approvals, permissions, consents, sanctions, as it may deem fit or as the Board may suo-moto decide;
- q) To settle any question, doubt or difficulty that may arise with regard to or in relation to raising of funds in the Fresh Issue;
- r) To take on record the approval of the Selling Shareholders for offering their Equity Shares in the Offer for Sale;
- s) To decide in consultation with the BRLMs, the withdrawal of the DRHP or the RHP or any decision not to proceed with the Offer at any stage in accordance with Applicable Laws;
- t) To finalize, and arrange for the submission of the DRHP to be submitted to the SEBI and the Stock Exchanges for receiving comments, the RHP and the Prospectus to be filed with the RoC, and any corrigendum, amendments supplements thereto;
- u) To finalize the basis of allotment of the Equity Shares;
- v) To do all such acts, deeds, matters and things and execute all such other documents, etc., as may be deemed necessary or desirable for such purpose, including without limitation, to finalize the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of allotment letters/confirmation of allotment notes, credit of Equity Shares to the demat accounts of the successful Allottees, share certificates in accordance with the relevant rules;
- w) To take all actions as may be necessary and authorized in connection with the Offer for Sale and to approve and take on record the transfer of Equity Shares in the Offer for Sale, extending the Bid/Offer period, revision of the Price Band, allow revision of the Offer for Sale portion in case any Selling Shareholder decides to revise it, in accordance with applicable laws;
- x) To do all such acts, deeds and things as may be required to dematerialize the Equity Shares and to sign and / or modify, as the case maybe, agreements and/or such other documents as may be required with the National Securities Depository Limited, the Central Depository Services (India) Limited, registrar and transfer agents and such other agencies, authorities or bodies as may be required in this connection and to authorize one or more officers of the Company to execute all or any of the afore stated documents;
- y) To make applications for listing of the Equity Shares in one or more stock exchange(s) for listing of the Equity Shares and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s)

in connection with obtaining such listing including without limitation, entering into listing agreements and affixing the common seal of the Company where necessary;

- z) To settle all questions, difficulties or doubts that may arise in regard to the Offer, including such issues or allotment and matters incidental thereto as it may deem fit and to delegate such of its powers as may be deemed necessary and permissible under Applicable Laws to the officials of the Company; and
- aa) To negotiate, finalize, settle, execute and deliver any and all other documents or instruments and to do or cause to be done any and all acts or things as the IPO Committee may deem necessary, appropriate or advisable in order to carry out the purposes and intent of this resolution or in connection with the Offer and any documents or instruments so executed and delivered or acts and things done or caused to be done by the IPO Committee shall be conclusive evidence of the authority of the IPO Committee in so doing.

Management Organisation Chart



 Recruitment in process

Key Management Personnel

Apart from our Managing Director, Padmaja Gangireddy, the following persons are the Key Management Personnel of our Company:

Brief profiles of our Key Management Personnel

Deepak Goswami is the Chief Financial Officer of our Company. He holds a bachelors' degree in commerce from Kumaun University, Nainital. He is also a member of the Institute of Chartered Accountants of India. He also holds a masters' degree in Financial Analysis and a masters' degree in management from Institute of Chartered Financial Analysts of India University, Tripura. He was designated as a chartered financial analyst by the Institute of Chartered Financial Analysts of India University, Tripura. Prior to joining our Company he worked at SBI Cards & Payment Services Private Limited for more than six years where his last held position was senior vice president - controllership. He has previously worked as a senior group manager – finance at Comviva Technologies Limited for more than four years, as an Officer in Tata Power Delhi Distribution Limited (previously known as North Delhi Power Limited) for a period of three years, and was an Executive-Finance at the time of leaving the organization. He has also served as an assistant manager – finance at ACME Telepower Limited for nine months; as an audit manager with Jagdish Chand & Co. more than one year, and has more than 15 years of experience in finance. Deepak Goswami joined our Company on January 31, 2018. During Fiscal 2018, he was paid a gross compensation of ₹2.58 million.

Abdul Feroz Khan is the Chief Strategy Officer of our Company. He holds a masters' degree in business administration from Institute of Chartered Financial Analysts of India University, Dehradun. He joined our Company on November 10, 2008 as an assistant finance manager and was designated as our Chief Strategy Officer on May 15, 2018. During Fiscal 2018, he was paid a gross compensation of ₹3.29 million.

Rakesh Jhinharia is the Company Secretary and Compliance Officer of our Company. He holds a bachelors' degree in Commerce (Hons) from University of Calcutta, a bachelors' degree in Law from Vidyasagar University, and he is also a member of the Institute of Company Secretaries in India. Prior to joining our Company, he was associated as a company secretary with Ambuja Housing and Urban Infrastructure Company Limited. He worked as an assistant manager (secretarial matters) with Himadri Credit & Finance Limited for a period of five years. Rakesh Jhinharia joined our Company as the Company Secretary on June 15, 2017. Subsequently, on May 15, 2018, he was appointed as the Compliance Officer of our Company. During the Fiscal 2018, he was paid a gross compensation of ₹1.19 million.

Nitin Prakash Agrawal is the Chief Risk Officer of our Company. He is a post graduate in rural management from Institute of Rural Management with experience in financial services. He has worked with us for over four and a half years and also previously worked at IntelleGrow (Jain Sons Finance Limited), Fullerton India Credit Company Limited, ICICI Bank Limited and Bennett, Coleman & Company Limited. He joined our Company on May 28, 2018 as the Chief Risk Officer of the Company. He has not received any remuneration in Fiscal 2018 as he joined our Company during Fiscal 2019.

All the Key Management Personnel are permanent employees of our Company.

Shareholding of Key Management Personnel

Except as disclosed below, none of our Key Management Personnel hold any Equity Shares as of the date of this Draft Red Herring Prospectus:

Name of Key Management Personnel	Number of Equity Shares	Percentage Shareholding
Padmaja Gangireddy	11,670,067	19.57%
Abdul Feroz Khan	72,402	0.12%

Bonus or profit sharing plan of the Key Management Personnel

There is no profit sharing plan for the Key Management Personnel. Our Company makes certain performance linked bonus payment for each financial year to certain Key Management Personnel as per their respective terms of employment.

Interests of Key Management Personnel

The Key Management Personnel do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business. Our Managing Director, Padmaja Gangireddy, and our Chief Strategy Officer, Abdul Feroz Khan, are also interested in our Company to the extent of being trustees in Spandana Employee Welfare Trust and the Equity Shares held by it.

The Key Management Personnel may be regarded as interested in the Equity Shares held by them, and those that may be subscribed by or allotted to them under the Spandana ESOP Plan 2018.

None of the Key Management Personnel have been paid any consideration of any nature from our Company, other than their remuneration. There is no contingent or deferred compensation payable to our Key Management Personnel which does not form part of their remuneration.

Further, there is no arrangement or understanding with the major Shareholders, customers, suppliers or others, pursuant to which any Key Management Personnel was appointed as member of senior management.

No loans have been availed by the Key Management Personnel from our Company and our Subsidiary.

None of the Key Management Personnel are related to each other.

Except as disclosed under “– *Terms of appointment of the Executive Director*” on page 156, none of the Key Management Personnel have entered into a service contract with our Company pursuant to which they are entitled to any benefits upon termination of employment in our Company or upon retirement.

Changes in the Key Management Personnel

The changes in the Key Management Personnel in the last three years are as follows:

Name	Designation	Date of change	Reason for change
Vibha Shinde	Company Secretary	January 14, 2015	Cessation
Ravi Varma Pakalpati	Chief Financial Officer	July 15, 2015	Cessation
Ramnath Krishnan	Chief Financial Officer	July 30, 2015	Appointment
Ramnath Krishnan	Chief Financial Officer	September 14, 2015	Cessation
Santosh Kumar Jha	Company Secretary and Principal Officer	July 7, 2016	Appointment
Santosh Kumar Jha	Company Secretary and Principal Officer	December 31, 2016	Cessation
Rakesh Jhinharia	Company Secretary	June 15, 2017	Appointment
Deepak Goswami	Chief Financial Officer	January 31, 2018	Appointment
Abdul Feroz Khan	Chief Strategy Officer	May 15, 2018	Change in designation
Nitin Prakash	Chief Risk Officer	May 28, 2018	Appointment

Payment or Benefit to officers of our Company

Our Company and its Subsidiary have not provided any non-salary amount or benefit has been paid or given to any of our Company’s employees including the Key Management Personnel and our Directors within the two years preceding the date of filing of this Draft Red Herring Prospectus. No amount is intended to be paid or given to any of our Company’s employees including the Key Management Personnel and our Directors.

ESOP Plan

For details in relation to the Spandana ESOP Plan 2018, see “*Capital Structure*” on page 69.

OUR PROMOTERS AND PROMOTER GROUP

Padmaja Gangireddy and Kangchenjunga are the Promoters of our Company. As of the date of this Draft Red Herring Prospectus, our Promoters hold an aggregate of 46,940,336 Equity Shares, comprising 78.71% of the pre-Offer issued, subscribed and paid-up Equity Share capital of our Company. For details on shareholding of our Promoters in our Company, see “*Capital Structure*” on page 69.

The details of our Individual and Corporate Promoters are provided below:



Padmaja Gangireddy

Padmaja Gangireddy, aged 52 years, is the Promoter and Managing Director of our Company. She is a resident of Flat No. A-208, “A” Block, Jayabheri Orange County, Nanakramguda, Financial District, Gachibowli, Hyderabad 500 032, Telangana, India. For further details of her educational qualifications, experience, positions and posts held in the past, other directorships and special achievements, see “*Our Management*” on page 152.

As on the date of this Draft Red Herring Prospectus, our Individual Promoter does not hold a valid driver’s license. Her voter identification number is SWD2280972.

Our Company confirms that the PAN, bank account numbers and passport numbers of our Individual Promoter, Padmaja Gangireddy will be submitted to the Stock Exchanges at the time of filing of this Draft Red Herring Prospectus.

Kangchenjunga

Corporate Information

Kangchenjunga is a company incorporated on April 9, 2013 under the laws of Mauritius having its registered office at Suite 11, 1st Floor, Plot 42, Hotel Street, Cybercity 72201, Ebene, Republic of Mauritius.

Kangchenjunga is a private company with limited liability, which holds a Category 1 Global Business License under the provisions of the Financial Services Act of the Republic of Mauritius with effect from April 12, 2013 and its principal activity is (i) to carry out activities as an investment holding company and to acquire, invest in and hold securities of our Company and from time to time to sell, vary or dispose of any of the foregoing; and (ii) to do all such other things as are incidental to, or Kangchenjunga may think conducive to, the conduct, promotion or attainment of the objects of Kangchenjunga.

Kangchenjunga does not have investments in any entity other than our Company as on the date of this Draft Red Herring Prospectus.

For details in relation to the purchase of Equity Shares by Kangchenjunga, see “*History and Certain Corporate Matters – Summary of Key Agreements and Shareholders’ Agreements*” on page 148 and “*Capital Structure – History of the Equity Share Capital held by our Promoters*” on page 74.

Our Company confirms that the PAN, bank account number, the company registration number and address of the registrar of companies where Kangchenjunga is registered shall be submitted to the Stock Exchanges at the time of filing of this Draft Red Herring Prospectus.

Kangchenjunga is promoted by Kedaara Capital.

Board of directors

The Board of Directors of Kedaara Capital is as follows:

1. Tej Kumar Gujadhur;
2. Santosh Kumar Gujadhur;
3. Manvinder Singh Banga; and
4. Kevin Andrew Smith

Board of directors

The board of directors of Kangchenjunga as on the date of this Draft Red Herring Prospectus are as under:

1. Tej Kumar Gujadhur;
2. Santosh Kumar Gujadhur; and
3. Kevin Andrew Smith.

Shareholding pattern of Kangchenjunga

The following table provides details of the Class A ordinary shareholding pattern of Kangchenjunga as on June 21, 2018:

Name of shareholder	Shares held	Percentage of Shareholding (%)
Kedaara Capital I Limited	716,743	54.99
Maple Mountain Holdings Limited	50,000	3.83
Quantum Strategic Partners Ltd	140,809	10.80
1925784 Ontario Limited	395,935	30.38
Total	1,303,487	100

The following table provides details of the Class B ordinary shareholding pattern of Kangchenjunga as on June 21, 2018:

Name of shareholder	Shares held	Percentage of Shareholding (%)
Kedaara Capital I Limited	1,084,469	83.20
Quantum Strategic Partners Ltd	140,809	10.80
1925784 Ontario Limited	78,209	6.00
Total	1,303,487	100

Changes in the management or control

There have been no changes in the management or control of Kangchenjunga in the three years preceding the date of this Draft Red Herring Prospectus.

Change in the management and control of our Company

Our Corporate Promoter, Kangchenjunga, is not the original promoter of our Company. Kangchenjunga acquired the control of our Company pursuant to the Shareholders' Agreement. For details regarding the acquisition of our Company by our Corporate Promoter, see "Risk Factors", "Capital Structure – History of the Equity Share capital held by our Promoters" and "History and Certain Corporate Matters – Summary of Key Agreements and Shareholders' Agreements" on pages 74 and 148, respectively.

Interests of Promoters

Our Promoters are interested in our Company to the extent that they are currently the Promoters in our Company and to the extent of their shareholding and the dividend payable, if any and other distributions in respect of the Equity Shares held by them. For details on shareholding of our Promoters in our Company, see "Capital Structure – History of the Equity Share Capital held by our Promoters" on page 74.

Additionally, Padmaja Gangireddy is also interested in our Company as the Managing Director and remuneration paid to her in such capacity. For details on the terms of her appointment and remuneration, refer to "Our Management" on page 152.

Except as disclosed in this Draft Red Herring Prospectus, none of our Promoters are interested as a member of a firm or company (other than our Company) and no sum has been paid or agreed to be paid to any of our Promoters or to such firm or company in cash or shares or otherwise by any person for services rendered by such Promoters or by such firm or company in connection with the promotion or formation of our Company.

Other than our Subsidiary and Criss Financial, one of our Group Companies, our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by our Company. Our Company will adopt the necessary practices and procedures as permitted by law to address any conflict of interest as and when they arise.

Except as disclosed in this chapter and in "Related Party Transactions" on page 177, respectively, our Promoters have no interest in any property acquired by our Company during the two years preceding the date of this Draft Red Herring Prospectus, or proposed to be acquired, or in any transaction by our Company for acquisition of land, construction of building or supply of machinery.

Our Promoters are also interested to the extent of rights available to them under the Articles of Association of our Company. For details, see “*Main Provisions of Articles of Association*” on page 400.

Payment of benefits to our Promoters or Promoter Group

Except as stated in this chapter, “*Related Party Transactions*” and “*Our Management*” on pages 177 and 152 respectively, there has been no payment of benefits to our Promoters or members of our Promoter Group during the two years preceding the filing of this Draft Red Herring Prospectus nor is there any intention to pay or give any benefit to our Promoters or members of our Promoter Group.

Except as disclosed in “*Related Party Transactions*” on page 177 and except the memoranda of understanding entered into with Abhiram Marketing, one of our Group Companies, as disclosed in “*History and Certain Corporate Matters*” and “*Risk Factors*” on pages 143 and 17, our Company has not entered into any contract, agreements or arrangements during the two years immediately preceding the date of this Draft Red Herring Prospectus and does not propose to enter into any such contract in which our Promoters are directly or indirectly interested, , and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with.

Litigation involving our Promoters

Except as disclosed in “*Outstanding Litigation and Material Developments*” on page 330, there are no legal and regulatory proceedings involving our Promoters as on the date of this Draft Red Herring Prospectus.

Confirmations

As on the date of this Draft Red Herring Prospectus, our Promoters and members of our Promoter Group have not been declared as wilful defaulters in accordance with the SEBI ICDR Regulations and there are no violations of securities laws committed by our Promoters in the past and no proceedings for violation of securities laws are pending against them. Our Promoters, natural persons in control of our Promoter (being directors of our Corporate Promoter) and members of our Promoter Group have not been prohibited from accessing or operating in capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI or any other governmental authorities.

Our Promoters are not and have never been a promoter, director or person in control of any other company which is prohibited from accessing or operating in capital markets under any order or direction passed by SEBI.

Our Promoters are not interested in any other entity which holds any intellectual property rights that are used by our Company and to any beneficiary of loans and advances provided by our Company.

Our Promoters have not taken any unsecured loans which may be recalled by the lenders at any time. Except for our Individual Promoter, Padmaja Gangireddy, who is associated with SRUDO, Abhiram Marketing and Criss Financial, being sundry debtors of our Company, our Promoters are not related to any of the sundry debtors of our Company and to any beneficiary of any loans and advances provided by our Company.

Further, our Individual Promoter has undertaken to refrain from competing with our business or otherwise engage in any business activity that may compete with us, solicit our employees or acquire interest in competing ventures in locations in which we operate. For details, see “*History and Certain Corporate Matters – Summary of Key Agreements and Shareholder Agreements*” on page 148.

Companies or firms with which our Promoter has disassociated in the last three years

Our Promoters have not disassociated themselves from any company in the three years immediately preceding the date of this Draft Red Herring Prospectus.

Promoter Group

A. Natural persons who are part of the Promoter Group

Name of Promoter	Name of relative	Relationship
Padmaja Gangireddy	Vijay Siva Rami Reddy Vendidandi	Spouse
	Dr. Venkateswara Reddy Gangireddy	Brother
	Koteswaramma Yenumula	Sister
	Revan Saahith Reddy Vendidandi	Son
	Naga Bhushan Reddy Vendidandi	Spouse’s brother
	Sitamma Vyja	Spouse’s sister
	Tulasamma Papasani	Spouse’s sister
	Ratnamma Palugulla	Spouse’s sister
	Padmavathi Karnati	Spouse’s sister
	Chandrakala Chedulla	Spouse’s sister

B. Entities forming part of the Promoter Group

- Abhiram Marketing Services Limited
- Criss Financial Holdings Limited
- Kedaara Capital

OUR GROUP COMPANIES

As per the SEBI ICDR Regulations for the purpose of identification of Group Companies, our Company has considered companies covered under the applicable accounting standard, i.e. AS – 18 and other companies considered material by our Board. Pursuant to a resolution of our Board dated June 14, 2018, for the purpose of disclosure in connection with the Offer, a company shall be considered a ‘group company’ if our Company has entered into one or more transactions with such company during the most recent financial year and any such stub period, which in value exceeds 10% of the total standalone and consolidated revenue of our Company, whichever is higher in each of the last financial years, for such financial year as per the Restated Financial Statements.

As of the date of this Draft Red Herring Prospectus, and based on the above mentioned policy of materiality, the following are considered as ‘group companies’ of our Company in terms of the SEBI ICDR Regulations.

A. Details of our Group Companies

1. **Criss Financial Holdings Limited (“Criss Financial”)**

Corporate Information

Criss Financial (formerly known as Keertana Financial Limited) was incorporated on August 20, 1992 under the Companies Act, 1956 as a public limited company and received its certificate for commencement of business on September 21, 1992. The registered office of Criss Financial is located at Plot No. 31 and 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad 500 032, Telangana, India. Criss Financial is engaged in the business of providing non-banking financial services as permitted by RBI.

Interest of our Promoters

As of the date of this Draft Red Herring Prospectus, Padmaja Gangireddy holds 2,045,163 equity shares constituting 69.18% of the issued, subscribed and paid up equity share capital of Criss Financial.

Financial Information

The following information has been derived from the audited financial statements of Criss Financial for the last three Fiscals:

	(₹ in million, except per share data)		
	Fiscal 2017	Fiscal 2016	Fiscal 2015
Equity Capital	44.65	28.38	28.38
Reserves and Surplus (excluding revaluation reserve)	69.19	38.26	25.41
Sales and Other Income	109.19	50.06	43.90
Profit/ (Loss) after tax	27.44	12.85	10.71
Basic earnings per share	9.65	4.53	4.20
Diluted earnings per share	8.49	4.53	4.20
Net asset value	113.84	66.64	53.79
Net asset value per share	25.50	23.48	18.95

2. **Abhiram Marketing Services Limited (“Abhiram Marketing”)**

Corporate Information

Abhiram Marketing (formerly known as Spandana Credit and Financial Services Private Limited) was incorporated on May 26, 2004 under the Companies Act, 1956 as a public limited company and received its certificate of commencement of business on May 26, 2004. The registered office of Abhiram Marketing is located at Plot No. 31 and 32, Ramky Selenium Towers, Tower A, Ground Floor, Financial District, Nanakramguda, Hyderabad 500 032, Telangana, India. Abhiram Marketing is engaged in the business of purchasing, selling and otherwise dealing in all kinds of consumer durables, utilities, food stuff, appliances, building material, agri inputs, etc.

Interest of our Promoters

As on the date of this Draft Red Herring Prospectus, Padmaja Gangireddy holds 1,230,920 equity shares constituting 68.31% of the issued, subscribed and paid up equity share capital of Abhiram Marketing.

Financial Information

The following information has been derived from the audited financial statements of Abhiram Marketing for the last three fiscals:

	(₹ in million, except per share data)		
	Fiscal 2017	Fiscal 2016	Fiscal 2015
Equity Capital	18.02	18.02	17.77
Reserves and Surplus (excluding revaluation reserve)	22.70	24.60	11.06
Sales and Other Income	315.40	404.87	421.46
Profit/ (Loss) after tax	2.44	13.30	10.65
Basic earnings per share	1.36	7.39	7.36
Diluted earnings per share	1.36	7.39	7.36
Net asset value	40.72	42.62	28.83
Net asset value per share	22.60	23.65	16.22

B. Nature and Extent of Interest of Group Companies

1. In the promotion of our Company

Except the memorandum of understanding entered into between our Company and Abhiram Marketing, our Group Companies do not have any interest in the promotion or other interests in our Company. For further details see “History and Certain Corporate Matters” on page 143, “Risk Factors” on page 17 and “Our Business” on page 118.

2. In the properties acquired or proposed to be acquired by our Company in the past two years before filing this Draft Red Herring Prospectus with SEBI

Our Group Companies do not have any interest in the properties acquired or proposed to be acquired by our Company in the two years preceding the filing of this Draft Red Herring Prospectus.

3. In transactions for acquisition of land, construction of building and supply of machinery

Our Group Companies are not interested in any transactions for the acquisition of land, construction of building or supply of machinery in relation to our Company.

4. Common Pursuits among the Group Companies with our Company

Our Group Company, Criss Financial and our Company are in the same line of business. We shall adopt necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For further details, see “Risk Factors” on page 17.

5. Related Business Transactions within the Group Companies and significance on the financial performance of our Company

Except as provided in “Related Party Transactions” on page 177, no related party transactions have been entered between our Group Companies and our Company, as on the date of this Draft Red Herring Prospectus.

6. Significant Sale/ Purchase between Group Companies and our Company

Our Group Companies are not involved in any sales or purchase with our Company where such sales or purchases exceed in value in the aggregate of 10% of the total sales or purchases of our Company.

7. Business Interest of Group Companies

Except as provided in “History and Certain Corporate Matters – Other Agreements” and “Related Party Transactions” on pages 150 and 177, respectively, our Group Companies do not have any business interest in our Company.

8. Defunct Group Companies

Our Group Companies are not defunct and no applications have been made to the registrar of companies for striking off the names of our Group Companies during the five years preceding the date of filing of this Draft Red Herring Prospectus with SEBI. Our Group Companies do not fall under the definition of sick companies under SICA and as

on the date of this Draft Red Herring Prospectus, no winding up proceedings, insolvency resolution process or actions have been initiated against any of our Group Companies.

9. *Negative networth and loss making Group Companies*

Our Group Companies have not incurred losses in the immediately preceding year. For details of our Group Companies' financial information, see "*Our Group Companies – Details of our Group Companies – financial information*" on page 174. Further, our Group Companies do not have negative networth.

10. *Litigation*

Except as disclosed in "*Outstanding Litigations and Material Developments*" on page 330, there are no legal proceedings involving our Group Companies.

11. *Confirmations*

The securities of our Group Companies are not listed on any stock exchange and our Group Companies have not made any public or rights issue of securities in the preceding three years.

Our Group Companies have not been debarred from accessing the capital market for any reasons by SEBI or any other authorities.

Our Group Companies have not been identified as wilful defaulters as defined under the SEBI ICDR Regulations and there are no violation of securities laws committed by any of them in the past and no proceedings for violations of securities laws are pending against them.

Our Group Companies have not availed unsecured loans that may be recalled by the lenders at any time.

No significant adverse factors have been identified by the auditors/ third party consultants of our Group Companies in the preceding three financial statements of our Group Companies, prepared in accordance with the applicable law.

RELATED PARTY TRANSACTIONS

For details of the related party disclosures in accordance with Accounting Standard – 18 on Related Party Disclosures, see (a) “*Restated Standalone Financial Statements – Annexure 28 – Related Parties - Transactions with related party*” on page 280, for related party disclosures for Fiscals 2018, 2017, 2016, 2015 and 2014, on a standalone basis; and (b) “*Restated Consolidated Financial Statements – Annexure 27 – Related Parties – Related party transactions during the year*” on page 219 for related party disclosure for Fiscal 2018, on a consolidated basis.

DIVIDEND POLICY

Our Company has no formal dividend policy as on date of this DRHP. The declaration and payment of dividends on our Equity Shares, if any, will be recommended by our Board and approved by our Shareholders, at their discretion, subject to the provisions of the Articles of Association and the Companies Act, 2013. We may retain all our future earnings, if any, for use in the operations and expansion of our business. As a result, we may not declare dividend in the foreseeable future. The dividend, if any, will depend on a number of factors, including but not limited to our Company's profits, capital requirements, overall financial condition, contractual restrictions and other factors considered relevant by our Board. Our Company may also, from time to time, pay interim dividends.

In addition, our ability to pay dividends may be impacted by a number of factors, including restrictive covenants under the loan or financing arrangements our Company is currently availing of or may enter into to finance our fund requirements for our business activities. For further details, see "*Financial Indebtedness*" on page 327.

We have not declared any dividends on the Equity Shares in any of the five Fiscals preceding the filing of this Draft Red Herring Prospectus.

Dividends on Preference Shares

Our Company has declared the following dividends on the preference shares in the five Fiscals preceding the filing of this Draft Red Herring Prospectus:

OCCRPS

Particulars	Fiscal 2018	Fiscal 2017	Fiscal 2016	Fiscal 2015	Fiscal 2014
No. of OCCRPS	NA	79,10,07,721	80,76,15,809	89,35,70,000	NA
Dividend per OCCRPS	NIL	0.0001	0.00010	0.00010	NIL
Face value of OCCRPS (₹)	NA	10	10	10	NA
% of dividend	NA	0.001%	0.001%	0.001%	NA
Amount of dividend (in ₹)	NIL	79,101	83,424	90,533	NIL
Dividend distribution tax (in ₹)	NIL	16,104	17,324	15,386	NIL
Rate of dividend distribution tax (%)	NA	15%	15%	15%	NA

CCPS

In addition to the above, our Company paid dividend on CCPS during Fiscal 2019 as follows:

Particulars	For the Period from April 1, 2018 to June 21, 2018
No. of CCPS	1,14,52,20,478
Dividend per CCPS*	0.00010
Face value of CCPS (₹)	10
% of dividend	0.001%
Amount of dividend (in ₹)	1,08,978
Dividend distribution tax (in ₹)	22,401
Rate of dividend distribution tax (%)	15%

* Dividend declared for the period from March 31, 2017 to May 15, 2018 was paid on June 8, 2018

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future. See "*Risk Factors – Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements, capital expenditures and lender consents and there can be no assurance that we will be able to pay dividends in the future*" on page 31.

SELECTED STATISTICAL INFORMATION

The following information is included for analytical purposes and should be read in conjunction with our Restated Financial Statements on page 187, as well as “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on pages 118 and 303, respectively.

Certain non-GAAP financial measures and certain other statistical information relating to our operations and financial performance have been included in this chapter and elsewhere in this Draft Red Herring Prospectus. We compute and disclose such non-GAAP financial measures and such other statistical information relating to our operations and financial performance as we consider such information to be useful measures of our business and financial performance, and because such measures are frequently used by securities analysts, investors and others to evaluate the operational performance of financial services businesses, many of which provide such non-GAAP financial measures and other statistical and operational information when reporting their financial results. However, note that these non-GAAP financial measures and other statistical information relating to our operations and financial performance may not be computed on the basis of any standard methodology that is applicable across the industry and therefore may not be comparable to financial measures and statistical information of similar nomenclature that may be computed and presented by other financial services companies. See also “Risk Factors - In this Draft Red Herring Prospectus, we have included certain non-GAAP financial measures and certain other selected statistical information related to our operations and financial performance. These non-GAAP measures and statistical information may vary from any standard methodology that is applicable across the financial services industry, and therefore may not be comparable with financial or statistical information of similar nomenclature computed and presented by other financial services companies” on page 32.

In this chapter and elsewhere in this Draft Red Herring Prospectus, we have presented Gross AUM and Gross AUM (including the old AP Portfolio), both as defined in this chapter. The “old AP Portfolio” refers to loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012. A substantial portion of this loan portfolio was disbursed prior to the 2010 Andhra Pradesh Crisis, which adversely affected the industry and our operations (for details, please see “Industry Overview – Historical Growth and Development of the Microfinance Industry – Andhra Pradesh (AP) Ordinance (2010)”, “Our Business – Overview” and “Risk Factors – Our business, financial condition, cash flows and results of operations have been adversely affected in the past by state regulation. There can be no assurance that similar disruptions will not occur in the states in which we operate, which may have an adverse impact on our business, financial condition and results of operations.”). We have used Gross AUM for purposes of calculating the various ratios and metrics included in this chapter, because we are not servicing the old AP Portfolio and do not derive any income from it or incur any costs in relation to it; and the old AP Portfolio is fully provided for.

Return on Equity and Assets

The following table sets forth, for the periods indicated, selected financial information relating to the return on equity and assets for our Company:

	As of/ for the		
	Year ended March 31, 2018 (standalone)	Year ended March 31, 2017 (standalone)	Year ended March 31, 2016 (standalone)
Profit After Tax (₹ in million) ⁽¹⁾	1,703.95	420.58	2,464.88
Total Assets (₹ in million) ⁽²⁾	35,779.32	24,146.32	20,978.02
Gross AUM (including the old AP Portfolio) (₹ in million) ⁽³⁾	39,596.64	20,946.25	20,188.28
Gross AUM (₹ in million) ⁽⁴⁾	31,663.54	12,970.75	12,195.38
Annual Average Gross AUM (₹ in million) ⁽⁵⁾	22,317.15	12,583.07	12,065.17
Monthly Average Gross AUM (₹ in million) ⁽⁶⁾	22,098.96	13,028.22	12,189.43
Net Worth (₹ in million) ⁽⁷⁾	9,840.88	5,386.92	1,964.38
Annual Average Net Worth (₹ in million) ⁽⁸⁾	7,613.90	3,675.65	846.75
Monthly Average Net Worth (₹ in million) ⁽⁹⁾	6,429.42	2,778.12	1,120.09
Total Borrowings (₹ in million) ⁽¹⁰⁾	15,834.39	9,567.76	9,187.96
Annual Average Borrowings (₹ in million) ⁽¹¹⁾	12,701.08	9,377.86	9,710.13
Monthly Average Borrowings (₹ in million) ⁽¹²⁾	13,931.35	9,183.27	9,682.41
Return on Annual Average Gross AUM (%) ⁽¹³⁾	7.64%	3.34%	20.43%
Return on Monthly Average Gross AUM (%) ⁽¹⁴⁾	7.71%	3.23%	20.22%
Return on Annual Average Net Worth (%) ⁽¹⁵⁾	22.38%	11.44%	291.10%*
Return on Monthly Average Net Worth (%) ⁽¹⁶⁾	26.50%	15.14%	220.06%**
Annual Average Borrowings / Annual Average Net Worth	1.67	2.55	11.47
Monthly Average Borrowings / Monthly Average Net Worth	2.17	3.31	8.64
Annual Average Net Worth / Average Gross AUM	34.12%	29.21%	7.02%
Monthly Average Net Worth / Average Gross AUM	29.09%	21.32%	9.19%
Basic Earnings Per Share (₹) ⁽¹⁷⁾	59.71	20.61	120.94
Diluted Earnings Per Share (₹) ⁽¹⁸⁾	38.54	0.52	2.98
Net Asset value per equity share (₹) ⁽¹⁹⁾	(54.15)	(127.36)	(291.73)

Figures disclosed in the above table, except “Profit after Tax”, “Total Assets”, “Total Borrowings”, “Basic Earnings Per Share” and “Diluted Earnings Per Share” are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

- (1) Profit After Tax represents our restated profit for the year (after tax).
- (2) Total Assets represents our total assets as of the last day of the relevant year.
- (3) Gross AUM (including the old AP Portfolio) represents the total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization as at the end of the relevant year, including loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.

Set forth below is a reconciliation of our Gross AUM (including the old AP Portfolio) to the loan portfolio appearing on our restated summary statement of assets and liabilities:

Particulars	As of March 31, 2018	As of March 31, 2017	As of March 31, 2016
Loan Portfolio (non-current)	16,151.03	11,166.08	8,514.65
Loan Portfolio (current)	16,599.58	9,780.17	11,673.63
Outstanding value of loans securitized	6,846.03	-	-
Gross AUM (including the old AP Portfolio)	39,596.64	20,946.25	20,188.28

- (4) Gross AUM represents the total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization as at the end of the relevant year, excluding (in both cases) loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.

Set forth below is a reconciliation of our Gross AUM (including the old AP Portfolio) to the loan portfolio appearing on our restated summary statement of assets and liabilities:

Particulars	As of March 31, 2018	As of March 31, 2017	As of March 31, 2016
Loan Portfolio (non-current)	16,151.03	11,166.08	8,514.65
Loan Portfolio (current)	16,599.58	9,780.17	11,673.63
Outstanding value of loans securitized	6,846.03	-	-
Gross AUM (including the old AP Portfolio)	39,596.64	20,946.25	20,188.28
Less: Portfolio in states of Andhra Pradesh and Telangana disbursed prior to January 1, 2012	7,933.10	7,975.50	7,992.90
Gross AUM	31,663.54	12,970.75	12,195.38

- (5) Annual Average Gross AUM is the simple average of our Gross AUM as of the last day of the relevant year and our Gross AUM as of the last day of the previous year.
- (6) Monthly Average Gross AUM is the average of our Gross AUM as of April 1 of the year and as of the end of each month in the years mentioned.
- (7) Net Worth represents our restated net worth as of the last day of the relevant year.
- (8) Annual Average Net Worth is the simple average of our Net Worth as of the last day of the relevant year and our Net Worth as of the last day of the previous year.
- (9) Monthly Average Net Worth is the average of our Net Worth as of April 1 of the year and as of the end of each month in the years mentioned.
- (10) Total Borrowings represents the aggregate of our long-term borrowings, short-term borrowings and current maturities of long-term borrowings as of the last day of the relevant year.
- (11) Annual Average Borrowings is the simple average of our Total Borrowings outstanding as of the last day of the relevant year and our Total Borrowings outstanding as of the last day of the previous year.
- (12) Monthly Average Borrowings is the average of our Total Borrowings outstanding as of April 1 of the year and as of the end of each month in the years mentioned.
- (13) Return on Annual Average Gross AUM is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Gross AUM in such year.
- (14) Return on Monthly Average Gross AUM is calculated as our Profit After Tax for the relevant year as a percentage of our Monthly Average Gross AUM in such year.
- (15) Return on Annual Average Net Worth is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Net Worth in such year.
- * Our net worth, as restated as at March 31, 2015 was negative, amounting to ₹(270.89) million. As a consequence, our Return on Annual Average Net Worth for the year ended March 31, 2016 is much higher than our Return on Annual Average Net Worth for the years ended March 31, 2016 and 2017.
- (16) Return on Monthly Average Net Worth is calculated as our Profit After Tax for the relevant year as a percentage of our Monthly Average Net Worth in such year.
- ** Our net worth as at April 1, 2015 was negative. As a consequence, our Return on Monthly Average Net Worth for the year ended March 31, 2016 is much higher than our Return on Monthly Average Net Worth for the years ended March 31, 2016 and 2017.
- (17) Basic Earnings Per Share =

$$\frac{\text{Net profit available for equity shareholders for the year}}{\text{Weighted average number of Equity Shares outstanding during the year}}$$

- (18) Diluted Earnings Per Share =

$$\frac{\text{Net profit for calculation of basic earnings per share + dividend on OCCRP and tax thereon}}{\text{Weighted average number of shares considered for calculating Diluted Earnings Per Share}}$$

- (19) Net Asset Value per equity share =

$$\frac{\text{Net worth as at the end of the year} - \text{preference share capital}}{\text{Number of equity shares outstanding at the end of the year}}$$

Our preference share capital as of March 31, 2018, 2017 and 2016 was ₹11,452.30 million, ₹9,010.17 million and 7,910.08 million. Accordingly, even though our Net Worth as at March 31, 2018, 2017 and 2016 was positive, our Net Asset Value per equity share is negative as at these dates.

Financial and Operational Metrics and Ratios

The following table sets forth, for the periods indicated, certain financial and operational metrics and ratios for our Company:

	As of/ for the		
	Year ended March 31, 2018 (standalone)	Year ended March 31, 2017 (standalone)	Year ended March 31, 2016 (standalone)
	(₹ in million, except percentages and numbers)		
Gross AUM ⁽¹⁾	31,663.54	12,970.75	12,195.38
Gross AUM Growth (%) ⁽²⁾	144.11%	6.36%	2.18%
Annual Average Gross AUM ⁽³⁾	22,317.15	12,583.07	12,065.17
Monthly Average Gross AUM ⁽⁴⁾	22,098.96	13,028.22	12,189.43
Outstanding value of loans securitized ⁽⁵⁾	6,846.03	-	-
Disbursements ⁽⁶⁾	38,576.48	20,591.65	17,933.03
Disbursement Growth (%) ⁽⁷⁾	87.34%	14.83%	-9.57%
Total Active Loan Accounts ⁽⁸⁾	1.93	1.14	1.08
Revenue from Operations ⁽⁹⁾	5,608.36	3,571.72	3,464.05
Other Income ⁽¹⁰⁾	117.61	70.28	49.44
Borrowers ⁽¹¹⁾	1.59	1.06	1.07
Total Revenue ⁽¹²⁾	5,725.97	3,642.00	3,513.49
Finance Costs ⁽¹³⁾	1,998.80	1,733.91	1,287.23
Net Interest Income ⁽¹⁴⁾	3,609.56	1,837.81	2,176.82
Net Interest Margin = Net Interest Income / Annual Average Gross AUM (%)*	16.17%	14.61%	18.04%
Net Interest Margin = Net Interest Income / Monthly Average Gross AUM (%)*	16.33%	14.11%	17.86%
Total Expenses ⁽¹⁵⁾	3,448.80	3,108.00	2,287.55
Operating Expense ⁽¹⁶⁾	1,078.41	953.82	893.49
Operating Expense / Annual Average Gross AUM (%)	4.83%	7.58%	7.41%
Operating Expense / Annual Average Gross AUM (including the old AP Portfolio) (%)	3.56%	4.64%	4.19%
Operating Expense / Monthly Average Gross AUM (%)	4.88%	7.32%	7.33%
Cost to Income Ratio ⁽¹⁷⁾	28.93%	49.99%	40.13%
Provision and write-offs ⁽¹⁸⁾	371.59	420.28	106.83
Provision and write-offs / Annual Average Gross (%)	1.67%	3.34%	0.89%
Provision and write-offs / Monthly Average Gross AUM (%)	1.68%	3.23%	0.88%
Profit before tax (₹ in million) ⁽¹⁹⁾	2,277.17	638.85	2,464.88
Profit after tax (₹ in million) ⁽²⁰⁾	1,703.95	420.58	2,464.88
Gross NPA ⁽²¹⁾ (₹ in million)	8,588.70	8,819.20	8,005.70
Net NPA ⁽²²⁾ (₹ in million)	12.20	368.30	10.30
Gross PAR 90+ (excluding the old AP Portfolio) ⁽²³⁾ (₹ in million)	655.60	843.70	12.80
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽²⁴⁾ (%)	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽²⁵⁾ (₹ in million)	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽²⁶⁾ (%)	0.03%	2.81%	0.08%
Collection Efficiency ⁽²⁷⁾	99.25%	97.13%	99.41%

Figures disclosed in the above table, except "Revenue from Operations", "Other Income", "Total Revenue", "Finance Cost" and "Total Expenses" are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

- (1) Gross AUM represents the total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization as at the end of the relevant year, excluding (in both cases) loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
- (2) Gross AUM Growth represents percentage growth in Gross AUM for the relevant year over Gross AUM of the previous year.
- (3) Annual Average Gross AUM is the average of our Gross AUM as of the last day of the relevant year and our Gross AUM as of the last day of the previous year.
- (4) Monthly Average Gross AUM is the average of our Gross AUM as of April 1 of the year and as of the end of each month in the years mentioned.
- (5) Outstanding value of loans securitized represents aggregate of future principal outstanding and overdue principal outstanding, if any, for loan portfolio which have been transferred by our Company by way of securitization and outstanding as of the last day of the relevant year, excluding loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
- (6) Disbursements represent the aggregate of all loan amounts extended to our clients in the relevant year.
- (7) Disbursement Growth represents percentage growth in disbursement for the relevant year over disbursement of the previous year.
- (8) Total Active Loan Accounts represent the aggregate number of loan accounts outstanding as of the end of the relevant year including loan accounts which have been transferred by our Company by way of securitization or assignment and are outstanding as of the last day of the relevant year.
- (9) Revenue from Operations represents our restated revenue from operations for the year.
- (10) Other Income represents our restated other income for the year.
- (11) Borrowers represents the number of clients who have active loan accounts with us as at the end of the relevant year.
- (12) Total Revenue represents our restated total revenue for the year.

- (13) Finance Costs represents our restated finance costs for the year, comprising interest expense on term loans from banks, term loans from financial institutions and non-banking finance companies, non-convertible debentures, cash credit from banks, amount borrowed from third party and income tax and bank charges.
- (14) Net Interest Income represents revenue from operations for the relevant year reduced by finance costs in such year.
- * Note: Net Interest Margin as calculated herein is different from the Net Interest Margin as calculated as per the formula prescribed by the RBI.
- (15) Total Expenses represents our restated total expenses for the relevant year. Total Expenses comprise employee benefits expenses, finance costs, depreciation and amortization expenses, other expenses and provisions and write offs.
- (16) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses.
- (17) Cost to Income Ratio represents the sum of employee benefits expenses, other expenses, and depreciation and amortization expenses as a percentage of Net Interest Income plus our restated other income.
- (18) Provision and write-offs represents the aggregate of provision and write offs.
- (19) Profit before tax represents our restated profit before tax.
- (20) Profit after tax represents our restated profit for the year.
- (21) Gross NPA represents the non-performing portfolio loans outstanding (gross) as of the last day of the relevant year (including loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (22) Net NPA represents the non-performing portfolio loans outstanding (net) as of the last day of the relevant year i.e. non-performing portfolio loans outstanding (gross) as reduced by the provision for such non-performing assets (including provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (23) Gross PAR 90+ (excluding the old AP Portfolio) represents total loan outstanding that are overdue for 90 days or more (including any such loan outstandings that form part of our securitized loan portfolio), excluding loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
- (24) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents "Gross PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM as at the date mentioned
- (25) Net PAR 90+ (excluding the old AP Portfolio) represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (26) Net PAR 90+ Ratio (excluding the old AP Portfolio) represents "Net PAR 90+ (excluding the old AP Portfolio)" (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned.
- (27) Collection Efficiency represents the ratio of our collections (including overdue collections) for the year to billings for the year.

Yield and Cost of Funds

The following table sets forth, for the periods indicated, yields and cost of funds for our Company:

	As of/ for the year ended March 31,		
	2018 (standalone)	2017 (standalone)	2016 (standalone)
Annual Average Yield on Gross AUM (%) ⁽¹⁾	24.13%	26.63%	27.17%
Monthly Average Yield on Gross AUM (%) ⁽²⁾	24.37%	25.57%	26.83%
Monthly Average Yield on Disbursement (%) ⁽³⁾	25.05%	25.80%	26.96%
Annual Average Cost of Borrowings (%) ⁽⁴⁾	15.74%	18.49%	13.26%
Monthly Average Cost of Borrowings (%) ⁽⁵⁾	14.35%	18.88%	13.29%
Monthly Average Cost of Securitization (%) ⁽⁶⁾	10.43%		
Monthly Average Cost of Funds (%) ⁽⁸⁾	12.39%	18.88%	13.29%

Figures disclosed in the above table are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

- (1) Annual Average Yield on Gross AUM represents the ratio of our Gross Interest Income to our Annual Average Gross AUM. Gross Interest Income for a year represents the interest income for the year on (a) the loan portfolio held by us; and (b) the outstanding of loan portfolio which have been transferred by us by way of securitization during the year.

Set forth below is the reconciliation of our Gross Interest Income to interest on portfolio loans (which forms a part of our restated revenue from operations):

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016
Interest on portfolio loans	4,710.43	3,361.02	3,282.67
Add: interest of loan portfolio transferred by us by way of securitisation	772.00	-	-
Gross Interest Income	5,482.43	3,361.02	3282.67

- (2) Monthly Average Yield on Gross AUM represents the ratio of our Gross Interest Income to our Monthly Average Gross AUM.
- (3) Monthly Average Yield on Disbursement is the monthly weighted average Yield on Disbursement, weights being Disbursement of each loan disbursed during the month.
- (4) Annual Average Cost of Borrowings is the simple average of annually weighted average interest cost on borrowings, weights being annual average borrowings.
- (5) Monthly Average Cost of Borrowings is the simple average of monthly average interest cost on borrowings, weights being monthly average borrowings.
- (6) Monthly Average Cost of Securitization is the simple average of monthly weighted average rate of interest on securitization transactions, weights being principal outstanding of securitization transaction as of the last day of the relevant year.
- (7) Monthly Average Cost of Funds is the simple average of monthly weighted Average Cost of Borrowings and Monthly Average Cost of Securitization.

Productivity Ratios

The following table sets forth, for the periods indicated, certain productivity ratios for our Company:

	As of and for the year ended March 31,		
	2018 (standalone)	2017 (standalone)	2016 (standalone)
Number of branches ⁽¹⁾	694	526	503
Number of employees ⁽²⁾	4,045	3,044	2,751
Number of loan officers ⁽³⁾	2,746	1,984	1,635
Number of active loan accounts ⁽⁴⁾	1.93	1.14	1.08
Gross AUM per branch ⁽⁵⁾ (₹ in million)	45.62	24.66	24.25
Gross AUM per employee, excluding trainee CAs ⁽⁶⁾ (₹ in million)	9.10	4.73	4.83
Gross AUM per active loan account ⁽⁷⁾ (₹)	16,370.52	11,343.88	11,341.23
Disbursement per branch ⁽⁸⁾ (₹ in million)	55.59	39.15	35.65
Disbursement per employee, excluding trainee CAs ⁽⁹⁾ (₹ in million)	11.09	7.50	7.10
Disbursement per loan officer, excluding trainee CAs ⁽¹⁰⁾ (₹ in million)	17.70	12.22	12.72
Average ticket size (₹) ⁽¹¹⁾	22,826.16	21,024.65	19,930.21

Figures disclosed in the above table are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

- (1) Number of branches represents aggregate number of branches of our Company as of the last day of relevant year.
- (2) Number of employee represents aggregate number of employees of our Company as of the last day of relevant year.
- (3) Number of loan officers represents aggregate number of credit assistants of our Company as of the last day of relevant year.
- (4) Number of active loan accounts represents aggregate number of all loan assets under management which includes loan assets held by our Company as of the last day of the relevant year as well as loan assets which have been transferred by our Company by way of securitization or assignment and are outstanding as of the last day of the relevant year.
- (5) Gross AUM per branch represents Gross AUM as of last day of the relevant year divided by number of branches.
- (6) Gross AUM per employee represents Gross AUM as of the last day of the relevant year divided by number of employees (excluding trainee CAs).
- (7) Gross AUM per active loan accounts represents Gross AUM as of the last day of the relevant year divided by number of active loan accounts.
- (8) Disbursement per branch represents Disbursements in the relevant year divided by number of branches.
- (9) Disbursement per employee represents Disbursements in the relevant year divided by number of employees (excluding trainee CAs).
- (10) Disbursement per loan officer represents Disbursements in the relevant year divided by number of loan officers (excluding trainee CAs).
- (11) Average ticket size represents Disbursements in the relevant year divided by the number of loans disbursed in the year.

Geographical Spread of Loan Accounts

The following table sets forth the geographic spread of our Company based on the number of loan accounts:

State/ Union Territory	Number of Loan Accounts					
	As of March 31, 2018 (standalone)		As of March 31, 2017 (standalone)		As of March 31, 2016 (standalone)	
	No. of loan accounts	% of Total	No. of loan accounts	% of Total	No. of loan accounts	% of Total
Karnataka	411,506	21.28%	208,242	18.21%	188,566	17.54%
Madhya Pradesh	411,639	21.28%	252,225	22.06%	260,758	24.25%
Orissa	378,655	19.58%	257,906	22.56%	222,232	20.67%
Maharashtra	258,508	13.37%	144,055	12.60%	157,240	14.62%
Chhattisgarh	151,600	7.84%	99,534	8.70%	95,056	8.84%
Andhra Pradesh	101,860	5.27%	41,611	3.64%	17,850	1.66%
Telangana	2,288	0.12%	1,136	0.10%	1,299	0.12%
Jharkhand	91,058	4.71%	58,710	5.13%	52,341	4.87%
Kerala	46,368	2.40%	31,912	2.79%	29,996	2.79%
Gujarat	54,446	2.81%	32,560	2.85%	24,362	2.27%
Goa	11,508	0.59%	6,317	0.55%	4,887	0.45%
Uttar Pradesh	5,532	0.29%	9,133	0.80%	20,727	1.93%
Bihar	7,608	0.39%	73	0.01%	-	0.00%
West Bengal	1,282	0.07%	-	0.00%	-	0.00%
Rajasthan	322	0.02%	-	0.00%	-	0.00%
Total	1,934,180	100.00%	1,143,414	100.00%	1,075,314	100.00%

Geographical Spread of Gross AUM

The following table sets forth the state-wise spread of our Gross AUM:

State	Gross AUM (₹ in million, except percentages)					
	As of March 31, 2018 (standalone)		As of March 31, 2017 (standalone)		As of March 31, 2016 (standalone)	
	Gross AUM	% of Total	Gross AUM	% of Total	Gross AUM	% of Total
Karnataka	7,087.16	22.38%	2,373.59	18.30%	2,372.74	19.46%
Madhya Pradesh	6,964.88	22.00%	2,717.34	20.95%	2,856.22	23.42%
Orissa	5,948.26	18.79%	2,914.30	22.47%	2,450.48	20.09%
Maharashtra	4,330.85	13.68%	1,696.99	13.08%	1,709.70	14.02%
Chhattisgarh	2,357.92	7.45%	1,213.70	9.36%	1,026.71	8.42%
Andhra Pradesh	1,146.12	3.62%	426.97	3.29%	252.48	2.07%
Telangana	48.54	0.15%	20.32	0.15%	23.55	0.19%
Jharkhand	1,411.19	4.46%	632.31	4.88%	538.17	4.41%
Kerala	1,002.23	3.17%	450.94	3.48%	413.28	3.39%
Gujarat	924.75	2.92%	363.24	2.80%	267.33	2.19%
Goa	214.48	0.68%	100.92	0.78%	84.19	0.69%
Uttar Pradesh	74.87	0.24%	58.67	0.45%	200.50	1.64%
Bihar	124.31	0.39%	1.43	0.01%	0.00%	0.00%
West Bengal	21.39	0.07%	0.00%	0.00%	0.00%	0.00%
Rajasthan	6.59	0.02%	0.00%	0.00%	0.00%	0.00%
Total	31,663.54	100.00%	12,970.75	100.00%	12,195.38	100.00%

Exposure of Districts

The following table sets forth our exposure to the districts in which we have a presence, measured through the percentage contribution of the loan portfolio from the district to our Gross AUM:

Exposure of Districts	As of March 31, 2018 (standalone)		As of March 31, 2017 (standalone)		As of March 31, 2016 (standalone)	
	No. of Districts	% of Total Districts	No. of Districts	% of Total Districts	No. of Districts	% of Total Districts
< 0.5%	139	63%	106	55%	102	55%
0.5% - 1%	61	27%	62	32%	55	30%
1% - 2%	22	10%	25	13%	27	15%
3% - 5%	0	0%	0	0%	0	0%
> 5%	0	0%	0	0%	0	0%
Total	222	100.00%	193	100.00%	184	100.00%

Borrowing Profile

The following table sets out our borrowing profile:

	As of					
	March 31, 2018 (standalone)		March 31, 2017 (standalone)		March 31, 2016 (standalone)	
	₹ in million	% of Total	₹ in million	% of Total	₹ in million	% of Total
Non-Convertible Debentures	2,658.33	16.79%	0	0.00%	0	0.00%
Term Loans						
- Indian rupee loan from banks	9,714.32	61.35%	9,557.76	99.90%	7,553.03	82.21%
- Indian rupee loan from financial institutions and non-banking finance companies	3,461.34	21.86%	0	0.00%	1,634.93	17.79%
Short-term borrowings	0.40	0.00%	10.00	0.10%	0	0.00%
Total	15,834.39	100.00%	9,567.76	100.00%	9,187.96	100.00%

Loan Securitization

	As of		
	March 31, 2018 (standalone)	March 31, 2017 (standalone)	March 31, 2016 (standalone)
	₹ in million		
Outstanding value of loans securitized	6,846.03	0.00	0.00

Capital Adequacy

The following table sets forth certain information relating to the CRAR of our Company based on our restated financial position as of the periods indicated:

Particulars	As of March 31,		
	2018 (standalone)	2017 (standalone)	2016 (standalone)
	(₹ in million, except percentage)		
Tier I Capital	9,295.10	6,954.80	(2,771.48)
Tier II Capital	0.00	62.80	0.00
Total Capital	9,295.10	7,017.60	(2,771.48)
Total Risk Weighted Assets	25,016.55	14,317.71	15,655.55
Capital Adequacy Ratio / Capital to Risk Weighted Assets Ratio			
CRAR - Tier I capital (%)	37.16%	48.57%	(17.70)%
CRAR - Tier II capital (%)	0.00%	0.44%	0.00%
CRAR (%)	37.16%	49.01%	(17.70)%

Provisioning Policy for Loan Portfolio

For the year ended March 31, 2018

- (i) Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for at:
 - (a) 1% of the standard loan portfolio outstanding; and
 - (b) 50% of the aggregate loan outstanding which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan outstanding which is overdue for 180 days or more.
- (ii) All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions as summarized below:

Asset classification	Provision
Standard (<i>overdue up to 3 months</i>)	0.40%
Non-performing ('NPA') (<i>overdue for 3 months or more</i>)	
Sub-standard (<i>classified as NPA for up to 12 months</i>)	10%
Doubtful (<i>classified as sub-standard for more than 12 months</i>)	
Doubtful up to 1 year (Secured)	20%
Doubtful from 1 to 3 years (Secured)	30%
Doubtful over 3 years (Secured)	50%
Doubtful assets not covered by realizable security (Unsecured)	100%
Loss asset (<i>loans considered irrecoverable in the opinion of the management</i>)	Write off

- (iii) Securitised loan portfolio is provided for at 1% of the total outstanding of such loans, subject to the maximum guarantee provided by the Company in respect of the securitization arrangements.

For years ended March 31, 2017 and 2016

- (i) Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for in accordance with Chapter IX of the NBFC Master Directions which require the total provision to be higher of:
 - (a) 1% of the outstanding loan portfolio; or
 - (b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.
- (ii) All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions, as amended from time to time, as summarized below:

Asset classification	Provision
Standard	
For year ended March 31, 2017 (<i>overdue up to 4 months</i>)	0.35%

Asset classification	Provision
For year ended March 31, 2016(<i>overdue up to 5 months</i>)	0.30%
Non-performing ('NPA') (<i>overdue for 4/5 months or more, as applicable</i>):	
Sub-standard (<i>classified as NPA for up to 14/16 months, as applicable</i>)	10%
Doubtful (<i>classified as sub-standard for more than 14/16 months, as applicable</i>)	
Doubtful up to 1 year (Secured)	20%
Doubtful from 1 to 3 years (Secured)	30%
Doubtful over 3 years (Secured)	50%
Doubtful asset not covered by realizable security (Unsecured)	100%
Loss asset (<i>loans considered irrecoverable in the opinion of the management</i>)	Write off

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

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Auditors' Report on the restated consolidated summary statement of assets and liabilities as at March 31, 2018 and restated consolidated summary statements of profit and loss and cash flows for the year ended March 31, 2018 of Spandana Sphoorty Financial Limited (collectively, the "Restated Consolidated Summary Statements")

The Board of Directors
Spandana Sphoorty Financial Limited
Plot No. 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial District, Nanakramguda,
Hyderabad, Telangana – 500 032

Dear Sirs / Madams,

1. We have examined the attached Restated Consolidated Summary Statements of Spandana Sphoorty Financial Limited (the "Company") and its subsidiary Caspian Financial Services Limited (the Company and its subsidiary collectively known as the "Group") as at March 31, 2018 and for the year ended March 31, 2018, annexed to this report and prepared by the Company for the purpose of inclusion in the draft red herring prospectus ("DRHP") in connection with its proposed initial public offer of equity shares of face value of Rs.10 each ("IPO"). The Restated Consolidated Summary Statements, which have been approved by the Board of Directors of the Company, have been prepared by the Company in accordance with the requirements of:
 - a) sub-section (1) of Section 26 of Chapter III of the Companies Act, 2013, as amended (the "Act"); and
 - b) relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "ICDR Regulations") issued by the Securities and Exchange Board of India ("SEBI") on August 26, 2009, as amended from time to time in pursuance of the Securities and Exchange Board of India Act, 1992, as amended.

Management's Responsibility for the Restated Consolidated Summary Statements

2. The preparation of Restated Consolidated Summary Statements, which are to be included in the DRHP, is the responsibility of the Management of the Company for the purpose set out in paragraph 13 below. The Management's responsibility includes designing, implementing and maintaining adequate internal controls relevant to the preparation and presentation of the Restated Consolidated Summary Statements. The Management is also responsible for identifying and ensuring that the Company complies with the Act and the ICDR Regulations.

Auditors' Responsibilities

3. We have examined such Restated Consolidated Summary Statements taking into consideration:
 - a) the terms of reference and our engagement agreed with you vide our engagement letter dated April 10, 2018, requesting us to carry out work on such Restated Consolidated Summary Statements, proposed to be included in the DRHP of the Company in connection with the Company's proposed IPO;
 - b) the Guidance Note on Reports in Company Prospectuses (Revised 2016) issued by the Institute of Chartered Accountants of India (the "Guidance Note"); and
 - c) the requirements of Section 26 of the Act and the ICDR Regulations. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act and the ICDR Regulations in connection with the IPO.
4. The Company proposes to make an IPO which comprises a fresh issue of equity shares of Rs.10 each by the Company and an offer for sale by certain shareholders of the existing equity shares of Rs.10 each, at such premium, arrived at by a book building process.

Restated Consolidated Summary Statements as per Audited Consolidated Financial Statements

5. The Restated Consolidated Summary Statements have been compiled by the management from:

- (a) the audited consolidated financial statements of the Group as at and for the year ended March 31, 2018, which have been approved by the Board of Directors at its meeting held on May 15, 2018; and
- (b) the financial information in relation to the Company's subsidiary as listed below, which is audited by another auditor and included in the consolidated financial statements:

Name of the entity	Name of the audit firm	Relationship	Period covered
Caspian Financial Services Limited	Prashant Agarwal & Co.	Subsidiary	As at March 31, 2018 and for the period from October 13, 2017 to March 31, 2018

6. For the purpose of our examination, we have relied on:

- (a) the Auditors' Report issued by us dated May 15, 2018 on the consolidated financial statements of the Group as at and for the year ended March 31, 2018; and
- (b) As indicated in our audit report referred above, we did not audit the financial statements of the subsidiary as referred in paragraph 5(b) above, whose financial statements reflect total assets, total revenues and net cash inflows included in the Restated Consolidated Summary Statements as tabulated below:

(Amount in Rupees)

Particulars	For the period ended March 31, 2018
Total assets	20,286,521
Total revenue	318,356
Net cash inflow	20,000,000

These financial statements have been audited by another firm of Chartered Accountants, Prashant Agarwal & Co., whose report has been furnished to us and our opinion in so far as it relates to the amounts included in these Restated Consolidated Financial Statements are based solely on the report of such other auditor.

The other auditor of the subsidiary, as mentioned in paragraph 5(b), has confirmed that the restated financial information of such entity:

- i) has been made after making such adjustments and regroupings, for the changes in accounting policies of the Company to reflect the accounting treatment as per changed accounting policy for the reporting period;
 - ii) do not contain any extra-ordinary items that need to be disclosed separately in the Restated Consolidated Summary Statements and do not contain any qualification requiring adjustments.
7. Based on our examination, in accordance with the requirements of Section 26 of Part I of Chapter III of the Act, the ICDR Regulations and the Guidance Note, we report that:
- a) The Restated Consolidated Summary Statement of assets and liabilities of the Group as at March 31, 2018 examined by us, as set out in Annexure 1 to this report, have been arrived at after making adjustments and regroupings/reclassifications as in our opinion were appropriate and more fully described in Annexure 4 – Restated Consolidated Statement of Material Adjustments and Regroupings.
 - b) The Restated Consolidated Summary Statement of profit and loss of the Group for the year ended March 31, 2018 examined by us, as set out in Annexure 2 to this report, have been arrived at after making adjustments and regroupings/reclassifications as in our opinion were appropriate and more fully described in Annexure 4 – Restated Consolidated Statement of Material Adjustments and Regroupings.

- c) The Restated Consolidated Summary Statement of cash flows of the Group for the year ended March 31, 2018 examined by us, as set out in Annexure 3 to this report, have been arrived at after making adjustments and regroupings/reclassifications as in our opinion were appropriate and more fully described in Annexure 4 – Restated Consolidated Statement of Material Adjustments and Regroupings.
- d) Based on the above and according to the information and explanations given to us, we further report that:
- i) Restated Consolidated Summary Statements have been made after incorporating adjustments for the changes in accounting policies retrospectively in respective financial years;
 - ii) Restated Consolidated Summary Statements have been made after incorporating adjustments for the material amounts in the respective financial years to which they relate;
 - iii) Restated Consolidated Summary Statements do not contain any extra-ordinary items that need to be disclosed separately in the Restated Consolidated Summary Statements;
 - iv) The Restated Consolidated Summary Statement do not contain any exceptional item that need to be disclosed separately; and
 - v) There are no qualifications in the auditors' reports on the audited consolidated financial statements of the Group as at and for the year ended March 31, 2018, which require any adjustments to the Restated Consolidated Summary Statements.
8. We have not audited any consolidated financial statements of the Group as of any date or for any period subsequent to March 31, 2018. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Group as of any date or for any period subsequent to March 31, 2018.

Other Financial Information

9. At the Company's request, we have also examined the following restated consolidated financial information proposed to be included in the DRHP, prepared by the Management and approved by the Board of Directors of the Company on May 15, 2018 and annexed to this report relating to the Group, as at and for the year ended March 31, 2018:
- i. Restated Consolidated Statement of Share Capital, enclosed as Annexure 6;
 - ii. Restated Consolidated Statement of Money received against share warrants, enclosed as Annexure 6A;
 - iii. Restated Consolidated Statement of Reserves and Surplus, enclosed as Annexure 7;
 - iv. Restated Consolidated Statement of Long-term Borrowings, enclosed as Annexure 8;
 - v. Restated Consolidated Statement of Other Long Term Liabilities, enclosed in Annexure 9;
 - vi. Restated Consolidated Statement of Provisions, enclosed as Annexure 10;
 - vii. Restated Consolidated Statement of Short-term borrowings, enclosed as Annexure 11;
 - viii. Restated Consolidated Statement of Other Current Liabilities, enclosed as Annexure 12;
 - ix. Restated Consolidated Statement of Property, plant and equipment enclosed as Annexure 13.1;
 - x. Restated Consolidated Statement of Intangible Assets enclosed as Annexure 13.2;
 - xi. Restated Consolidated Statement of Non-current investment as Annexure 14;
 - xii. Restated Consolidated Statement of Loan portfolio, enclosed as Annexure 15;
 - xiii. Restated Consolidated Statement of Other Loans and Advances, enclosed as Annexure 16;
 - xiv. Restated Consolidated Statement of Other Assets, enclosed as Annexure 17;
 - xv. Restated Consolidated Statement of Trade receivables, enclosed as Annexure 18;
 - xvi. Restated Consolidated Statement of Cash and Bank Balances, enclosed as Annexure 19;
 - xvii. Restated Consolidated Statement of Revenue from operations, enclosed as Annexure 20;
 - xviii. Restated Consolidated Statement of Other Income, enclosed as Annexure 21;
 - xix. Restated Consolidated Statement of Employee Benefit Expenses, enclosed as Annexure 22;
 - xx. Restated Consolidated Statement of Finance Costs, enclosed as Annexure 23;
 - xxi. Restated Consolidated Statement of Other Expenses, enclosed as Annexure 24;
 - xxii. Restated Consolidated Statement of Provision and Write offs, enclosed as Annexure 25;
 - xxiii. Restated Consolidated Statement of Earnings per share, enclosed as Annexure 26;

- xxiv. Restated Consolidated Statement of Additional Information, enclosed as Annexure 27;
 - xxv. Restated Consolidated Statement of Capitalisation, enclosed as Annexure 28;
 - xxvi. Restated Consolidated Statement of Accounting Ratios, enclosed as Annexure 29; and
 - xxvii. Consolidated Statement of Dividend, enclosed as Annexure 30.
10. According to the information and explanations given to us, in our opinion, the Restated Consolidated Summary Statements and the above Restated Consolidated Statements contained in Annexures 6 to 30 accompanying this report, read with Restated Consolidated Statement of Significant Accounting Policies disclosed in Annexure 5, are prepared after making adjustments and regroupings as considered appropriate and disclosed in Annexure 4 and have been prepared in accordance with Section 26 of Part I of Chapter III of the Act, the ICDR Regulations and the Guidance Note.
 11. This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
 12. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
 13. Our report is intended solely for use of the management for inclusion in the DRHP to be filed with SEBI, BSE Limited and the National Stock Exchange of India Limited in connection with the proposed IPO and is not to be used, referred to or distributed for any other purpose except with our prior consent in writing.

For S. R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration number: 301003E/E300005

per Shrawan Jalan

Partner

Membership No. 102102

Mumbai

May 15, 2018

Spandana Sphoorty Financial Limited
Annexure 1: Restated Consolidated Summary Statement of Assets and Liabilities
(Rupees in Millions unless otherwise stated)

Balance sheet as at	Annexure	31-Mar-18
Equity and liabilities		
Shareholders' funds		
Share capital	6	11,749.86
Reserves and surplus	7	(1,909.24)
Money received against share warrants	6A	1.49
		9,842.11
Non-current Liabilities		
Long-term borrowings	8	4,893.94
Other long term liabilities	9	1.01
Long-term provisions	10	8,724.12
		13,619.07
Current liabilities		
Short-term borrowings	11	0.40
Other current liabilities	12	12,059.65
Short-term provisions	10	257.86
		12,317.91
TOTAL		35,779.09
Assets		
Non-current assets		
Fixed assets		
-Property, plant and equipment	13.1	58.54
-Intangible assets	13.2	26.03
Non-current investments	14	1.00
Loan Portfolio	15	16,151.03
Other loans and advances	16	65.39
Other non-current assets	17	529.30
		16,831.29
Current assets		
Trade receivables	18	25.03
Cash and bank balances	19	1,546.23
Loan Portfolio	15	16,599.58
Other loans and advances	16	553.57
Other current assets	17	223.39
		18,947.80
TOTAL		35,779.09
Summary of significant accounting policies	5.3	
Accompanying Annexures are an integral part of this statement.		

As per our report of even date

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm's Registration Number: 301003E/E300005
**For and on behalf of Board of Directors of
Spandana Sphoorty Financial Limited**

per **Shrawan Jalan**

Partner

Membership No.102102

Padmaja Gangireddy
Managing Director

Kartikeya Dhruv Kaji
Director

Rakesh Jhinharia
Company Secretary

Deepak Goswami
Chief Financial Officer

Place: Mumbai

Date: May 15, 2018

Place: Hyderabad

Date: May 15, 2018

Spandana Sphoorty Financial Limited
Annexure 2: Restated Consolidated Summary Statement of Profits And Losses
(Rupees in Millions unless otherwise stated)

Particulars	Annexure	For the year ended March 31, 2018
Income		
Revenue from operations	20	5,608.36
Other income	21	117.93
Total revenue (I)		5,726.29
Expenses		
Employee benefits expenses	22	759.12
Finance costs	23	1,998.80
Other expenses	24	262.55
Depreciation and amortisation expenses	13	57.24
Provision and write-offs	25	371.59
Total expenses (II)		3,449.30
Profit before tax (III)=(I)-(II)		2,276.99
Tax expense		
Current tax		573.28
Deferred tax		-
Total tax expense (IV)		573.28
Profit for the year (III)-(IV)		1,703.71
Nominal value per share		10.00
Earnings per equity share		
Basic (computed on the basis of total profit for the year)	26	59.71
Diluted (computed on the basis of total profit for the year)	26	38.53
Summary of significant accounting policies	5.3	
The accompanying Annexures are an integral part of the financial statements		

As per our report of even date

For S.R. BATLIBOI & CO. LLP
Chartered Accountants
ICAI Firm's Registration Number: 301003E/E300005
For and on behalf of Board of Directors of
Spandana Sphoorty Financial Limited

per **Shrawan Jalan**

Partner

Membership No.102102

Padmaja Gangireddy

Managing Director

Kartikeya Dhruv Kaji

Director

Rakesh Jhinharia

Company Secretary

Deepak Goswami

Chief Financial Officer

Place: Mumbai

Date: May 15, 2018

Place: Hyderabad

Date: May 15, 2018

Particulars	For the year ended March 31, 2018
A. Cash flow from operating activities	
Profit before tax	2,276.99
Adjustments for :	
Interest on income tax	24.40
Depreciation and amortisation	57.24
Provision for Gratuity	4.46
(Profit) / loss on sale of fixed assets	(0.40)
Contingent provision against standard assets	245.96
Provision for non-performing assets	125.63
Dividend from mutual funds	(15.84)
Other provisions and write offs	19.06
unamortized collection fee	1.01
Operating profit before working capital changes	2,738.51
Movements in working capital :	
Increase/ (decrease) in other current liabilities	669.33
Decrease / (increase) in margin money deposit (net)	(1,069.67)
Decrease / (increase) in trade receivables	(10.90)
Decrease / (increase) in loans and advances	(12,349.09)
Decrease / (increase) in other current and non current assets	(81.49)
Cash used in operations	(10,103.31)
Direct taxes paid (net of refunds)	(735.50)
Net cash used in operating activities (A)	(10,838.81)
B. Cash flow from investing activities :	
Purchase of fixed assets (including capital work in progress and capital advances)	(51.79)
Proceeds from sale of property, plant and equipments	0.47
Purchase of current investments	(34,856.79)
Sale of current investments	34,856.79
Dividend from mutual funds	15.84
Net cash used in investing activities (B)	(35.48)
C. Cash flow from financing activities :	
Proceeds from issue of equity shares	307.87
Proceeds from issue of share warrants	1.49
Proceeds from issue of Preference Shares	2,442.13
Long term borrowings (net)	6,276.24
Short term borrowings (net)	(9.60)
Net cash from financing activities (C)	9,018.13
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	(1,856.16)
Cash and cash equivalents as at the beginning of the period / year	2,901.16
Cash and cash equivalents as at end of the period / year (refer Annexure 19)	1,045.00
Components of cash and cash equivalents at the period / year end	
Cash on hand	3.70
Balance with banks - on current account	871.29
Deposits with original maturity of less than or equal to 3 months	170.01
Components of cash and cash equivalents at the period / year end	1,045.00
Summary of significant accounting policies 5.3	
The accompanying Annexures are an integral part of the financial statements	

As per our report of even date

For S.R. BATLIBOI & CO. LLP

Chartered Accountants

ICAI Firm's Registration Number: 301003E/E300005

per Shrawan Jalan

Partner

Membership No.102102

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

Padmaja Gangireddy

Managing Director

Kartikeya Dhruv Kaji

Director

Rakesh Jhinharia

Company Secretary

Deepak Goswami

Chief Financial Officer

Place: Mumbai

Date: May 15, 2018

Place: Hyderabad

Date: May 15, 2018

Spandana Sphoorty Financial Limited**Annexure 4: Restated Consolidated Statement of Material Adjustments And Regroupings***(Rupees in Millions unless otherwise stated)***4.1 Material adjustment**

The summary of restatements made in the audited financial statements for the respective years and its impact on the profits of the Company is as follows:

Particulars	For the year ended March 31, 2018
Net Profit as per Audited Financial Statements (A)	1,718.28
<u>Adjustments for prior period items</u>	
Incomes pertaining to FY 2016-17 recorded in FY 2017-18	(14.57)
Total effect of adjustment on Profit Before Tax (B)	(14.57)
Tax Adjustment	
Deferred Tax*	-
Total Tax adjustment (C)	-
Net Effect of (decrease) in profit on adjustment after tax (D)= (B)-(C)	(14.57)
Net profit for the year ended (E)= (A)+(D) as restated	1,703.71

* No deferred tax assets have been recognised in accordance with the requirements of virtual certainty with convincing evidence of future taxable profits, prescribed under Accounting Standard 22.

4.2 Restatement adjustment made in the audited opening balance of the surplus balance in the statement of profit and loss as at April 1, 2017.

Particulars	Amount
Net surplus /(deficit) in the statement of profit and loss as at April 1, 2017	(9,660.30)
Restatement adjustments for:	
Prior Period Items	
Incomes pertaining to FY 2016-17 recorded in later periods	14.57
Net surplus / (deficit) in the statement of profit and loss as at April 1, 2017 (as restated)	(9,645.73)

4.3 Non adjusting items

There is no audit qualification included in the consolidated audit report for the year ended March 31, 2018.

5.1 Corporate information

SpandanaSphoorty Financial Limited ('SSFL' or the 'Holding Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as Non-Banking Financial Company – Micro Financial Institution ('NBFC – MFI') effective April 13, 2015. The Holding Company is engaged in the business of micro finance providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

Caspian Financial Services Limited or ('CFSL' or the 'Subsidiary') was incorporated on October 13, 2017, under the Companies Act, 2013. The main objective of CFSL is to carry on the business of lending (other than micro finance).

5.2 A. Basis of preparation

Theserestated consolidated summary statements comprise of the financial statements of SSFL and its subsidiary (SSFL and its subsidiary hereinafter collectively referred to as the 'Group').

The restated consolidated summary statement of assets and liabilities of the Group as at March 31, 2018 and the related restated consolidated summary statement of profit and loss and related restated consolidated summary statement of cash flows each for the yearended March 31, 2018 (collectively referred to as the "Restated Consolidated Summary Statements") have been compiled by the management from the audited consolidated financial statements of the Company for the year ended March 31, 2018, approved by the Board of Directors of the Company.

The Company had prepared the audited consolidated financial statements to comply, in all material respects, with the accounting standards specified under the Companies Act, 1956 and under section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016, the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions') and other accounting principles generally accepted in India (Indian GAAP). The audited consolidated financial statements were prepared under the historical cost convention on an accrual basis except as detailed in paragraph 5.3 (b) below.

These restated consolidated summary statements have been prepared by the Company to comply, in all material respects, with the requirements of sub-section (1) of Section 26 of Chapter III of the Companies Act, 2013 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ("the SEBI ICDR Guidelines") as amended, for the purpose of inclusion in the draft red herring prospectus to be filed by the Company with the Securities and Exchange Board of India ('SEBI') in connection with its proposed initial public offering. The accounting policies used in preparation of these restated consolidated summary statements have been consistently applied by the Company and are consistent with those adopted in the preparation of audited consolidated financial statements for the year ended March 31, 2018.

B. Principal of Consolidation

For the purpose of restated consolidated financial statements, the results of SSFL and its subsidiary for the year ended March 31, 2018 have been derived from the respective company's audited financial statements for the year / period ended March 31, 2018.

The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together like items of assets, liabilities, income and expenses, after eliminating intra-group balances and intra group transactions resulting in unrealised profits or losses.

The consolidated financial statements of the group were prepared in accordance with Accounting Standard 21 – Consolidated Financial Statements (AS-21) issued by the Institute of Chartered Accountants of India (ICAI). The financial statements of the group companiesare prepared according to uniform accounting policies, in accordance with accounting principles generally accepted in India. The effects of inter-company

transactions are eliminated on consolidation. The consolidated financial statements are prepared using the uniform accounting policies for like transactions and events in similar circumstances and necessary adjustments required for deviations, to the extent possible unless otherwise stated, are made in the consolidated financial statements and are presented in the same manner as the Holding Company's standalone financial statements.

The subsidiary company considered in preparation of the consolidation financial statements are:

Particulars	Country of incorporation	Proportion of ownership as on March 31, 2018	Financial year ends on
Caspian Financial Services Limited *	India	100%	March 31

* Subsidiary w.e.f. from October 13, 2017.

This being the first occasion of presentation of the consolidated financial statements of the Group in accordance with AS-21, the comparative amounts for the restated consolidated summary statement of assets and liabilities as at March 31, 2017, 2016, 2015 and 2014, restated consolidated summary statement of profit and loss and restated consolidated summary statement of cash flow for the year ended March 31, 2017, 2016, 2015 and 2014 have not been presented as per the transitional provision under paragraph 30 of AS 21.

5.3 Summary of significant accounting policies

a. Use of estimates

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

b. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.

- i. Interest income on loans given is recognized under the internal rate of return method. Income or any other charges on non-performing asset is recognized only when realized and any such income recognized before the asset became non-performing and remaining unrealized is reversed.
- ii. Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and rate applicable.
- iii. Loan processing fees collected from members are recognized on an upfront basis at the time of disbursement of loan.
- iv. Profit/premium arising at the time of securitization of loan portfolio is amortized over the life of the underlying loan portfolio/securities and any loss arising therefrom is accounted for immediately. Income from excess interest spread is recognized in the statement of profit and loss account net of any losses at the time of actual receipt.
- v. Amounts received against loans written-off are recognized on receipt basis.
- vi. All other incomes are recognized on an accrual basis.

c. Property, Plant and Equipment

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

d. Depreciation

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

e. Intangible assets

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

f. Impairment

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

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

g. Leases (where the Company is the lessee)

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

h. Foreign currency transactions

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

i. Retirement and other employee benefits

- i. Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable to the provident fund. The Company

recognizes contribution payable to the provident fund scheme as expenditure when an employee renders the related service.

- ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. Actuarial gains and losses for defined benefit plans are recognized in full in the period in which they occur in the statement of profit and loss.
- iii. The service rules of the Company do not provide for the carry forward of the accumulated leave balance and leaves to credit of employees are encashed periodically at average gross salary.

j. Income taxes

- i. Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.
- ii. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.
- iii. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
- iv. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which the deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
- v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

k. Earnings per share

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

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

deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

l. Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

m. Contingent liabilities

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

n. Cash and cash equivalents

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

o. Investments

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

p. Borrowing costs

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

q. Classification of loan portfolio

- A. Unsecured loan portfolio (excluding the loan portfolio disbursed prior to January 1, 2012 in the state of Andhra Pradesh and Telangana) is classified as standard and non-performing assets in accordance with Chapter IX of the NBFC Master Directions as described below :

Asset classification	Arrear period
Standard assets	Overdue for less than 90 days
Non-performing assets	Overdue for 90 days or more

- B. All other loans and advances are classified as standard, sub-standard, doubtful and loss assets in accordance with Chapter V of the NBFC Master Directions as amended, described in (r) below.

SPANDANA SPHOORTY FINANCIAL LIMITED**Annexure 5: Restated Consolidated Statement of Significant Accounting Policies***(Rupees in million unless otherwise stated)***r. Provisioning for loan portfolio**

- i. Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for at:
- (a) 1% of the standard loan portfolio outstanding; and
- (b) 50% of the aggregate loan outstanding which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan outstanding which is overdue for 180 days or more.
- ii. All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions as summarized below:

Asset classification	Provision
Standard (<i>overdue upto 3 months</i>)	0.40%
Non-performing ('NPA') (<i>overdue for 3 months or more</i>)	
Sub-standard (<i>classified as NPA for upto 12 months</i>)	10%
Doubtful (<i>classified as sub-standard for more than 12 months</i>)	
Doubtful upto 1 year (Secured)	20%
Doubtful from 1 to 3 years (Secured)	30%
Doubtful over 3 years (Secured)	50%
Doubtful assets not covered by realizable security (Unsecured)	100%
Loss asset (<i>loans considered irrecoverable in the opinion of the management</i>)	Write off

- iii. Securitised loan portfolio is provided for at 1% of the total outstanding of such loans, subject to the maximum guarantee provided by the Company in respect the securitization arrangements.

Spandana Sphoorty Financial Limited	
Annexure 6: Restated Consolidated Statement of Share Capital	
(Rupees in Millions unless otherwise stated)	
Particulars	31-Mar-18
Authorised shares	
Equity Shares of Rs.10/- each	
-Number of shares	900,000,000
-Amount in Rs. Millions	9,000.00
Preference shares of Rs.10 each	
-Number of shares	1,250,000,000
-Amount in Rs. Millions	12,500.00
Issued, Subscribed And Fully Paid Up Shares:	
Equity Shares of Rs.10/- each	
-Number of shares	29,756,818
-Amount in Rs. Millions	297.57
Class B 0.001% Compulsory Convertible preference shares (CCPS)	
-Number of shares	791,007,721
-Amount in Rs. Millions	7,910.08
Class A 0.001% Compulsory Convertible preference shares (CCPS)	
-Number of shares	234,999,997
-Amount in Rs. Millions	2,350.00
Class A1 0.001% Compulsory Convertible preference shares (CCPS)	
-Number of shares	119,212,760
-Amount in Rs. Millions	1,192.13
Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS)	
-Number of shares	1,135,085
-Amount in Rs. Millions	0.05
FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS)	
-Number of shares	283,771
-Amount in Rs. Millions	0.01
FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS)	
-Number of shares	283,771
-Amount in Rs. Millions	0.01
FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS)	
-Number of shares	283,771
-Amount in Rs. Millions	0.01
FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS)	
-Number of shares	283,771
-Amount in Rs. Millions	0.01
Total issued, subscribed and fully paid-up share capital	11,749.86

Spandana Sphoorty Financial Limited*(Rupees in Millions unless otherwise stated)***(a) Terms / rights attached to equity shares**

The Company has only one class of equity shares of par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(b) Terms / rights attached to Class B CCPS

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

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

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

(c) Terms / rights attached to Class A CCPS

During the year ended March 31, 2017, the Company issued 110,000,008 Class A CCPS of Rs.10 each fully paid-up. Further, in financial year 2017-18, the Company has issued 124,999,989 Class A CCPS of Rs.10 each fully paid-up. The Class A CCPS shall rank pari-passu with other preference shares. The Class A CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class A CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10th year from the date of issue i.e. March 31, 2017 and December 4, 2017. The holder can also convert the CCPS before the 10th year by giving 5 days' prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

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

Spandana Sphoorty Financial Limited*(Rupees in Millions unless otherwise stated)***(d) Terms / rights attached to Class A1 CCPS**

During the year ended March 31, 2018, the Company issued 119,212,760 Class A1 CCPS of Rs.10 each fully paid-up. The Class A1 CCPS shall rank pari-passu with other preference shares. The Class A1 CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A1 CCPS shall not be entitled to any voting rights in the Company. to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A1 CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class A1 CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10th year from the date of issue i.e. March 8, 2018. The holder can also convert the CCPS before the 10th year by giving 5 days' prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

$$\frac{\text{Number of Class A CCPS proposed to be converted} \times \text{Face value of Class A1 CCPS}}{\text{Fair market value of equity shares of the Company as on the date of acquisition of Class A1 CCPS}}$$

(e) Terms / rights attached to OCRPS

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

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

Class of Shares	Payment of balance subscription amount	Conversion into equity shares
Series C	Any time post March 31, 2017 the holder is entitled to require the Company to issue a call	To be converted immediately upon being fully paid up.
FY18 Series A	Based on achieving pre-defined profitability levels in respect of FY 2017-18, FY 2018-19 and FY 2019-20 in terms of the Promoter Subscription Agreement, the holder is entitled to require the Company to issue a call	
FY18 Series B		
FY19 Series A		
FY19 Series B		

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

(f) Reconciliation of the shares outstanding at the beginning and at the end of the year

(f.1) Equity shares

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	28,449,393	284.49
Issued during the year	1,307,425	13.07
Outstanding at the end of the year	29,756,818	297.57

-

(f.2) CCPS Class B

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	791,007,721	7,910.08
Issued during the year	-	-
Redeemed during the year	-	-
Outstanding at the end of the year	791,007,721	7,910.08

(f.3) CCPS Class A

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	110,000,008	1,100.00
Issued during the year	124,999,989	1,250.00
Redeemed during the year	-	-
Outstanding at the end of the year	234,999,997	2,350.00

(f.4) CCPS Class A1

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	-	-
Issued during the year	119,212,760	1,192.13
Redeemed during the year	-	-
Outstanding at the end of the year	119,212,760	1,192.13

(f.5) OCRPS Series C

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	1,135,085	0.05
Issued during the year	-	-
Redeemed during the year	-	-
Outstanding at the end of the year	1,135,085	0.05

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

(f.6) OCRPS- FY 18 Series A

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01
Issued during the year	-	-
Redeemed during the year	-	-
Outstanding at the end of the year	283,771	0.01

(f.7) OCRPS- FY 18 Series B

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01
Issued during the year	-	-
Redeemed during the year	-	-
Outstanding at the end of the year	283,771	0.01

(f.8) OCRPS- FY 19 Series A

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01
Issued during the year	-	-
Redeemed during the year	-	-
Outstanding at the end of the year	283,771	0.01

(f.9) OCRPS- FY 19 Series B

Particulars	31-Mar-18	
	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01
Issued during the year	-	-
Redeemed during the year	-	-
Outstanding at the end of the year	283,771	0.01

Spandana Sphoorty Financial Limited*(Rupees in Millions unless otherwise stated)***(g) Details of shareholders holding more than 5% in the Company:**

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

Equity Shares

Name of the shareholder	31-Mar-18	
	No. of Shares	% holding in the class
Kangchenjunga Limited	10,630,052	35.72%
Padmaja Gangireddy	5,879,366	19.76%
Valiant Mauritius Partners FDI Limited	4,632,570	15.57%
JM Financial Products Limited	2,976,821	10.00%
JM Financial Trustee Company Private Limited	1,744,303	5.86%
Vijaya Sivarami Reddy Vendidandi	1,491,483	5.01%

CCPS (Class A)

Name of the shareholder	31-Mar-18	
	No. of Shares	% holding in the class
Kangchenjunga Limited	229,999,532	97.87%

CCPS (Class A1)

Name of the shareholder	31-Mar-18	
	No. of Shares	% holding in the class
Kangchenjunga Limited	116,676,087	97.87%

CCPS (Class B)

Name of the shareholder	31-Mar-18	
	No. of Shares	% holding in the class
Kangchenjunga Limited	774,176,271	97.87%

OCRPS (Series A, B and C)

Name of the shareholder	31-Mar-18	
	No. of Shares	% holding in the class
Padmaja Gangireddy	2,270,169	100.00%

Spandana Sphoorty Financial Limited*(Rupees in Millions unless otherwise stated)***Annexure 6A: Restated Consolidated Statement of Money received against share warrants***(Rupees in Millions unless otherwise stated)*

Particulars	31-Mar-18
Money received against share warrants	1.49

Terms / rights attached to Convertible Share Warrants

On March 6, 2018, the Company issued 14,88,544 Convertible Share Warrants with an exercise price of Rs.235.48 per warrant ("Warrant Exercise Price") of which Re.1 per warrant was paid towards subscription of the warrants prior to the allotment of the warrants ("Upfront Payment Amount") and a balance amount of Rs.234.48 per warrant shall be paid at the time of exercising the right of conversion of such warrants into equity shares ("Balance Payment Amount"). The holder of convertible share warrants shall not be entitled to any voting rights in the Company.

Each warrant shall be convertible into an equivalent number of equity shares upon payment of the Balance Payment Amount, at the option of the warrant holder, in one or more tranches and at such time period as the warrant holder may deem fit, on or prior to the expiry of 24 months ("Offer Exercise Period") from the date of allotment i.e. March 6, 2018 (subject to adjustment in equity share capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action). Upon receipt of the Balance Payment Amount as set out above, the Board of Directors (or a Committee thereof) shall allot one equity share per warrant by appropriating from the Warrant Exercise Price, Rs.10 towards equity share capital and the balance amount received towards securities premium account.

Spandana Sphoorty Financial Limited
Annexure 7: Restated Consolidated Statement of Reserves and Surplus

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18
Securities premium account	
Balance as per last financial statements	2,582.81
Add : Premium on issue of equity shares	294.80
Closing balance	2,877.61
General reserve	23.28
	23.28
Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)	
Balance as per last financial statements	1,604.97
Add : Amount transferred from the surplus balance of Statement of profit and loss	343.70
Closing balance	1,948.67
Capital redemption reserve	
Balance as per last financial statements	1,526.92
Add: Amount transferred from surplus in the statement of profit and loss	-
Closing balance	1,526.92
Surplus balance in the statement of profit and loss	
Balance as per last financial statements	(9,645.73)
Add: Profit for the year	1,703.71
Less: Transfer to statutory reserve as required by Sec 45-IC of Reserve Bank of India Act, 1934*	(343.70)
Net surplus in the statement of profit or loss	(8,285.72)
Total reserves and surplus	(1,909.24)

* Transfer of 20% of the profit after tax to the statutory reserves in accordance with the provisions of section 45-IC** of the Reserve Bank of India Act, 1934 is of the profit after tax before restatement adjustment.

** As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the Profit after Tax of the Company every year.

Annexure 8: Restated Consolidated Statement of Long-term borrowings

Particulars	31-Mar-18	
	Non-Current	Current
Secured		
Non convertible debentures (Refer Annexure 8.1(a) for details)	1,625.00	833.33
Term Loans		
Indian rupee loan from banks	1,991.53	7,722.79
Indian rupee loan from financial institutions and non banking finance companies	1,077.41	2,183.93
Unsecured		
Non convertible debentures (Refer Annexure 8.1(b) for details)	-	200.00
Term Loan		
Indian rupee loan from financial institutions (Refer Annexure 8.1 (c) for details)	200.00	-
	4,893.94	10,940.05
The above amount includes		
Secured borrowings*	4,693.94	10,740.05
Unsecured borrowings**	200.00	200.00
Amount disclosed under the head "other current liabilities"	-	(10,940.05)
Net amount	4,893.94	-

*The Indian rupee loans are secured by hypothecation of book debts and margin money deposits

** Unsecured borrowings are in the nature of subordinated debt and non convertible debentures.

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

Annexure 8.1(a): Terms of principal repayment of secured non convertible debentures

Particulars	31-Mar-18		
	Total Amount	Non Current	Current
325, 13.15% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of Seventy Two Months (subject to exercise of put option by the lender or Call Option by Issuer at the end of Thirty Six Months) from the date of allotment i.e. October 31, 2017 Redeemable on maturity if option not exercised or communication for roll-over received from lender.	325.00	325.00	-
18,00,00,000 (Previous year Nil) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 each, Rs.180 million is redeemable at the end of Thirty Six Months from the date of allotment i.e. October 26, 2017	180.00	180.00	-
12,00,00,000 (Previous year Nil) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 each, Rs.120 million is redeemable at the end of Thirty Six Months from the date of allotment i.e. August 21, 2017	120.00	120.00	-
4000, 13.5% Partly paid Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of Thirty Six months (subject to exercise of put option by the lender at the end of Twelve Months / at the end of Twenty Four Months) from the date of allotment i.e. September 28, 2017 Redeemable on maturity if option not exercised or communication for roll-over received from lender.	833.33	-	833.33
1000, 14% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of Seventy Two Months (subject to exercise of put option by the lender or Call Option by the issuer at the end of Thirty Six Months) from the date of allotment i.e. September 18, 2017 Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,000.00	1,000.00	-

Annexure 8.1(b): Terms of principal repayment of unsecured non convertible debentures

Particulars	31-Mar-18		
	Total Amount	Non Current	Current
200 ,13.30% Fully paid up Senior Unsecured , Redeemable ,Non-Convertible Debentures of face value of Rs.1 million each redeemable at par at the end of Thirty Six Months (subject to exercise of put option by the lender at the end of 367 days/ at the end of Twenty Four Months) from the date of allotment i.e. September 26, 2017 Redeemable on maturity if option not exercised or communication for roll-over received from lender.	200.00	-	200.00

Annexure 8.1(c): Details of Unsecured Subordinate debt as at March 31, 2018

Name of the issuer	Date of Drawdown	Date of Repayment	Rate of interest (per annum)	Total Amount	Current Maturity as at March 31, 2018	Non-Current Maturity as at March 31, 2018	Terms of Repayment
Capital First Limited	09-Jun-17	08-Jun-24	15.00%	200.00	-	200.00	Bullet payment at the end of eighty four months from first disbursement

Spandana Sphoorty Financial Limited
Annexure 8.2: Terms of principal repayment of long term borrowings as at March 31, 2018

(Rupees in Millions unless otherwise stated)

(Rupees in Lakhs unless otherwise stated)										
Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installm ents	Amount (in Rupees)	No. of installm ents	Amount (in Rupees)	No. of installm ents	Amount (in Rupees)	No. of installm ents	Amount (in Rupees)	
Monthly										
1-3 years	11.01%-11.5%	4	87.15		-					87.15
		12	47.62	12	53.39	5	24.11			125.12
		12	44.40	12	49.78	12	55.82			150.00
		12	163.37	5	73.65					237.02
	11.51%-12.00%	12	336.41	2	60.07					396.48
	12.01%-12.5%	12	2,285.71		-					2,285.71
	12.51%-13%	10	222.22		-					222.22
		12	75.00	4	25.00					100.00
		12	50.00	5	20.83					70.83
		12	589.85		-					589.85
	13.01%-13.5%	12	2,501.75		-					2,501.75
		12	212.54	5	88.56					301.10
		12	376.21	2	67.73					443.94
		11	317.09		-					317.09
		12	40.87	4	14.83					55.70
	13.51%-14%	3	105.28							105.28
Quarterly										
1-3 years	10.51% - 11.00%	3	171.43	4	228.57					400.00
		4	500.00	4	500.00					1,000.00
		3	257.14	4	342.86					600.00
		3	214.29	4	285.71					500.00
		3	214.29	4	285.71					500.00
	12.5%-13%	4	428.57	2	214.28					642.85
		4	250.00	4	250.00	2	125.00			625.00
		3	223.13		-		-			223.13
		4	83.33	4	83.33	4	83.33			249.99
	13.01%-13.5%	2	833.33							833.33
	4	109.09	4	109.09	1	27.27				245.45
Bullet										
1-3 years	12.01%-12.5%					1	120.00			120.00
						1	180.00			180.00
	13.01%-13.5%					1	325.00			325.00
		1	200.00							200.00
	13.51% - 14.00%						-			-
14.01%-14.5%					1	1,000.00			1,000.00	
Above 3 years	14%-14.5%									-
	14.5%-15%							1	200.00	200.00
Grand Total		210	10,940.05	85	2,753.40	28	1,940.54	1	200.00	15,833.99

Spandana Sphoorty Financial Limited**Annexure 9: Restated Consolidated Statement of Other long term liabilities**

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18
Unamortized Collection fees	1.01
Total	1.01

Annexure 10: Restated Consolidated Statement of Provisions

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	
	Long term	Short term
Provision for employee benefits		
Provision for gratuity (refer Annexure 27.4)	3.90	-
	3.90	-
Others provisions		
Contingent provision against standard assets (refer Annexure 5.3 (r) and Annexure 27.6)	143.79	164.88
Provision for non-performing assets (refer Annexure 5.3 (r) and Annexure 27.6)	8,576.43	-
Provision for taxation	-	92.98
	8,720.22	257.86
Total	8,724.12	257.86

Annexure 11 : Restated Consolidated Statement of Short-term borrowings

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18
Cash Credit from banks (secured)*	0.40
Total	0.40

*Cash credit from banks are secured by hyphothcation of book debts.

Annexure 12: Restated Consolidated Statement of Other current liabilities

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18
Expenses payables	15.79
Employee benefit payables	123.04
Payable towards securitization	663.39
Creditors for capital goods	6.30
Other payables	20.91
Other liabilities	
Current maturities of long-term borrowings (refer Annexure 8)	10,940.05
Interest accrued but not due on borrowings	122.97
Statutory dues payable (including penal damages levied by ESIC)	30.13
Unfructified service tax liability (net of amount paid under protest Rs. 9.93 millions)	132.83
Unamortized income	
Unamortised gain on securitisation	4.24
Total	12,059.65

Spandana Sphoorty Financial Limited
Annexure 13.1: Restated Consolidated Statement of Property, plant and equipment

(Rupees in Millions unless otherwise stated)

Particulars	Land & Building*	Lease hold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers & Printers	Total
Gross Block							
As at April 01, 2017	-	95.40	46.23	10.53	4.16	100.86	257.18
Additions	2.01	-	8.86	4.67	-	19.32	34.86
Disposals	-	-	0.10	0.02	0.64	0.25	1.01
As at March 31, 2018	2.01	95.40	54.99	15.18	3.52	119.93	291.03
Depreciation							
As at April 01, 2017	-	62.76	26.42	9.28	3.14	89.36	190.96
Depreciation charge for the year	0.05	20.61	10.58	1.34	0.31	9.59	42.48
Disposals	-	-	0.09	0.02	0.59	0.25	0.95
As at March 31, 2018	0.05	83.37	36.91	10.60	2.86	98.70	232.49
Net Block							
As at March 31, 2018	1.96	12.03	18.08	4.58	0.66	21.23	58.54

* Mortgaged as security against secured non-convertible debentures.

Annexure 13.2 : Restated Consolidated Statement of Intangible Assets

(Rupees in Millions unless otherwise stated)

Particulars	Computer Software
As at April 01, 2017	78.94
Additions	16.93
As at March 31, 2018	95.87
Amortization	
As at April 01, 2017	55.09
Depreciation charge for the year	14.75
As at March 31, 2018	69.84
Net Block	
As at March 31, 2018	26.03

Spandana Sphoorty Financial Limited		
Annexure 14: Restated Consolidated Statement of Non-current investments		
(Rupees in Millions unless otherwise stated)		
Particulars	31-Mar-18	
Non trade investments (valued at cost unless stated otherwise)		
Investment in equity shares (Unquoted)		
100,000 equity shares of Rs.10 each of Alpha Microfinance Consultants Private Limited	1.00	
Total	1.00	
Aggregate amount of unquoted investments	1.00	
Annexure 15: Restated Consolidated Statement of Loan portfolio		
(Rupees in Millions unless otherwise stated)		
Particulars	31-Mar-18	
	Non-current	Current
Portfolio Loans		
Secured considered good*		
Individual loans	48.66	185.40
Secured considered doubtful**		
Individual loans	8.61	-
Unsecured considered good*		
Joint liability group loans	6,237.90	16,413.59
Individual loans	0.13	0.59
Joint liability group loans placed as collateral towards securitisation/ assignment transaction	1,275.76	-
Unsecured considered doubtful**		
Joint liability group loans	7,651.71	-
Individual loans	928.25	-
	16,151.03	16,599.58
* Represents standard assets in accordance with Company's asset classification policy (refer Annexure 5.3 (q))		
** Represents non-performing assets in accordance with Company's asset classification policy (refer Annexure 5.3 (q))		
Annexure 16: Restated Consolidated Statement of Other Loans and advances		
(Rupees in Millions unless otherwise stated)		
Particulars	31-Mar-18	
	Non-current	Current
A.Security Deposits		
Unsecured, considered good	17.65	0.33
(A)	17.65	0.33
B.Loans and advances to related parties		
Inter Corporate advances	-	538.66
(B)	-	538.66
C.Other loans and advances (Unsecured, considered good)		
Advance income tax (net of provision)	41.86	-
Capital advances	-	2.17
Advance with service provider	5.00	-
Advance against sum assured	11.31	9.61
Prepaid expenses	-	1.56
Other advances	0.88	1.24
Unsecured, considered doubtful		
Employee loans	1.70	-
Amounts deposited with courts	4.84	-
Other advances	-	-
	65.59	14.58
Less: Provision for doubtful advances	(17.85)	-
(C)	47.74	14.58
Total (A+B+C)	65.39	553.57

Spandana Sphoorty Financial Limited**Annexure 17: Restated Consolidated Statement of Other assets**

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	
	Non-current	Current
Non-current bank balances (refer Annexure 19)	504.30	-
Interest accrued but not due on portfolio loans	-	121.75
Interest accrued and due on portfolio loans	-	1.43
Interest accrued on inter corporate advances	-	4.48
Interest accrued but not due on term deposits placed with banks	-	27.28
Interest accrued but not due on term deposits placed with non banking financial institutions	-	3.86
Term deposits placed with non banking financial institutions#	25.00	61.75
Unamortized premium on portfolio purchase	-	2.84
Total	529.30	223.39

Represent margin money deposits placed to avail term loans from non banking financial institutions and placed as cash collateral in connection with securitisation transactions.

Annexure 18: Restated Consolidated Statement of Trade receivables

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18
Unsecured, considered good	25.03
Total	25.03

The Company does not have any trade receivables outstanding for a period exceeding six months from the date they are due for payment

Annexure 19: Restated Consolidated Statement of Cash and bank balances

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	
	Non-current	Current
Cash and bank balances		
Balance with banks		
On current accounts	-	871.29
Deposit with original maturity of less than three months	-	170.01
Cash in hand	-	3.70
	-	1,045.00
Other bank balances		
Cash collateral against borrowings		
Margin money deposit (refer note below)	504.30	501.23
	504.30	501.23
Amount disclosed under non-current assets (refer Annexure 17)	(504.30)	-
Total	-	1,546.23

Note : Represents margin money deposits placed to avail tem loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with securitisation transactions.

Spandana Sphoorty Financial Limited**Annexure 20: Restated Consolidated Statement of Revenue from operations**

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18
Interest on portfolio loans	4,710.43
Income from securization	439.43
Other operating revenue	
Loan processing fees	376.24
Interest on margin money deposits*	38.03
Recovery against loans written offs	44.23
Total	5,608.36

* Represents interest on margin money deposits placed to avail tem loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with securitisation transactions.

Annexure 21: Restated Consolidated Statement of Other income

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18
Interest on fixed deposits	0.32
Dividend from mutual funds	15.84
Profit on sale of mutual funds	26.30
Profit on sale of fixed assets (net)	0.40
Interest on inter corporate advances	16.94
Incentive income	16.53
Commission income	39.75
Miscellaneous Income	1.85
Total	117.93

Spandana Sphoorty Financial Limited	
Annexure 22: Restated Consolidated Statement of Employee benefit expense	
(Rupees in Millions unless otherwise stated)	
Particulars	31-Mar-18
Salaries, wages and bonus	729.65
Contribution to provident fund	13.64
Contribution to Employees State Insurance Corporation	1.89
Leave benefits	5.54
Gratuity expense (refer Annexure 27.4)	4.46
Staff welfare expenses	3.94
Total	759.12
Annexure 23: Restated Consolidated Statement of Finance cost	
(Rupees in Millions unless otherwise stated)	
Particulars	31-Mar-18
Interest	
On term loans from banks	1,193.36
On term loans from financial institutions and non-banking finance companies	423.32
On Non-Convertible Debentures	189.49
On cash credit from banks	1.09
On amount borrowed from related party	0.26
On income tax	30.91
Other finance cost	154.38
Bank charges	5.99
Total	1,998.80
Annexure 24: Restated Consolidated Statement of Other expenses	
(Rupees in Millions unless otherwise stated)	
Particulars	31-Mar-18
Rent	47.23
Rates and taxes	2.61
Office maintenance	20.46
Computers and network maintenance	2.91
Electricity charges	9.38
Travelling expenses	70.51
Communication expenses	6.22
Credit Bureau Expenses	6.48
Printing and stationery	8.75
Legal and professional charges	36.55
Directors sitting fees	3.06
Auditors remuneration (refer details below)	6.78
Recruitment and training	6.26
Subscription fees	4.74
Other provisions and write off	19.06
Security charges	1.54
Premium paid on purchase of portfolio	5.45
CSR Expenses	4.01
Pre-incorporation expenses*	0.51
Miscellaneous expenses	0.04
Total	262.55
* Represent pre-incorporation expenses of subsidiary company	
(Rupees in Millions unless otherwise stated)	
Particulars	31-Mar-18
As auditor:	
Audit fee	5.53
Certification fee	0.59
Out of pocket expenses	0.66
Total	6.78
Annexure 25: Restated Consolidated Statement of Provision and write-offs	
(Rupees in Millions unless otherwise stated)	
Particulars	31-Mar-18
Contingent provision against standard assets (refer Annexure 27.6)	245.96
Provision for non-performing assets (refer Annexure 27.6)	125.63
Total	371.59

Spandana Sphoorty Financial Limited**ANNEXURE 26: Restated Consolidated Statement of Earning per share (EPS)**

(Rupees in Millions unless otherwise stated)

Particulars	For the year ended March 31, 2018
Basic Earnings Per Share (Basic EPS)	
Net profit for calculation of basic earning per share (A)	1,703.71
Weighted average number of Equity Shares outstanding (B)	28,535,361
Basic Earnings Per Share (Basic EPS) (A/B)	59.71
Nominal value per share	10.00
Diluted Earnings Per Share (Diluted EPS)	
Net profit for calculation of diluted earning per share (C)	1,703.71
Weighted average number of Equity Shares outstanding (B)	28,535,361
Add: Effect of dilution (D)	
Conversion of Class A CCPS	6,387,420
Conversion of Class A1 CCPS	332,880
Conversion of Class B CCPS	8,948,426
Conversion of OCRPS	9,081
Conversion of share warrants	450
Weighted average number of shares considered for calculating Diluted EPS (E) = (B+D)	44,213,618
Diluted Earning Per Share (Diluted EPS) (C/D)	38.53
Nominal value per share	10.00

SPANDANA SPHOORTY FINANCIAL LIMITED
Annexure 27: Restated consolidated statement of additional information
(Rupees in Millions unless otherwise stated)
27.1 Segment Reporting

The Group operates in a single business segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The Group operates in a single geographical segment i.e. domestic.

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

- Spandana Rural and Urban Development Organization
- Criss Financial Holdings Limited
- Abhiram Marketing Services Limited
- Spandana Employee Welfare Trust
- Spandana Mutual Benefit Trust

2. Key Management Personnel (KMP)

- Padmaja Gangireddy – Managing Director
- Deepak Goswami – Chief Financial Officer (from January 31, 2018)
- Rakesh Jhinharia – Company Secretary (from June 15, 2017)

3. Enterprise having significant influence

- Kangchenjunga Limited

Related party transactions during the year:

Sr.	Name of the related party	Nature of transactions	31-Mar-18	
			Transactions during the year	(Payable)/ Receivable
1	Spandana Rural and Urban Development Organization	Rent expense	8.90	(0.25)
		Rent deposit	-	3.09
		Expense reimbursement	0.66	-
		Short term borrowing repaid	10.00	-
		Interest expenses	0.23	-
2	Spandana Employee Welfare Trust	Expense reimbursement	0.03	-
		Issue of equity shares	9.07	-
3	Spandana Mutual Benefit Trust	Expenses reimbursement	0.23	-
4	Criss Financial Holdings Limited	Expense reimbursement	0.11	-
		Purchase of portfolio	230.10	-
		Inter-corporate advances (net) *	331.00	331.00
		Interest income	13.58	3.31
5	Abhiram Marketing Services Limited	Commission income	54.32	5.36
		Incentive income	16.53	19.17
		Expenses reimbursement	25.05	0.48
		Inter corporate advances	207.66	207.66
		Interest income	3.35	1.18
		Purchase of fixed assets	4.23	-
6	Kangchenjunga Limited	Issue of preference shares (Class A)	1,223.40	-
		Issue of preference shares (Class A1)	1,166.76	-
7	Mr. Deepak Goswami	Remuneration [#]	1.85	0.73
8	Mr. Rakesh Jhinharia	Remuneration [#]	1.09	0.11
9	Mrs. Padmaja Gangireddy	Rent paid	0.03	-
		Issue of share warrants	1.49	-
		Issuance of equity shares	17.65	-
		Remuneration [#]	30.00	(3.50)
		Rent Deposit received	0.11	-

* Of the ICDs given of Rs.385.10 million, the Holding Company received repayment of Rs.54.10 million.

[#] As the provision for gratuity is made for the group as a whole, the amount pertaining to the KMPs is not specifically identified and hence is not included above.

Transactions during the year are shown net of service tax/GST and inclusive of TDS.

27.3 Contingent liabilities not provided for

Particulars	March 31, 2018
Claims made by Service Tax department	48.67
Credit enhancements provided towards securitization transactions	1,832.33
Total	1,881.00

27.4 Employee benefit plans

The Group has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs. 2.00 million as at March 31, 2018 as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

a. Change in defined benefit obligation

Particulars	Year ended March 31, 2018
Opening defined benefit obligation	19.17
Current service cost	2.64
Interest cost	1.34
Past service cost	0.95
Actuarial loss/(Gain)	0.53
Benefits paid	(2.99)
Closing defined benefit obligation	21.65

b. Change in the fair value of plan assets

Particulars	Year ended March 31, 2018
Opening fair value of plan assets	13.19
Expected return on plan assets	0.99
Actuarial gains	0.05
Employer contributions	6.50
Benefits paid	(2.99)
Closing fair value of plan assets	17.75

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

Particulars	March 31, 2018
Present value of funded obligations	21.65
Fair value on plan assets	17.75
Net (liability)/asset	(3.90)

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

Particulars	Year ended March 31, 2018
Current service cost	2.64
Past service cost	0.95
Interest on defined benefit obligation	1.34

Particulars	Year ended March 31, 2018
Expected return on plan assets	(0.99)
Net actuarial loss/(gain)	0.48
Amount included in expenses	4.42

- e. Major categories of plan assets as a percentage of fair value of total plan assets are as follows:

Category of Assets	March 31, 2018
Investment with insurer	100%
Total	100%

- f. Summary of Actuarial Assumptions:

Particulars	March 31, 2018
Discount rate	7.44%
Expected return on plan assets	7.50%
Salary escalation rate (p.a.)	10.00%
Retirement age (years)	58

- **Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.
- **Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.
- **Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

- g. Amounts for the current periodis as follows:

Particulars	March 31, 2018
Defined benefit obligation	21.65
Fair value of plan assets	17.75
Surplus/(deficit) in the plan	(3.90)
Experience adjustments on plan liabilities	(0.53)
Experience adjustments on plan assets	0.05

27.5 Leases:

Operating lease where the Holding Company or the Subsidiary is a lessee

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

Lease payments charged to statement of profit and loss.

Particulars	Year ended March 31, 2018
Operating lease payments recognized during the year	47.23
Minimum lease obligations	
Not later than one year	9.54
Later than one year and not later than five years	10.46
Later than five years	-

27.6 Loan portfolio and provision for standard and non-performing assets as at March 31, 2018:

Asset Classification	Portfolio Loan Outstanding (Gross)	Provision for Standard and Non- performing Asset	Portfolio Loan outstanding (Net)
Unsecured			
Standard	23,927.90	307.70	23,620.20
Non-performing	8,580.10	8,573.20	6.90
Subtotal(A)	32,508.00	8,880.90	23,627.10
Secured			
Standard	234.10	0.90	233.20
Sub-standard	1.80	0.20	1.60
Doubtful	6.80	3.10	3.70
Subtotal(B)	242.70	4.20	238.50
Total(A+B)	32,750.70	8,885.10	23,865.60

Category of loan portfolio	Portfolio Loan outstanding (Gross)	Provision for Standard and Non- performing assets	Portfolio Loan outstanding(Ne t)
Portfolio in states of Andhra Pradesh and Telangana disbursed prior to Jan 1, 2012	7,933.10	7,930.30	2.80
Portfolio in states of Andhra Pradesh and Telangana disbursed post Jan 1, 2012 including Gold Loans	1,194.70	11.60	1,183.10
Portfolio in other states	23,622.90	943.20	22,679.70
Total	32,750.70	8,885.10	23,865.60

27.7 Amounts payable to Micro, Small and Medium enterprises

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises as at March 31, 2018.

For the year ended March 31, 2018, no supplier has intimated about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

27.8 CSR Expenses

Particulars	31-Mar-18
a) Gross amount required to be spent by the Company during the year	15.80
b) Amount spent during the year on purposes other than construction/acquisition of asset	4.00
Paid	4.00
Yet to be paid	-
Total	4.00

SPANDANA SPHOORTY FINANCIAL LIMITED**Annexure 27: Restated consolidated statement of additional information***(Rupees in Millions unless otherwise stated)*

27.9 The Group has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The group has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability (refer annexure 27.3) where applicable in the financial statements.

27.10 Additional disclosure as required by Schedule III of the Act:

Name of Subsidiary	Net Asset (Total Asset – Total Liabilities)		Share in profit and loss	
	As a % of consolidated net assets	Amount (Rs. in million)	As a % of consolidated profit and loss	Amount (Rs. in million)
Caspian Financial Services Limited	0.20%	19.75	(0.01%)	(0.25)

As per our report of even date

For S. R. BATLIBOI & CO. LLP

ICAI Firm registration number : 301003E/E300005

Chartered Accountants

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

per Shrawan Jalan
Partner

Membership No.102102

Padmaja Gangireddy
Managing Director

DIN: 00004842

Kartikeya Dhruv Kaji
Director

DIN: 07641723

Rakesh Jhinjhar
Company Secretary
Membership No.
F8325

Deepak Goswami
Chief Financial Officer

Place: Mumbai
Date: May 15, 2018

Place: Hyderabad
Date: May 15, 2018

Spandana Sphoorty Financial Limited**ANNEXURE 28: Restated Consolidated Statement of Capitalisation****Position of Debt and Shareholders' funds as at March 31, 2018 as below:**

(Rupees in Millions unless otherwise stated)

Particulars	Pre Issue	Post Issue
Total Debt		
Short Term Debt* (A)	0.40	[●]
Long Term Debt (B)	4,893.94	[●]
Add: Current maturities of long term borrowings (including non convertible debentures)(C)	10,940.05	[●]
Total Debt (D = A+B+C)	15,834.39	[●]
Shareholders' Funds		
Share Capital (E)	11,749.86	[●]
Reserves and Surplus (F)	(1,909.24)	[●]
Total Shareholders' Funds (G = E+F)	9,840.62	[●]
Long Term Debt** / Shareholders' Funds [H = (B+C)/G]	1.61	[●]
Total Debt / Shareholders' Funds [I = (D/G)]	1.61	[●]

* Short term debt represent borrowings having a repayment tenure of twelve months or less.

** Long term debt includes current portion of long-term borrowings repayable over twelve months from March 31, 2018.

Notes

The above figures are based on the Restated Consolidated Summary Statements. Since, the issue price and number of shares are being finalised. the post-issue capitalisation statement has not been presented.

Spandana Sphoorty Financial Limited
ANNEXURE 29 : Restated Consolidated Statement of Accounting Ratios

(Rupees in Millions unless otherwise stated)

Particulars		For the year ended March 31, 2018
Basic and Diluted Earnings Per Share (Rs.)	A	
Basic Earnings Per Share (Basic EPS)		
Net profit for calculation of basic earning per share (A)		1,703.71
Weighted average number of shares for calculating Basic EPS (B)		28,535,361
Basic Earnings Per Share (A/B)		59.71
Nominal value per share		10.00
Diluted Earnings Per Share (Diluted EPS)		
Net profit for calculation of diluted earning per share (C)		1,703.71
Weighted average number of shares for calculating Basic EPS (B)		28,535,361
Add: Effect of dilution (D)		
Class A 0.001% Compulsory Convertible preference shares (CCPS)		6,387,420
Class A1 0.001% Compulsory Convertible preference shares (CCPS)		332,880
Class B 0.001% Compulsory Convertible preference shares (CCPS)		8,948,426
Series A, B and C 0.001% Optionally Convertible Redeemable preference shares (OCRPS)		9,081
Share warrants		450
Weighted average number of shares for calculating Diluted EPS (E) = (B+D)		44,213,618
Diluted Earnings Per Share (C/E)		38.53
Nominal value per share		10.00
Net Assets Value per equity share (Rs.)	B	
Net worth, as restated (A)		9,840.62
Less: Preference share capital		11,452.30
Net Asset Value excluding preference share capital (B)		(1,611.68)
Number of equity shares outstanding at the end of the year (or period) (C)		29,756,818
Net Assets Value per equity share (D) = (B) / (C) - Indian Rupees		(54.16)
Return on Net worth (%)	C	
Net Profit after tax, as restated (A)		1,703.71
Net worth, as restated (B)		9,840.62
Return on Net Worth (C) = (A) / (B)		17.31%

Notes

1. The figures disclosed above are based on the Restated Consolidated Summary Statements of the Company.

2. The above statement should be read with the notes to Restated Consolidated Summary Statements in Annexure 4.

3. The ratios have been computed as follows:

(i) Earnings per share	=	$\frac{\text{Net profit available for equity shareholders for the year}}{\text{Weighted average number of equity shares outstanding during the year}}$
(ii) Net asset value per equity share	=	$\frac{\text{Net worth as at the end of the year}}{\text{Number of equity shares outstanding at the end of the year}}$
(iii) Return on net worth (%)	=	$\frac{\text{Net profit after tax for the year}}{\text{Net worth at the end of the year}}$

4. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year adjusted by the number of equity shares issued during the year multiplied by the time weighing factor. The time weighing factor is the number of days for which the specific shares are outstanding as a proportion of total number of days during the year.

5. Net worth for ratios mentioned in above note represents the aggregate of the paid up share capital and reserves and surplus (excluding revaluation reserve), as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of the profit and loss account, if any.

6. Earnings per share calculations are in accordance with Accounting Standard 20 "Earnings Per Share" notified under section 133 of the Companies Act 2013, read together with Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.

Spandana Sphoorty Financial Limited**ANNEXURE 30: Consolidated Statement of Dividend** (for all classes of shares)

Particulars	For the year ended March 31, 2018
Equity shares	
Face value – (Indian Rupees)	10.00
% of Dividend	Nil
Final dividend	Nil
Particulars	For the year ended March 31, 2018
Class B 0.001% Compulsory Convertible preference shares (CCPS)*	
Face value – (Indian Rupees)	10.00
% of Dividend	Nil
Final dividend	Nil
Particulars	For the year ended March 31, 2018
Class A 0.001% Compulsory Convertible preference shares (CCPS)	
Face value – (Indian Rupees)	10.00
% of Dividend	Nil
Final dividend	Nil
Particulars	For the year ended March 31, 2018
Class A1 0.001% Compulsory Convertible preference shares (CCPS)	
Face value – (Indian Rupees)	10.00
% of Dividend	Nil
Final dividend	Nil
Particulars	For the year ended March 31, 2018
0.001% Optionally Convertible Redeemable preference shares (OCRPS) - Series A, B, C*	
Face value – (Indian Rupees)	10.00
% of Dividend	Nil
Final dividend	Nil
*OCRPS are partly paid up	

Auditors' Report on the restated standalone summary statement of assets and liabilities as at March 31, 2018, 2017, 2016, 2015 and 2014 and restated standalone summary statements of profits and losses and cash flows for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014 of Spandana Sphoorty Financial Limited (collectively, the "Restated Standalone Summary Statements")

The Board of Directors
Spandana Sphoorty Financial Limited
Plot No. 31 & 32, Ramky Selenium Towers,
Tower A, Ground Floor, Financial District, Nanakramguda,
Hyderabad, Telangana – 500 032

Dear Sirs / Madams,

1. We have examined the attached Restated Standalone Summary Statements of Spandana Sphoorty Financial Limited (the "Company") as at March 31, 2018, 2017, 2016, 2015 and 2014 and for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014, annexed to this report and prepared by the Company for the purpose of inclusion in the draft red herring prospectus ("DRHP") in connection with its proposed initial public offer of equity shares of face value of Rs.10 each ("IPO"). The Restated Standalone Summary Statements, which have been approved by the Board of Directors of the Company, have been prepared by the Company in accordance with the requirements of:
 - a) sub-section (1) of Section 26 of Chapter III of the Companies Act, 2013, as amended (the "Act"); and
 - b) relevant provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended (the "ICDR Regulations") issued by the Securities and Exchange Board of India ("SEBI") on August 26, 2009, as amended from time to time in pursuance of the Securities and Exchange Board of India Act, 1992, as amended.

Management's Responsibility for the Restated Standalone Summary Statements

2. The preparation of Restated Standalone Summary Statements, which are to be included in the DRHP, is the responsibility of the Management of the Company for the purpose set out in paragraph 13 below. The Management's responsibility includes designing, implementing and maintaining adequate internal controls relevant to the preparation and presentation of the Restated Standalone Summary Statements. The Management is also responsible for identifying and ensuring that the Company complies with the Act and the ICDR Regulations.

Auditors' Responsibilities

3. We have examined such Restated Standalone Summary Statements taking into consideration:
 - a) the terms of reference and our engagement agreed with you vide our engagement letter dated April 10, 2018, requesting us to carry out work on such Restated Standalone Summary Statements, proposed to be included in the DRHP of the Company in connection with the Company's proposed IPO;
 - b) the Guidance Note on Reports in Company Prospectuses (Revised 2016) issued by the Institute of Chartered Accountants of India (the "Guidance Note"); and
 - c) the requirements of Section 26 of the Act and the ICDR Regulations. Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act and the ICDR Regulations in connection with the IPO.
4. The Company proposes to make an IPO which comprises a fresh issue of equity shares of Rs.10 each by the Company and an offer for sale by certain shareholders of the existing equity shares of Rs.10 each, at such premium, arrived at by a book building process.

Restated Standalone Summary Statements as per audited standalone financial statements

5. The Restated Standalone Summary Statements have been compiled by the management from the audited standalone financial statements of the Company as at and for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014 which have been approved by the Board of Directors at their meetings held on May 15, 2018, June 15, 2017, July 7, 2016, July 30, 2015 and August 6, 2014, respectively.
6. For the purpose of our examination, we have relied on the Auditors' Reports issued by us dated May 15, 2018, June 15, 2017, July 7, 2016, July 30, 2015 and August 6, 2014 on the standalone financial statements of the Company as at and for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014 respectively, as referred in Para 5 above.
7. Based on our examination, in accordance with the requirements of Section 26 of Part I of Chapter III of the Act, the ICDR Regulations and the Guidance Note, we report that:
 - a) The restated standalone summary statement of assets and liabilities of the Company as at March 31, 2018, 2017, 2016, 2015 and 2014 examined by us, as set out in Annexure 1 to this report, have been arrived at after making adjustments and regrouping/ reclassifications as in our opinion were appropriate and more fully described in Annexure 4 – Restated Standalone Statement of Material Adjustments and Regroupings.
 - b) The restated standalone summary statement of profit and loss of the Company for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014 examined by us, as set out in Annexure 2 to this report, have been arrived at after making adjustments and regroupings/ reclassifications as in our opinion were appropriate and more fully described in Annexure 4 – Restated Standalone Statement of Material Adjustments and Regroupings.
 - c) The restated standalone summary statement of cash flows of the Company for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014 examined by us, as set out in Annexure 3 to this report, have been arrived at after making adjustments and regroupings/ reclassifications as in our opinion were appropriate and more fully described in Annexure 4 – Restated Standalone Statement of Material Adjustments and Regroupings.
 - d) Based on the above and according to the information and explanations given to us, we further report that:
 - i) The Restated Standalone Summary Statements have been made after incorporating adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods;
 - ii) The Restated Standalone Summary Statements have been made after incorporating adjustments for the material amounts in the respective financial years to which they relate;
 - iii) The Restated Standalone Summary Statements do not contain any extra-ordinary items that need to be disclosed separately in the Restated Standalone Summary Statements;
 - iv) The Restated Standalone Summary Statement do not contain any exceptional item that need to be disclosed separately other than those presented in the Restated Standalone Summary Statements;
 - v) There are no qualifications in the auditors' reports on the audited standalone financial statements of the Company as at March 31, 2018, 2017, 2016, 2015 and 2014 and for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014, which require any adjustments to the Restated Standalone Summary Statements; and
 - vi) Other audit qualifications included in the auditors' report pursuant to Rule 11(d) of Companies (Audit and Auditors) Amendment Rules, 2017 on the standalone financial statements for the year ended March 31, 2017 and Annexures to the auditors' reports issued under the Companies (Auditor's Report) Order, 2016, 2015 and 2003, as applicable, on the standalone financial statements for the years ended March 31, 2018, 2017, 2016, 2015 and 2014, which do not require any corrective adjustment in the Restated Standalone Summary Statements, are as follows:

A. Annexure to Auditors' Report for the year ended March 31, 2018:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income tax, service tax, sales tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Nature of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates
The Gujarat, Panchayats, Municipalities, Municipal Corporations and State Tax on Professions, Traders, Callings and Employments Act, 1976	Professional Tax	7,810*	Oct 2016 to July 2017
The Kerala Panchayat Raj Act, 1994	Professional Tax	1,250	April 2017 to September 2017

* Discharged subsequently on April 25, 2018

Clause (vii) (b)

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

Name of the Statute	Nature of dues	Amount under dispute (Rs.) *	Amount paid (Rs.) **	Period to which its relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service Tax	56,852,171	9,926,956	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal ('CESTAT')

* Excluding interest and penalty, as applicable

** Paid under protest

Clause (viii)

According to the information and explanations given by the management, the Company has delayed in repayment of loans or borrowings to a financial institution by four days and to a bank by eight days during the year aggregating Rs.68,675,920, which were discharged by the Company before March 31, 2018 and accordingly no dues are outstanding as at reporting date. The Company has not defaulted in repayment of dues to debenture holders. The Company did not have loans or borrowings from the government during the year.

B. Auditors' Report for the year ended March 31, 2017:

Paragraph 2(g)(iv) of Report on Other Legal and Regulatory Requirements

The Company has provided the disclosures in Note 4.31 to the financial statements as to the holding of Specified Bank Notes ('SBNs') on November 8, 2016 and December 30, 2016 as well as dealings in SBNs during the period from November 9, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including those in SBNs, we report that these disclosures are in accordance with the books of account maintained by the Company and as produced before us for verification. However, as stated in Note 4.31 (b) to the financial statements and as represented to us by the management, the Company has received an amount aggregating Rs.56.41 crore from transactions which were not permitted.

C. Annexure to Auditors' Report for the year ended March 31, 2017:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

Clause (vii) (b)

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

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

* Excluding interest and penalty, as applicable

** Paid under protest

Clause (viii)

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

D. Annexure to Auditors' Report for the year ended March 31, 2016:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

Clause (vii) (b)

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

Name of the Statute	Nature of dues	Amount under dispute (Rs.) *	Amount paid (Rs.) **	Period to which its relates	Forum where dispute is pending
Chapter v of the Finance Act, 1994	Service Tax	56,852,171	8,000,000	Financial year from 2006-07 to 2011-12	Customs, Excise & Service Tax Appellate Tribunal ('CESTAT')

* Excluding interest and penalty, as applicable

** Paid under protest

Clause (viii)

According to the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year aggregating Rs.7,535,797,115 and Rs.3,258,512,178 of such dues were in arrears as on the balance sheet date. The lender wise details are tabulated as under:

Particulars	Amount of default as at Balance Sheet date (Rs.)	Period of default since *
Andhra Bank	73,927,512	15-Aug-15
Axis Bank	54,460,448	15-Oct-15
Bank of Baroda	45,684,654	15-Nov-14
Bank of India	17,487,791	30-Jun-15
BNP Paribas	35,763,412	31-Mar-12
Central Bank of India	123,706,471	31-Oct-15
Corporation Bank	42,272,229	31-Jul-15
Dhanalakshmi Bank	1,655,376	15-Nov-14
HDFC Bank	122,463,059	15-Aug-15

Particulars	Amount of default as at Balance Sheet date (Rs.)	Period of default since *
HSBC Bank	29,572,949	15-Feb-15
ICICI Bank	315,255,902	15-Dec-15
IDBI Bank	158,218,834	15-Jul-15
Indian Overseas Bank	211,590,353	31-Jul-15
Indian Overseas Bank	101,705,834	15-Jan-15
IndusInd Bank	53,033,477	30-Nov-15
Kotak Mahindra Bank	49,185,281	15-Sep-15
Jammu & Kashmir Bank	48,010,799	15-Dec-15
Karnataka Bank	8,823,899	15-Dec-15
Karur Vysya Bank	5,042,971	15-Feb-14
Lakshmi Vilas Bank	2,499,621	31-Dec-15
Manaveeya Holdings Private Limited	28,368,864	15-Feb-15
Oriental Bank of Commerce	20,625,223	15-Sep-15
Punjab and Sind Bank	91,340,447	31-Dec-15
Punjab National Bank	205,856,074	31-Aug-15
Rabo India Finance	50,306,314	15-Jan-15
SIDBI	374,054,927	15-Dec-15
South Indian Bank	64,991,769	15-May-15
Standard Chartered Bank	188,556,909	15-Jun-15
State Bank of Hyderabad	36,826,862	15-Oct-15
State Bank of Mysore	38,697,165	15-Feb-14
State Bank of Patiala	30,166,223	15-Oct-15
State Bank of Travancore	82,934,798	15-Jul-15
Syndicate Bank	338,448,524	15-Feb-15
Tata Capital Limited	82,057,490	31-Oct-15
Vijaya Bank	66,553,712	15-Feb-15
Yes Bank	58,366,005	15-Dec-15
Total	3,258,512,178	

* Date since principal or interest is overdue

E. Annexure to Auditors' Report for the year ended March 31, 2015:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues have not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases.

Clause (vii) (b)

According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates
The Andhra Pradesh Tax on Professions, Trades Callings and Employments Act, 1987	Professional Tax	89,820	March 2014 to September 2014
The Gujarat Panchayats, Municipalities, Municipal Corporations and State Tax On Professions, Traders, Callings and Employments Act, 1976		11,147	
The Orissa State Tax On Professions, Trades, Callings and Employments Act, 2000		12,700	
The Jharkhand Tax on Professions, Trades, Callings and Employments Act, 2011		6,319	
The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975		10,536	
The Orissa State Tax on Professions, Trades, Callings and Employments Act, 1975		8,741	
The Karnataka Tax On Professions, Trades, Callings And Employment Act, 1976		2,646	

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates
Income Tax Act, 1961	Tax deductible at source (TDS) on foreign remittances	2,217,469	Financial year 2011-12

Clause (vii)(c)

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

Name of the Statute	Nature of dues	Amount under dispute (Rs.)	Amount paid (Rs.) *	Period to which its relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service tax	95,257,094	9,200,000	Financial years 2004-05 to 2011-12	Customs Excise & Service Tax Appellate Tribunal
	Interest on service tax dues mentioned above	91,881,942			
	Penalty on service tax dues mentioned above	108,980,403			
Income Tax Act, 1961	Income Tax	2,646,451	2,646,451	Assessment Year 2010-11	Income Tax Appellate Tribunal (ITAT)
Income Tax Act, 1961	Income Tax	87,794,617	Nil #	Assessment Years 2010-11 and 2011-12	The Commissioner of Income Tax (Appeals)

* The Company has paid these amounts under protest.

No Payment required as the taxable income for the assessment year was Nil

Clause (viii)

The Company's accumulated losses at the end of the financial year are more than fifty percent of its networth. The Company has not incurred cash losses in the current and immediately preceding financial year.

Clause (ix)

Based on our audit procedures and as per the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year aggregating Rs.3,898,503,722 (the delays in such repayments ranging from 1 day to 352 days) and Rs.948,709,962 of such dues were in arrears as on the balance sheet date. Further, no repayments have been made by the Company to one lender, pending the finalization of the terms of the settlement with the lender and accordingly we are unable to comment as to whether there has been delay in the repayment of such debt or not. The overdue principal and interest remaining unpaid in respect of such lender as at March 31, 2015 is Rs.594,166,949 and Rs.224,869,668 respectively. The Company did not have any outstanding dues in respect of debenture holders during the year.

Clause (xii)

We have been informed that during the year there were instances of misappropriation of cash by the employees of the Company aggregating Rs.3,041,370; and loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs.1,465,135. As informed, services of certain employees involved have been terminated and the Company is in the process of taking legal action against the employees, wherever necessary. The Company has made full provision for the outstanding balance (net of recovery) aggregating Rs.3,170,791.

F. Annexure to Auditors' Report for the year ended March 31, 2014:

Clause (iv)

In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. However, the internal control system for rendering of services is inadequate as certain deficiencies have been noted in appropriating collections/ recoveries in respect of loan balances to the respective customer accounts. In our opinion, this is a continuing failure to correct a weakness in the internal control system and prevailed at the balance sheet date. However, according to the information given to us, the Company has taken steps to rectify this weakness subsequent to the balance sheet date.

Clause (v)

According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

Clause (vii)

The Company has an internal audit system, the scope and coverage of which, in our opinion, requires to be enlarged to be commensurate with the size and nature of its business.

Clause (ix) (a)

Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty cess and other material statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

Clause (ix) (b)

According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Name of the statute	Nature of the dues	Amount (Rs.)	Period to which the amount relates
The Jharkhand Tax on Professions, Trades, Callings and Employments Act, 2011	Professional Tax	9,213	April 2013 to September 2013
The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975		8,741	
The Orissa State Tax on Professions, Trades, Callings and Employments Act, 1975		16,158	
The Karnataka Tax On Professions, Trades, Callings And Employment Act, 1976		1,717	
The Employees' State Insurance Act, 1948	Employee State Insurance contributions	4,233	April 2013 to September 2013
The Employees' State Insurance Act, 1948	Damages towards delayed remittance of Employee State Insurance contributions	2,604,324	May 2005 to Jun 2008
Income Tax Act, 1961	Tax deductible at source (TDS) on foreign remittances	2,217,469	Financial year 2011-12

Clause (ix) (c)

According to the information and explanations given to us, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute (Rs.)	Amount paid (Rs.) *	Period to which its relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service tax	95,257,094	9,200,000	Financial years 2004-05 to 2011-12	Customs Excise & Service Tax Appellate Tribunal
	Interest on service tax dues mentioned above	88,896,262			
	Penalty on service tax dues mentioned above	107,226,555			
Income Tax Act, 1961	Income Tax	93,373,981	69,448,891	Assessment Year 2009-10	Income Tax Appellate Tribunal (ITAT)
Income Tax Act, 1961	Income Tax	72,390,097	48,628,660	Assessment Years 2010-11 and 2011-12	The Commissioner of Income Tax (Appeals)

* The Company has paid these amounts under protest.

Clause (x)

The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses in the current and immediately preceding financial year.

Clause (xi)

Based on our audit procedures and as per the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year to the extent of Rs. 2,514,230,161 (the delay in such repayments being for less than 138 days in each individual case) and Rs. 873,204,178 of such dues were in arrears as on the balance sheet date. Further, no repayments have been made by the Company during the year in case of a few lenders pending the finalization of the terms of restructuring/settlement with the respective lenders, the overdue principal and interest remaining unpaid as at March 31, 2014 is Rs. 664,300,282 and Rs. 174,673,166 respectively. The Company did not have any outstanding dues in respect of debenture holders during the year.

Clause (xxi)

We have been informed that during the year there were instances of cash embezzlements by the employees of the Company aggregating Rs. 1,480,336; and loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs. 3,406,780. As informed, services of employees involved have been terminated and the Company is in the process of taking legal action against the employees and the borrowers. The outstanding balance (net of recovery) aggregating Rs. 4,376,573 has been written off.

8. We have not audited any financial statements of the Company as of any date or for any period subsequent to March 31, 2018. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to March 31, 2018.

Other Financial Information

9. At the Company's request, we have also examined the following restated standalone financial information proposed to be included in the DRHP, prepared by the Management and approved by the Board of Directors of the Company on May 15, 2018 and annexed to this report relating to the Company, as at and for each of the years ended March 31, 2018, 2017, 2016, 2015 and 2014:
- Restated Standalone Statement of Share Capital, enclosed as Annexure 6;
 - Restated Standalone Statement of Money received against share warrants, enclosed as Annexure 6A;
 - Restated Standalone Statement of Reserves and Surplus, enclosed as Annexure 7;
 - Restated Standalone Statement of Long-term Borrowings, enclosed as Annexure 8;
 - Restated Standalone Statement of Other Long Term Liabilities, enclosed in Annexure 9;

- vi. Restated Standalone Statement of Provision, enclosed as Annexure 10;
 - vii. Restated Standalone Statement of Short-term borrowings, enclosed as Annexure 11;
 - viii. Restated Standalone Statement of Other Current Liabilities, enclosed as Annexure 12;
 - ix. Restated Standalone Statement of Property, Plant and Equipment, enclosed as Annexure 13.1;
 - x. Restated Standalone Statement of Intangible Assets, enclosed as Annexure 13.2;
 - xi. Restated Standalone Statement of Capital Work in Progress, enclosed as Annexure 13.3;
 - xii. Restated Standalone Statement of Non-current Investments, enclosed as Annexure 14;
 - xiii. Restated Standalone Statement of Loan Portfolio, enclosed as Annexure 15;
 - xiv. Restated Standalone Statement of Other Loans and Advances, enclosed as Annexure 16;
 - xv. Restated Standalone Statement of Other Assets, enclosed as Annexure 17;
 - xvi. Restated Standalone Statement of Trade receivables, enclosed as Annexure 18;
 - xvii. Restated Standalone Statement of Cash and Bank Balances, enclosed as Annexure 19;
 - xviii. Restated Standalone Statement of Revenue from operations, enclosed as Annexure 20;
 - xix. Restated Standalone Statement of Other Income, enclosed as Annexure 21;
 - xx. Restated Standalone Statement of Employee Benefit Expenses, enclosed as Annexure 22;
 - xxi. Restated Standalone Statement of Finance Costs, enclosed as Annexure 23;
 - xxii. Restated Standalone Statement of Other Expenses, enclosed as Annexure 24;
 - xxiii. Restated Standalone Statement of Provision and Write offs, enclosed as Annexure 25;
 - xxiv. Restated Standalone Statement of Exceptional Items enclosed as Annexure 26;
 - xxv. Restated Standalone Statement of Earnings per share, enclosed as Annexure 27;
 - xxvi. Restated Standalone Statement of Additional Information, enclosed as Annexure 28;
 - xxvii. Restated Standalone Statement of Tax Shelter, enclosed as Annexure 29;
 - xxviii. Restated Standalone Statement of Capitalisation, enclosed as Annexure 30;
 - xxix. Restated Standalone Statement of Accounting Ratios, enclosed as Annexure 31;
 - xxx. Standalone Statement of Dividend, enclosed as Annexure 32.
10. According to the information and explanations given to us, in our opinion, the Restated Standalone Summary Statements and the above restated standalone statements contained in Annexures 6 to 32 accompanying this report, read with Restated Standalone Statement of Significant Accounting Policies disclosed in Annexure 5, are prepared after making adjustments and regroupings as considered appropriate and disclosed in Annexure 4 and have been prepared in accordance with Section 26 of Part I of Chapter III of the Act, the ICDR Regulations and the Guidance Note.
 11. This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
 12. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
 13. Our report is intended solely for use of the management for inclusion in the DRHP to be filed with SEBI, BSE Limited and the National Stock Exchange of India Limited in connection with the proposed IPO and is not to be used, referred to or distributed for any other purpose except with our prior consent in writing.

For S. R. Batliboi & Co. LLP

Chartered Accountants

ICAI Firm registration number: 301003E/E300005

per Shrawan Jalan

Partner

Membership No. 102102

Mumbai

May 15, 2018

Spandana Sphoorty Financial Limited						
Annexure 1: Restated Standalone Summary Statement of Assets and Liabilities						
(Rupees in Millions unless otherwise stated)						
Particulars	Annexure	As at				
		31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Equity and liabilities						
Shareholders' funds						
Share capital	6	11,749.86	9,294.66	8,113.89	8,279.97	9,129.51
Reserves and surplus	7	(1,908.99)	(3,907.74)	(6,149.51)	(8,550.86)	(9,173.14)
Money received against share warrants	6A	1.49	-	-	-	-
		9,842.36	5,386.92	1,964.38	(270.89)	(43.63)
Non-current Liabilities						
Long-term borrowings	8	4,893.94	5,377.31	-	3,752.49	3,410.06
Other long term liabilities	9	1.01	-	-	621.00	676.80
Long-term provisions	10	8,724.12	8,468.98	8,001.33	10,541.47	12,065.47
		13,619.07	13,846.29	8,001.33	14,914.96	16,152.33
Current liabilities						
Short-term borrowings	11	0.40	10.00	-	-	-
Other current liabilities	12	12,059.65	4,616.77	10,896.83	8,741.90	5,525.24
Short-term provisions	10	257.84	286.34	115.48	112.34	84.54
		12,317.89	4,913.11	11,012.31	8,854.24	5,609.78
TOTAL		35,779.32	24,146.32	20,978.02	23,498.31	21,718.48
Assets						
Non-current assets						
Fixed assets						
Property, plant and equipment	13.1	58.54	66.23	121.73	42.68	38.26
Intangible assets	13.2	26.03	23.85	22.90	13.27	6.18
Capital work-in-progress	13.3	-	-	-	55.94	-
Non-current investments	14	21.00	1.00	1.00	1.00	1.00
Loan Portfolio	15	16,151.03	11,166.08	8,514.65	11,472.58	12,754.25
Other loans and advances	16	65.39	64.70	170.78	179.64	191.55
Other non-current assets	17	529.30	22.61	20.88	19.17	31.19
		16,851.29	11,344.47	8,851.94	11,784.28	13,022.44
Current assets						
Trade receivables	18	25.54	14.64	18.34	18.57	1.61
Cash and bank balances	19	1,526.23	2,901.17	353.26	590.90	257.75
Loan Portfolio	15	16,599.58	9,780.17	11,673.63	10,989.37	8,317.83
Other loans and advances	16	553.57	30.56	13.44	30.26	21.88
Other current assets	17	223.11	75.31	67.41	84.93	96.97
		18,928.03	12,801.85	12,126.08	11,714.03	8,696.04
TOTAL		35,779.32	24,146.32	20,978.02	23,498.31	21,718.48
Summary of significant accounting policies 5.5						
Accompanying Annexures are an integral part of this statement.						
As per our report of even date						
For S.R. BATLIBOI & CO. LLP			For and on behalf of Board of Directors of			
Chartered Accountants			Spandana Sphoorty Financial Limited			
ICAI Firm's Registration Number: 301003E/E300005						
per Shrawan Jalan			Padmaja Gangireddy		Kartikeya Dhruv Kaji	
Partner			Managing Director		Director	
Membership No.102102						
			Rakesh Jhinjhar		Deepak Goswami	
			Company Secretary		Chief Financial Officer	
Place: Mumbai			Place: Hyderabad			
Date: May 15, 2018			Date: May 15, 2018			

Spandana Sphoorty Financial Limited						
Annexure 2: Restated Standalone Summary Statement of Profits and Losses						
(Rupees in Millions unless otherwise stated)						
Particulars	Annexure	For the year ended				
		31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Income						
Revenue from operations	20	5,608.36	3,571.72	3,464.05	3,051.98	2,716.78
Other income	21	117.61	70.28	49.44	234.35	54.29
Total revenue (I)		5,725.97	3,642.00	3,513.49	3,286.33	2,771.07
Expenses						
Employee benefits expenses	22	759.12	582.95	570.87	706.07	704.69
Finance costs	23	1,998.80	1,733.91	1,287.23	1,122.80	986.67
Other expenses	24	262.04	287.54	285.61	293.01	413.97
Depreciation and amortisation expenses	13	57.25	83.33	37.01	33.13	31.27
Provision and write-offs	25	371.59	420.28	106.83	50.53	53.19
Total expenses (II)		3,448.80	3,108.00	2,287.55	2,205.54	2,189.79
Profit before exceptional items and tax (III) = (I) - (II)		2,277.17	533.99	1,225.94	1,080.79	581.28
Exceptional items (IV)	26	-	104.86	1,238.94	-	-
Profit before tax (V) = (III) + (IV)		2,277.17	638.85	2,464.88	1,080.79	581.28
Tax expense						
Current tax		573.22	218.27	-	-	-
Deferred tax		-	-	-	-	-
Adjustment of tax relating to earlier periods		-	-	-	7.83	0.70
Total tax expense (VI)		573.22	218.27	-	7.83	0.70
Profit after tax (V) - (VI)		1,703.95	420.58	2,464.88	1,072.96	580.58
Nominal value per share		10.00	10.00	10.00	10.00	10.00
Earnings per equity share (including exceptional items)	27					
Basic (computed on the basis of total profit for the year)		59.71	20.61	120.94	52.97	29.95
Diluted (computed on the basis of total profit for the year)		38.54	0.52	2.98	1.25	0.63
Earnings per equity share (excluding exceptional items)	27					
Basic (computed on the basis of total profit for the year)		59.71	17.23	60.15	52.97	29.95
Diluted (computed on the basis of total profit for the year)		38.54	0.43	1.48	1.25	0.63
Summary of significant accounting policies	5.5					
The accompanying Annexures are an integral part of the financial statements						
As per our report of even date						
For S.R. BATLIBOI & CO. LLP			For and on behalf of Board of Directors of			
Chartered Accountants			Spandana Sphoorty Financial Limited			
ICAI Firm's Registration Number: 301003E/E300005						
per Shrawan Jalan			Padmaja Gangireddy		Kartikeya Dhruv Kaji	
Partner			Managing Director		Director	
Membership No.102102						
			Rakesh Jhinjhar		Deepak Goswami	
			Company Secretary		Chief Financial Officer	
Place: Mumbai			Place: Hyderabad			
Date: May 15, 2018			Date: May 15, 2018			

Spandana Sphoorty Financial Limited					
Annexure 3: Restated Standalone Summary Statement of Cash Flows					
(Rupees in Millions unless otherwise stated)					
Particulars	For the year ended				
	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
A. Cash flow from operating activities					
Profit before tax	2,277.17	638.85	2,464.88	1,080.79	581.28
Adjustments for :					
Income recognized on SIDBI grant	-	-	-	(7.00)	-
Interest on income tax	24.40	17.57	-	-	-
Depreciation and amortisation	57.25	83.33	37.01	33.13	31.27
Provision for Gratuity	4.46	5.20	(0.02)	14.42	(0.08)
(Profit) / loss on sale of fixed assets	(0.40)	(0.21)	9.46	(0.79)	(2.14)
Contingent provision against standard assets	245.96	(57.86)	0.11	30.24	67.13
Provision for non-performing assets	125.63	455.34	(2,537.02)	(1,527.31)	(936.16)
Portfolio loans written off	-	22.80	2,643.74	1,407.60	775.60
Loss on assigned loans	-	-	-	140.00	146.62
Dividend from mutual funds	(15.84)	(16.38)	(4.63)	(4.74)	(10.13)
Liabilities no longer required, written back	-	(104.86)	(1,246.24)	(189.61)	(5.72)
Other provisions and write offs	19.06	10.27	33.78	10.57	132.73
Unrealised foreign exchange loss	-	-	0.35	1.08	2.48
unamortized collection fee	1.01	-	-	-	-
Operating profit before working capital changes	2,738.70	1,054.05	1,401.42	988.38	782.88
Movements in working capital :					
Increase/ (decrease) in other current liabilities	671.74	(1,167.69)	721.86	55.63	166.07
Increase/ (decrease) in other long term liabilities	-	-	(621.00)	(55.80)	80.02
Decrease / (increase) in margin money deposit (net)	(1,069.67)	(1.74)	(1.71)	1.53	500.00
Decrease / (increase) in trade receivables	(10.90)	3.70	0.23	(16.95)	(1.61)
Decrease / (increase) in loans and advances	(12,347.14)	(702.39)	(380.33)	(2,818.01)	472.89
Decrease / (increase) in other current and non current assets	(86.05)	(7.90)	17.52	22.53	1.56
Cash used in operations	(10,103.32)	(821.97)	1,137.99	(1,822.69)	2,001.81
Direct taxes paid (net of refunds)	(735.50)	-	(0.36)	5.67	232.81
Net cash used in operating activities (A)	(10,838.82)	(821.97)	1,137.63	(1,817.02)	2,234.62
B. Cash flow from investing activities :					
Purchase of fixed assets (including capital work in progress and capital advances)	(51.80)	(28.82)	(104.07)	(77.58)	(11.59)
Proceeds from sale of property, plant and equipments	0.48	0.25	5.45	1.14	3.02
Purchase of current investments	(34,856.79)	(4,593.40)	(1,790.00)	(2,690.00)	(4,783.40)
Sale of current investments	34,856.79	4,593.40	1,790.00	2,690.00	4,783.40
Dividend from mutual funds	15.84	16.38	4.63	4.74	10.13
Purchase of non current investment	(20.00)	-	-	-	-
Net cash used in investing activities (B)	(55.48)	(12.19)	(93.99)	(71.70)	1.56
C. Cash flow from financing activities :					
Redemption of OCCRP (including premium on redemption)	-	-	(700.40)	(1,065.04)	(480.21)
Proceeds from issue of equity shares	307.87	1,900.00	-	50.00	-
Proceeds from issue of share warrants	1.49	-	-	-	-
Proceeds from issue of Preference Shares	2,442.13	1,102.27	-	-	-
Long term borrowings (net)	6,276.24	369.80	(580.88)	3,261.91	(2,299.77)
Short term borrowings (net)	(9.60)	10.00	-	(25.00)	(425.00)
Net cash from financing activities (C)	9,018.13	3,382.07	(1,281.28)	2,221.87	(3,204.98)
Net increase/(decrease) in cash and cash equivalents (A) + (B) + (C)	(1,876.17)	2,547.91	(237.64)	333.15	(968.80)
Cash and cash equivalents as at the beginning of the year	2,901.17	353.26	590.90	257.75	1,226.55
Cash and cash equivalents as at end of the year (refer Annexure 19)	1,025.00	2,901.17	353.26	590.90	257.75
Components of cash and cash equivalents at the year end					
Cash on hand	3.70	6.63	2.04	10.47	27.85
Balance with banks - on current account	871.29	2,894.54	351.22	580.43	229.90
Deposits with original maturity of less than or equal to 3 months	150.01	-	-	-	-
Components of cash and cash equivalents at the year end	1,025.00	2,901.17	353.26	590.90	257.75
Summary of significant accounting policies					
5.5					
The accompanying Annexures are an integral part of the financial statements					
As per our report of even date For S.R. BATLIBOI & CO. LLP Chartered Accountants ICAI Firm's Registration Number: 301003E/E300005			For and on behalf of Board of Directors of Spandana Sphoorty Financial Limited		
per Shrawan Jalan Partner Membership No.102102			Padmaja Gangireddy Managing Director Kartikeya Dhruv Kaji Director		
			Rakesh Jhinjharia Company Secretary Deepak Goswami Chief Financial Officer		
Place: Mumbai Date: May 15, 2018			Place: Hyderabad Date: May 15, 2018		

Spandana Sphoort Financial Limited
Annexure 4: Restated Standalone Statement of Material Adjustments and Regroupings
(Rupees in Millions unless otherwise stated)

4.1 Material adjustments

The summary of restatements made in the audited financial statements for the respective years and its impact on the profits of the Company is as follows:

Particulars	For the year ended				
	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Net Profit as per Audited Financial Statements (A)	1,718.52	529.49	2,432.35	1,045.49	643.14
Adjustments for restatement (Decrease) / Increase in profits					
Adjustments for changes in accounting policies					
Other Operating Revenue					
Loan processing fees ⁽¹⁾	-	(142.96)	25.43	32.27	(5.66)
Finance Cost					
Other borrowing cost ⁽²⁾	-	19.48	7.10	(10.30)	4.07
Adjustments for prior period items					
Incomes pertaining to periods prior to FY 2013-14 recorded in later periods					(28.00)
Expenses reversals pertaining to periods prior to FY 2013-14 recorded in later periods					(27.47)
Expenses pertaining to FY 2013-14 recorded in later periods				5.50	(5.50)
Incomes pertaining to FY 2016-17 recorded in later periods	(14.57)	14.57			
Total effect of adjustment on Profit Before Tax (B)	(14.57)	(108.91)	32.53	27.47	(62.56)
Tax Adjustment					
Deferred Tax*	-	-	-	-	-
Total Tax adjustment (C)	-	-	-	-	-
Net Effect of increase / (decrease) in profit on adjustment after tax (D)= (B)-(C)	(14.57)	(108.91)	32.53	27.47	(62.56)
Net profit/ (loss) for the year ended (E)= (A)+(D) as restated	1,703.95	420.58	2,464.88	1,072.96	580.58

* No deferred tax assets have been recognised in accordance with the requirements of virtual certainty with convincing evidence of future taxable profits, prescribed under Accounting Standard 22.

Explanatory notes for the above adjustments:

(1) With effect from April 1, 2016, the Company changed its accounting policy for recognising loan processing fees' income in the period in which they were charged as against amortising those over the tenure of the loans disbursed. The above adjustment has been made to give effect of such change in accounting policy in the respective financial year such that the restated figure of loan processing fee income in the respective financial year represents the amount charged in that year.

(2) With effect from April 1, 2016, the Company changed its accounting policy for recognising other borrowing costs in the period in which they were incurred as against amortising those over the tenure of the borrowings. The above adjustment has been made to give effect of such change in accounting policy in the respective financial year such that the restated figure of other borrowing cost in the respective financial year represents the amount incurred in that year.

4.2 Restatement adjustment made in the audited opening balance of the surplus balance in the statement of profit and loss as at April 1, 2013.

Particulars	Amount (Rs. in Millions)
Net surplus /(deficit) in the statement of profit and loss as at April 1, 2013	(11,849.88)
Restatement adjustments for:	
Other Operating Revenue	
Loan processing fees	(90.92)
Finance cost	
Other borrowing cost	20.35
Prior Period Items	
Incomes pertaining to periods prior to April 1, 2013 recorded in later periods	(28.00)
Expenses reversals pertaining to periods prior to FY 2013-14 recorded in later periods	(27.47)
Net surplus / (deficit) in the statement of profit and loss as at April 1, 2013 (as restated)	(11,723.84)

4.3 Non adjusting items

- i) Other audit qualifications included in the Annexures to the auditors' reports issued under the Companies (Auditor's Report) Order, 2016, 2015 and 2003 (as amended), respectively on the financial statements for the years ended March 31, 2018, 2017, 2016, 2015 and 2014, which do not require any corrective adjustment in the Restated Standalone Summary Statements, are as follows

A. For the year ended March 31, 2018:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income tax, service tax, sales tax, duty of custom, duty of excise, value added tax, goods and service tax, cess and other statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Nature of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates
The Gujarat, Panchayats, Municipalities, Municipal Corporations and State Tax on Professions, Traders, Callings and Employments Act, 1976	Professional tax	7,810*	Oct 2016 to July 2017
The Kerala Panchayat Raj Act, 1994	Professional Tax	1,250	April 2017 to September 2017

* Discharged subsequently on April 25, 2018

Clause (vii) (b)

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

Name of the Statute	Nature of dues	Amount under dispute (Rs. millions)*	Amount paid (Rs. millions)**	Period to which its relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service Tax	56.85	9.93	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal

* Excluding interest and penalty, as applicable

** Paid under protest

Clause (viii)

According to the information and explanations given by the management, the Company has delayed in repayment of loans or borrowings to a financial institution by 4 days and to a bank by 8 days during the year aggregating Rs.68.68 millions which were discharged by the Company before March 31, 2018 and accordingly no dues are outstanding as at reporting date. The Company has not defaulted in repayment of dues to debenture holders. The Company did not have loans or borrowings from the government during the year.

B. For the year ended March 31, 2017:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

Clause (vii) (b)

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

Name of the Statute	Nature of dues	Amount under dispute (Rs. millions)*	Amount paid (Rs. millions)**	Period to which its relates	Forum where dispute is pending
Chapter v of the Finance Act, 1994	Service Tax	57.13	9.93	Financial year from 2006-07 to 2014-15	Customs, Excise & Service Tax Appellate Tribunal ("CESTAT")

* Excluding interest and penalty, as applicable

** Paid under protest

Clause (viii)

According to the information and explanations given by the management, the Company has delayed in repayment of loans or borrowings to financial institutions and banks during the year aggregating Rs.6,832.12 millions which were discharged by the Company before March 31, 2017 and accordingly, no dues are outstanding as at the reporting date. The Company did not have any loans or borrowings from the government or dues to debenture holders during the year.

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

C. For the year ended March 31, 2016:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, duty of excise, value added tax, cess and other material statutory due have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

Clause (vii) (b)

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

Name of the Statute	Nature of dues	Amount under dispute (Rs. millions)*	Amount paid (Rs. millions)**	Period to which its relates	Forum where dispute is pending
Chapter v of the Finance Act, 1994	Service Tax	56.85	8.00	Financial year from 2006-07 to 2011-12	Customs, Excise & Service Tax Appellate Tribunal ('CESTAT')

* Excluding interest and penalty, as applicable

** Paid under protest

Clause (viii)

According to the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year aggregating Rs.7,535.80 millions and Rs.3,258.51 millions of such dues were in arrears as on the balance sheet date. The lender wise details are tabulated as under:

Particulars	Amount of default as at Balance Sheet date (Rs. millions)	Period of default since*
Andhra Bank	73.93	15-Aug-15
Axis Bank	54.46	15-Oct-15
Bank of Baroda	45.68	15-Nov-14
Bank of India	17.49	30-Jun-15
BNP Paribas	35.76	31-Mar-12
Central Bank of India	123.71	31-Oct-15
Corporation Bank	42.27	31-Jul-15
Dhanalakshmi Bank	1.66	15-Nov-14
HDFC Bank	122.46	15-Aug-15
HSBC Bank	29.57	15-Feb-15
ICICI Bank	315.26	15-Dec-15
IDBI Bank	158.22	15-Jul-15
Indian Overseas Bank	211.59	31-Jul-15
Indian Overseas Bank	101.71	15-Jan-15
IndusInd Bank	53.03	30-Nov-15
Kotak Mahindra Bank	49.19	15-Sep-15
Jammu & Kashmir Bank	48.01	15-Dec-15
Karnataka Bank	8.82	15-Oct-15
Karur Vysya Bank	5.04	15-Feb-14
Lakshmi Vilas Bank	2.50	31-Dec-15
Manaveeya Holdings Private Limited	28.37	15-Feb-15
Oriental Bank of Commerce	20.63	15-Sep-15
Punjab and Sind Bank	91.34	31-Dec-15
Punjab National Bank	205.86	31-Aug-15
Rabo India Finance	50.31	15-Jan-15
SIDBI	374.05	15-Dec-15
South Indian Bank	64.99	15-May-15
Standard Chartered Bank	188.56	15-Jun-15
State Bank of Hyderabad	36.83	15-Oct-15
State Bank of Mysore	38.70	15-Feb-14
State Bank of Patiala	30.17	15-Oct-15
State Bank of Travancore	82.93	15-Jul-15
Syndicate Bank	338.45	15-Feb-15
Tata Capital Limited	82.06	31-Oct-15
Vijaya Bank	66.55	15-Feb-15
Yes Bank	58.37	15-Dec-15
Total	3,258.53	

*Date since principal or interest is overdue

D. For the year ended March 31, 2015:

Clause (vii) (a)

Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, value added tax, cess and other material statutory dues have not been regularly deposited with the appropriate authorities and there have been serious delays in large number of cases.

Clause (vii) (b)

According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows

Name of the statute	Nature of the dues	Amount (Rs. millions)	Period to which the amount relates
The Andhra Pradesh Tax on Professions, Trades Callings and Employments Act, 1987	Professional Tax	0.09	March 2014 to September 2014
The Gujarat Panchayats, Municipalities, Municipal Corporations and State Tax On Professions, Traders, Callings and Employments Act, 1976		0.01	
The Orissa State Tax On Professions, Trades, Callings and Employments Act, 2000		0.01	
The Jharkhand Tax on Professions, Trades, Callings and Employments Act, 2011		0.01	
The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975		0.01	
The Orissa State Tax on Professions, Trades, Callings and Employments Act, 1975		0.01	
The Karnataka Tax On Professions, Trades, Callings And Employment Act, 1976		0.00	
Income Tax Act, 1961	Tax deductible at source (TDS) on foreign remittances	2.22	Financial year 2011-12

Clause (vii)(c)

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

Name of the Statute	Nature of dues	Amount under dispute (Rs. millions)	Amount paid* (Rs. millions)	Period to which its relates	Forum where dispute is pending
Chapter V of the Finance Act, 1994	Service tax	95.26	9.20	Financial years 2004-05 to 2011-12	Customs Excise & Service Tax Appellate Tribunal
	Interest on service tax dues mentioned above	91.88			
	Penalty on service tax dues mentioned above	108.98			
Income Tax Act, 1961	Income Tax	2.65	2.65	Assessment Year 2010-11	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	87.79	Nil [#]	Assessment Years 2011-12 and 2012-13	The Commissioner of Income Tax (Appeals)

*The Company has paid these amounts under protest.

[#]No Payment required as the taxable income for the assessment year was Nil

Clause (viii)

The Company's accumulated losses at the end of the financial year are more than fifty percent of its networth. The Company has not incurred cash losses in the current and immediately preceding financial year.

Clause (ix)

Based on our audit procedures and as per the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year aggregating Rs.3,898.50 millions (the delays in such repayments ranging from 1 day to 352 days) and Rs.948.71 millions of such dues were in arrears as on the balance sheet date. Further, no repayments have been made by the Company to one lender, pending the finalization of the terms of the settlement with the lender and accordingly we are unable to comment as to whether there has been delay in the repayment of such debt or not. The overdue principal and interest remaining unpaid in respect of such lender as at March 31, 2015 is Rs. 594.17 millions and Rs.224.87 millions respectively. The Company did not have any outstanding dues in respect of debenture holders during the year.

Clause (xii)

We have been informed that during the year there were instances of misappropriation of cash by the employees of the Company aggregating Rs.3.04 millions; and loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs.1.47 millions. As informed, services of certain employees involved have been terminated and the Company is in the process of taking legal action against the employees, wherever necessary. The Company has made full provision for the outstanding balance (net of recovery) aggregating Rs.3.17 millions.

E. For the year ended March 31, 2014:

Clause (iv)

In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for rendering of services. The activities of the Company do not involve purchase of inventory and the sale of goods. However, the internal control system for rendering of services is inadequate as certain deficiencies have been noted in appropriating collections/ recoveries in respect of loan balances to the respective customer accounts. In our opinion, this is a continuing failure to correct a weakness in the internal control system and prevailed at the balance sheet date. However, according to the information given to us, the Company has taken steps to rectify this weakness subsequent to the balance sheet date.

Clause (v) (b)

According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

Clause (vii)

The Company has an internal audit system, the scope and coverage of which, in our opinion, requires to be enlarged to be commensurate with the size and nature of its business.

Clause (ix) (a)

Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty cess and other material statutory dues have not generally been regularly deposited with the appropriate authorities though the delays in deposit have not been serious.

Clause (ix) (b)

According to the information and explanations given to us, undisputed dues in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty cess and other material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable, are as follows:

Name of the statute	Nature of the dues	Amount	Period to which the amount relates
		(Rs.millions)	
The Jharkhand Tax on Professions, Trades, Callings and Employments Act, 2011	Professional Tax	0.01	April 2013 to September 2013
The Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975		0.01	
The Orissa State Tax on Professions, Trades, Callings and Employments Act, 1975		0.02	
The Karnataka Tax On Professions, Trades, Callings And Employment Act, 1976		0.00	
The Employees' State Insurance Act, 1948	Employee State Insurance contributions	0.00	April 2013 to September 2013
The Employees' State Insurance Act, 1948	Damages towards delayed remittance of Employee State Insurance contributions	2.60	May 2005 to Jun 2008
Income Tax Act, 1961	Tax deductible at source (TDS) on foreign remittances	2.22	Financial year 2011-12

Spandana Sphoorty Financial Limited

(Rupees in Millions unless otherwise stated)

Clause (ix) (c)

According to the information and explanations given to us, the dues outstanding of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess on account of dispute, are as follows:

Name of the Statute	Nature of dues	Amount under dispute	Amount paid*	Period to which its relates	Forum where dispute is pending
		(Rs. millions)	(Rs. millions)		
Chapter V of the Finance Act, 1994	Service tax	95.26	9.20	Financial years 2004-05 to 2011-12	Customs Excise & Service Tax Appellate Tribunal
	Interest on service tax dues mentioned above	88.90			
	Penalty on service tax dues mentioned above	107.23			
Income Tax Act, 1961	Income Tax	93.37	69.45	Assessment Year 2009-10	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	72.39	48.63	Assessment Years 2010-11 and 2011-12	The Commissioner of Income Tax (Appeals)

*The Company has paid these amounts under protest.

Clause (x)

The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses in the current and immediately preceding financial year.

Clause (xi)

Based on our audit procedures and as per the information and explanations given by the management, the Company has delayed in repayment of dues to financial institutions and banks during the year to the extent of Rs. 2,514.23 millions (the delay in such repayments being for less than 138 days in each individual case) and Rs. 873.20 millions of such dues were in arrears as on the balance sheet date. Further, no repayments have been made by the Company during the year in case of a few lenders pending the finalization of the terms of restructuring/settlement with the respective lenders, the overdue principal and interest remaining unpaid as at March 31, 2014 is Rs. 664.30 millions and Rs.174.67 millions respectively. The Company did not have any outstanding dues in respect of debenture holders during the year.

Clause (xxi)

We have been informed that during the year there were instances of cash embezzlements by the employees of the Company aggregating Rs. 1.48 millions; and loans given to non-existent borrowers on the basis of fictitious documentation created by the employees of the Company aggregating Rs.3.41 millions. As informed, services of employees involved have been terminated and the Company is in the process of taking legal action against the employees and the borrowers. The outstanding balance (net of recovery) aggregating Rs. 4.38 millions has been written off.

- ii) Further auditors report pursuant to rule 11(d) of Companies (Audit and Auditors) Amendment Rules, 2017 on the financial statements for the year ended March 31, 2017 included in the following comments, which do not require any corrective adjustment in Restated Standalone Summary statement:

The Company has provided the disclosures in Note 4.31 to the financial statements as to the holding of Specified Bank Notes ('SBNs') on November 8, 2016 and December 30, 2016 as well as dealings in SBNs during the period from November 9, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including those in SBNs, we report that these disclosures are in accordance with the books of account maintained by the Company and as produced before us for verification. However, as stated in Note 4.31 (b) to the financial statements and as represented to us by the management, the Company has received an amount aggregating Rs.564.10 millions from transactions which were not permitted.

- 4.4 Appropriate adjustments have been made in the Restated Standalone Summary Statements of Assets and Liabilities, Profits and Losses and Cash Flows in accordance with the requirements of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (as amended), by a reclassification of the corresponding items of income, expenses, assets, liabilities and cash flows in order to bring them in line with the groupings as per the audited financial statements of the Company as at and for the year ended March 31, 2018, prepared in accordance with Schedule III of the Companies Act 2013.

5.1 Corporate information

Spandana Sphoorty Financial Limited ('SSFL' or the 'Company') is a public company domiciled in India and incorporated under the provisions of the Companies Act, 1956 on March 10, 2003. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and got classified as Non-Banking Financial Company – Micro Financial Institution (NBFC – MFI) effective April 13, 2015. The Company is engaged in the business of micro finance providing small value unsecured loans to low-income customers in semi-urban and rural areas. The tenure of these loans is generally spread over one to two years.

5.2 Regulatory and Company updates

A. Background:

1. The Government of Andhra Pradesh promulgated "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Ordinance 2010" on October 15, 2010, subsequently enacted the same as "The Andhra Pradesh Micro Finance Institution (Regulation of Money Lending) Act, 2011 (Act 1 of 2011)" on December 31, 2010 and notified by Gazette on January 1, 2011 ('AP MFI Act'). In compliance with the said Ordinance/Act, the frequency of the JLG loan repayments in the state of Andhra Pradesh changed from a 'weekly' to a 'monthly' basis.
2. These directions significantly affected the recoveries for all MFIs in the then state of Andhra Pradesh, including the Company, which had a serious impact of the Company's ability to continue its operations in the state. Though the AP MFI Act did not directly affect the operations in other states, the additional funding from banks and financial institutions was severely restricted. As a result, the Company incurred substantial losses in the previous financial years and faced liquidity constraints for servicing its loan borrowings.
3. Therefore, the Company entered into a Master Restructuring Agreement (MRA) under the Corporate Debt Restructuring (CDR) arrangement with its lenders on September 24, 2011 (refer Annexure 6 and 8 for details).
4. Further, due to the losses incurred in earlier years, the Company was unable to maintain the minimum amount of net owned funds, as defined under section 45-IA of the Reserve Bank of India Act, 1934('NOF'), to carry on business of a non-banking financial institution ('NBFI'). Also, the Capital to Risk Assets Ratio ('CRAR') reduced below the minimum percentage prescribed by the RBI.
5. In view of the challenges being faced by the Company, the RBI had given an exemption to the Company for not maintaining minimum NOF and a regulatory forbearance for not maintaining minimum CRAR for a period of two years till March 31, 2016 which was subsequently extended till March 31, 2017 vide RBI letter dated November 30, 2016.
6. Pursuant to a notification DNBS.CC.PD.No.250/03.10.01/2011-12 dated December 2, 2011, the RBI issued the Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) Directions ('the NBFC-MFI Directions'), wherein a new category of NBFC viz. NBFC-MFI was created. These directions, in addition to defining an NBFC- MFI, provided the regulatory framework and the prudential norms for NBFC-MFIs. Further, it required the existing NBFCs engaged in micro finance activities to apply for a change of classification and seek a fresh registration. Accordingly, the Company had, on June 18, 2012, submitted the application to the RBI for change in classification to NBFC-MFI. As at March 31, 2014, the response from the RBI was awaited for the classification of the Company as NBFC-MFI.

Subsequently, RBI issued certain modifications to the NBFC-MFI Directions on August 3, 2012. The modifications clarified that provisioning made towards portfolio in the state of Andhra Pradesh should be in accordance with extant 'Non-banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007' as amended from time to time ('the NBFC Prudential Norms') and such provision should be added back notionally to the net owned funds for the purpose of calculation of the CRAR and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017.

B. Company's updates

1. In financial year 2015-16, in order to comply with the NOF and CRAR requirements by March 31, 2016, the Company proposed a plan to the CDR – Empowered group ('CDR – EG') and lenders for pre-closure of its debt and exit from CDR. The said proposal, salient features of which are as given below, was approved by the CDR –EG vide sanction letter dated February 25, 2016:
 - A. The Company would identify and engage with a bank ('the investor') willing to purchase the standard/performing loan portfolio of the Company in the state of Andhra Pradesh and Telangana, through a direct assignment transaction.
 - B. The investor would also provide a term loan equivalent of the amount of standard loan portfolio not eligible for direct assignment under 'minimum holding criteria'.
 - C. Utilisation of proceeds from direct assignment and term loan, the Company would pre-close the outstanding debt (comprising restructured term loans and priority debt) and settle all overdues (including interest and other charges) accrued upto repayment date.
 - D. The investor would acquire all outstanding Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') from the existing OCCRPSS at an agreed discount to face value. The OCCRPSS holders would waive the accrued redemption premium with no further premium payable post March 31, 2016.
 - E. Thereafter the Company was to file a scheme of capital reduction under the relevant provisions of the Companies Act whereby the face value of the OCCRPSS shall stand reduced with a corresponding credit to the capital reduction account such that it supports in complying with minimum NOF and CRAR criteria, subject to stipulations of the scheme.

Although, the above proposal had received the consent of the CDR-EG as at March 31, 2016, the transaction was expected to be accomplished in the period subsequent to balance sheet date. Since the forbearance granted by RBI for non-maintenance of minimum NOF and CRAR was valid till March 31, 2016, the Company has sought and obtained an extension of the regulatory forbearance for a further period of six months up to September 30, 2016 from the RBI vide its letter dated June 2, 2016. However, the abovementioned transaction could not materialize due to external factors.

2. Thereafter, in financial year 2016-17, in order to comply with the NOF and CRAR, the Company submitted another settlement proposal to the CDR – Empowered Group ('CDR-EG') and the lenders for pre-closure of its debt and exit from CDR. Pursuant to an in-principle approval granted by the CDR-EG and the lenders to the proposal, the Company entered into a settlement agreement with all its lenders dated March 21, 2017 (the 'Agreement'), the salient features of which are as given below:
 - A. The Company to settle its dues in respect of therestructured term loans, priority debt and corporate guarantees (issued pursuant to portfolio assignment transactions) in accordance with the terms of the Agreement.
 - B. The Company to pay an additional fee of 1% on OCCRPSS outstanding to the existing OCCRPSS holders.
 - C. A new investor to purchase the outstanding Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPSS') from the existing OCCRPSS holders at an agreed discount to the face value after converting them into compulsorily convertible preference shares ('CCPS').
 - D. The new investor to also infuse additional capital in the Company by way of subscription to its equity shares and CCPS.

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

conditions stipulated in the Agreement and the CDR-EG minutes prior to March 31, 2017, it exited from CDR as at March 31, 2017.

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

5.3 Basis of preparation

The restated standalone summary statement of assets and liabilities of the Company as at March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 and the related standalone restated summary statement of profits and losses and related restated standalone summary statement of cash flows each of the years ended March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 (collectively referred to as the "Restated Standalone Summary Statements") have been compiled by the management from the audited standalone financial statements of the Company for each of the years ended March 31, 2018, March 31, 2017, March 31, 2016, March 31, 2015 and March 31, 2014 respectively, approved by the Board of Directors of the Company.

The Company had prepared the audited standalone financial statements to comply, in all material respects, with the accounting standards specified under the Companies Act, 1956 and under section 133 of the Companies Act, 2013, read with rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules, 2016, the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('the NBFC Master Directions') and other accounting principles generally accepted in India (Indian GAAP). The audited standalone financial statements were prepared under the historical cost convention on an accrual basis except as detailed in paragraph 5.5(c) below.

These Restated Standalone Summary Statements have been prepared by the Company to comply in all material respects with the requirements of sub-section (1) of Section 26 of Chapter III of the Companies Act, 2013 and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the SEBI ICDR Guidelines') as amended, for the purpose of inclusion in the draft red herring prospectus to be filed by the Company with the Securities and Exchange Board of India ('SEBI') in connection with its proposed initial public offering. The accounting policies used in preparation of these Restated Standalone Summary Statements have been consistently applied by the Company and are consistent with those adopted in the preparation of the audited standalone financial statements for the year ended March 31, 2018.

5.4 Going concern assumption

1. The Company had incurred substantial losses during the year(s) prior to financial year 2013-14, as a result of which, its NOF as at March 31, 2014, 2015 and 2016 was lower than the minimum amount prescribed by the RBI to carry on the business of a NBFI. Also, the CRAR of the Company as at March 31, 2014, 2015 and 2016 was lower than the minimum percentage prescribed by the RBI. The losses incurred were mainly attributable to the provisioning for the loan portfolio outstanding in the then state of Andhra Pradesh.

In view of the challenges being faced by the Company in maintaining the minimum NOF and CRAR as stipulated by RBI, the Company vide letter dated March 18, 2014 requested the RBI to provide an exemption from complying with the minimum NOF criteria and also for regulatory forbearance for not maintaining minimum CRAR.

In response of the Company's request, the RBI vide its letter dated April 16, 2014 provided an exemption from maintaining minimum CRAR and NOF for a period of two years till March 31, 2016, subject to the Company bringing in fresh capital of Rs.50 million upfront. The Company therefore issued and allotted 1,000,000 equity shares of face value of Rs.10 each at a premium of Rs.40 per share to its existing shareholders on May 16, 2014 and was able to secure the regulatory forbearance on NOF and CRAR upto March 31, 2016.

2. Further, with the implementation of the debt restructuring package with the lenders in FY 2011-12 and the additional loan facilities aggregating Rs.11,502.5 million sanctioned by the CDR lenders in FY 2013-14, the Company had enhanced availability of resources to sustain operations for at least 12 months from each of the reporting dates viz. March 31, 2014 and March 31, 2015.
3. In view of the grant of regulatory forbearance by RBI and sanction of fresh line of credit by the CDR lenders, as described above, the financial statements for the year ended March 31, 2014 and March 31, 2015 were prepared on a going concern basis.
4. For the year ended March 31, 2016, the financial statements were prepared on a going concern basis in view of the proposal made by the Company for pre-closure of its debt and the resultant exit from CDR (described in paragraph 5.2(B)(1) above) which was approved by the CDR-EG before March 31, 2016. This basis of preparation was further supported by the extension of regulatory forbearance on NOF and CRAR till September 30, 2016 and the proposed transaction was expected to materialize within such time.

5.5 Summary of Significant Accounting Policies

a. Use of estimates

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

b. Change in accounting estimates

1. Year ended March 31, 2018

During the year, the Company revised its estimates relating to provisioning for loan portfolio. Accordingly, the provision for loan portfolio for the year was higher and the restated profit before tax for the year was lower by Rs.371.06 million. See 5.5 (s) for changes in the provisioning estimates.

2. Year ended March 31, 2015

In accordance with the requirement of Schedule II to the Companies Act, 2013, the Company had re-assessed the useful lives and residual of its fixed assets and:

- i. an amount of Rs.3.57 million was charged to the opening balance of retained earnings in respect of assets whose remaining useful life was nil as at April 1, 2014; and
- ii. an amount of Rs.8.38 million was charged to the statement of profit and loss for the year ended March 31, 2015 representing the additional depreciation on the carrying value of the assets as at April 1, 2014 due to the change in useful life of asset.

In accordance with the SEBI ICDR Regulations, no adjustments have been made in these Restated Standalone Summary Statements in respect of the above changes in accounting estimates. However, necessary adjustments for the changes in the accounting policies, as disclosed in Annexure 4, have been incorporated in these Restated Standalone Summary Statements retrospectively in the respective periods to reflect the same accounting treatment for all the reporting periods.

c. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured.

- i. Interest income on loans given is recognized under the internal rate of return method. Income or any other charges on non-performing asset is recognized only when realized and any such income recognized before the asset became non-performing and remaining unrealized is reversed.
- ii. Interest income on deposits with banks is recognized on a time proportion accrual basis taking into account the amount outstanding and rate applicable.
- iii. Loan processing fees collected from members are recognized on an upfront basis at the time of disbursement of loan.
- iv. Profit/premium arising at the time of securitization of loan portfolio is amortized over the life of the underlying loan portfolio/securities and any loss arising therefrom is accounted for immediately. Income from excess interest spread is recognized in the statement of profit and loss account net of any losses at the time of actual receipt.
- v. Amounts received against loans written-off are recognized on receipt basis.
- vi. All other incomes are recognized on an accrual basis.

d. Property, Plant and Equipment

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

e. Depreciation

For the period prior to April 1, 2014

- i. Depreciation on property, plant and equipment is provided on a written down value basis at the rates prescribed under Schedule XIV of the Companies Act, 1956, which also represents the estimate of the useful life of the assets by the management.
- ii. Fixed assets costing up to Rs.5,000 individually are fully depreciated in the year of purchase

For the period subsequent to April 1, 2014

- i. Depreciation on property, plant and equipment provided on a written down value method at the rates arrived at based on useful life of the assets prescribed under Schedule II of the Companies Act, 2013 which also represents the estimate of the useful life of the assets by the management.
- ii. Fixed assets costing up to Rs.5,000 individually are fully depreciated in the year of purchase.

f. Intangible assets

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

g. Impairment

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's net selling price and its value in use. The recoverable amount is determined for an individual

asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

h. Leases (where the Company is the lessee)

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

i. Foreign currency transactions

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

j. Retirement and other employee benefits

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

k. Income taxes

- i. Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961, enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.
- ii. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

- iii. Deferred tax liabilities are recognized for all taxable timing differences. Deferred tax assets are recognized for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.
- iv. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which the deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.
- v. Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the MAT Credit Entitlement asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

l. Earnings per share

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

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

m. Provisions

A provision is recognized when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

n. Contingent liabilities

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

o. Cash and cash equivalents

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

p. Investments

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

q. Borrowing costs

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

r. Classification of loan portfolio

- A. Unsecured loan portfolio (excluding the loan portfolio disbursed prior to January 1, 2012 in the state of Andhra Pradesh and Telangana) is classified as standard and non-performing assets in accordance with Chapter IX of the NBFC Master Directions, as described below:

Asset classification	Arrear period
Standard assets	Overdue for less than 90 days
Non-performing assets	Overdue for 90 days or more

- B. All other loans and advances are classified as standard, sub-standard, doubtful and loss assets in accordance with Chapter V of the NBFC Master Directions, as amended, described in (s) below.

s. Provisioning for loan portfolio

For the year ended March 31, 2018

- i. Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for at:
- 1% of the standard loan portfolio outstanding; and
 - 50% of the aggregate loan outstanding which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan outstanding which is overdue for 180 days or more.
- ii. All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions as summarized below:

Asset classification	Provision
Standard (<i>overdue upto 3 months</i>)	0.40%
Non-performing ('NPA') (<i>overdue for 3 months or more</i>)	
Sub-standard (<i>classified as NPA for upto 12 months</i>)	10%
Doubtful (<i>classified as sub-standard for more than 12 months</i>)	
Doubtful upto 1 year (Secured)	20%
Doubtful from 1 to 3 years (Secured)	30%
Doubtful over 3 years (Secured)	50%
Doubtful assets not covered by realizable security (Unsecured)	100%
Loss asset (<i>loans considered irrecoverable in the opinion of the management</i>)	Write off

- iii. Securitised loan portfolio is provided for at 1% of the total outstanding of such loans, subject to the maximum guarantee provided by the Company in respect of the securitization arrangements.

For years ended March 31, 2017, 2016, 2015 and 2014

- i. Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for in accordance with Chapter IX of the NBFC Master Directions which require the total provision to be higher of:
 - (b) 1% of the outstanding loan portfolio; or
 - (c) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.
- ii. All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions, as amended from time to time, as summarized below:

Asset classification	Provision
Standard	
For year ended March 31, 2017 (<i>overdue upto 4 months</i>)	0.35%
For year ended March 31, 2016 (<i>overdue upto 5 months</i>)	0.30%
For year ended March 31, 2015 (<i>overdue upto 6 months</i>)	0.25%
For year ended March 31, 2014 (<i>overdue upto 6 months</i>)	0.25%
Non-performing ('NPA') (<i>overdue for 4/5/6 months or more, as applicable</i>):	
Sub-standard (<i>classified as NPA for upto 14/16/18 months, as applicable</i>)	10%
Doubtful (<i>classified as sub-standard for more than 14/16/18 months, as applicable</i>)	
Doubtful upto 1 year (Secured)	20%
Doubtful from 1 to 3 years (Secured)	30%
Doubtful over 3 years (Secured)	50%
Doubtful asset not covered by realizable security (Unsecured)	100%
Loss asset (<i>loans considered irrecoverable in the opinion of the management</i>)	Write off

Spandana Sphoorty Financial Limited					
Annexure 6: Restated Standalone Statement of Share Capital					
(Rupees in Millions unless otherwise stated)					
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Authorised shares					
Equity Shares of Rs.10/- each					
-Number of shares	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000
-Amount in Rs. Millions	9,000.00	9,000.00	9,000.00	9,000.00	9,000.00
preference shares of Rs.10 each					
-Number of shares	1,250,000,000	1,100,000,000	1,100,000,000	1,100,000,000	1,100,000,000
-Amount in Rs. Millions	12,500	11,000	11,000	11,000	11,000
Issued, Subscribed And Fully Paid Up Shares:					
Equity Shares of Rs.10/- each					
-Number of shares	29,756,818	28,449,393	20,380,767	20,380,767	19,380,767
-Amount in Rs. Millions	297.57	284.49	203.81	203.81	193.81
0.001% Optionally convertible cumulative redeemable preference shares (OCCRPS)					
-Number of shares	-	-	791,007,721	807,615,809	893,570,000
-Amount in Rs. Millions	-	-	7,910.08	8,076.16	8,935.70
Class B 0.001% Compulsory Convertible preference shares (CCPS)					
-Number of shares	791,007,721	791,007,721	-	-	-
-Amount in Rs. Millions	7,910.08	7,910.08	-	-	-
Class A 0.001% Compulsory Convertible preference shares (CCPS)					
-Number of shares	234,999,997	110,000,008	-	-	-
-Amount in Rs. Millions	2,350.00	1,100.00	-	-	-
Class A1 0.001% Compulsory Convertible preference shares (CCPS)					
-Number of shares	119,212,760	-	-	-	-
-Amount in Rs. Millions	1,192.13	-	-	-	-
Series C 0.001% Optionally Convertible Redeemable preference shares (OCRPS)					
-Number of shares	1,135,085	1,135,085	-	-	-
-Amount in Rs. Millions	0.05	0.05	-	-	-
FY18 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS)					
-Number of shares	283,771	283,771	-	-	-
-Amount in Rs. Millions	0.01	0.01	-	-	-
FY18 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS)					
-Number of shares	283,771	283,771	-	-	-
-Amount in Rs. Millions	0.01	0.01	-	-	-
FY19 Series A 0.001% Optionally Convertible Redeemable preference shares (OCRPS)					
-Number of shares	283,771	283,771	-	-	-
-Amount in Rs. Millions	0.01	0.01	-	-	-
FY19 Series B 0.001% Optionally Convertible Redeemable preference shares (OCRPS)					
-Number of shares	283,771	283,771	-	-	-
-Amount in Rs. Millions	0.01	0.01	-	-	-
Total issued, subscribed and fully paid-up share capital	11,749.86	9,294.66	8,113.89	8,279.97	9,129.51

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

(a) Terms / rights attached to equity shares

As at March 31, 2018 and March 31, 2017

The Company has only one class of equity shares of par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

As at March 31, 2016, 2015 and 2014

The Company had only one class of equity shares of par value of Rs.10 per share. Each holder of equity shares was entitled to one vote per share. As per Master Restructuring Agreement ('MRA'), the Company without prior written approval of CDR -Empowered group shall not declare/pay any dividend on any shares. Pursuant to MRA, the shares held by promoters are pledged against CDR lenders. Any dividend proposed by the Board of Directors was subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees.

(b) Terms / rights attached to OCCRPS

The holders of OCCRPS had an unqualified right to convert the entire / part of the outstanding amount of OCCRPS along with cumulative dividend and redemption premium into equity shares of the Company in case of occurrence of an event of default as defined in the MRA. Also, the lenders, based upon a written request from the Company may, at their sole discretion, were to convert the entire / part outstanding amount of OCCRPS along with cumulative dividend, redemption premium into equity shares of the Company to enable the Company to comply with the regulatory norms regarding capital adequacy. The conversion price would be based on the reports of two independent valuation firms appointed by the Monitoring Institution ('MI') as identified in the MRA.

Each holder of OCCRPS was entitled to one vote per share on resolutions placed before the Company, which directly affected the rights attached to the OCCRPS. Any dividend proposed by the Board of Directors was subject to the approval of the shareholders in the ensuing Annual General Meeting. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the Company before conversion / redemption of OCCRPS, the holders of OCCRPS had priority over equity shares in the payment of dividend and repayment of capital.

As per the Master Restructuring Agreement ('MRA') dated September 24, 2011 entered into with the lenders (including subsequent participation by one lender) of the Company for restructuring of the total debt (net of fixed deposits):

- Aggregating Rs.21,639 millions in financial year ended March 31, 2014, an amount of Rs.9,060 millions was converted into Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') on pro-rata basis to the lenders. Accordingly, the Company had issued 906,000,000 0.001% OCCRPS of Rs.10 each as fully paid-up to the lenders. Further, during the financial year 2012-13, 34,600,000 OCCRPS were issued to Non-CDR lenders on terms and conditions similar to those as specified in the MRA dated September 24, 2011 with the CDR lenders.

- Aggregating to Rs.21,639.00 millions in financial year ended March 31, 2015, an amount of Rs.9,406 millions was converted into Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') on pro-rata basis to the lenders. Accordingly, the Company had issued 940,600,000 0.001% OCCRPS of Rs.10 each as fully paid-up to the lenders. Further, during the financial year 2014-15, 31,000,000 OCCRPS had been issued to other lenders who have joined the CDR on terms and conditions similar to those as specified in the MRA dated September 24, 2011 with the CDR lenders.

- Aggregating to Rs.21,709.80 millions in financial year ended March 31, 2016, an amount of Rs.9,437 millions had been converted into Optionally Convertible Cumulative Redeemable Preference Shares ('OCCRPS') on pro-rata basis to the lenders. Accordingly, the Company had issued 943,700,000 0.001% OCCRPS of Rs.10 each as fully paid-up to the lenders in tranches upto March 31, 2015.

- OCCRPS carried a dividend of 0.001% p.a. and a redemption premium of 12% p.a., as specified in the MRA.

- Further in financial year 2013-14, the Company had filed Form 2 for allotment of OCCRPS with Registrar of Companies for an amount of Rs.1,000 millions. However, OCCRPS amounting to Rs.31 million and Rs.563 millions were not accepted by two Non-CDR lenders and accordingly OCCRPS allotted are lower by Rs.594 millions. The Company had filed Form 2 for allotment of OCCRPS with Registrar of Companies for an amount of Rs.1,000 millions. However, OCCRPS amounting to Rs.31 million and Rs.563 millions were not accepted by two Non-CDR lenders and accordingly OCCRPS allotted are lower by Rs.594 millions.

The OCCRPS were redeemable starting from financial year 2013-14, the amount of redemption being 5%, 10%, 15%, 15% and 55% in five years, in a manner as to yield a return of 12% p.a. to the holders of OCCRPS.

- As at March 31, 2014, the total premium payable, as per the agreed redemption schedule, amounted Rs.8,687.42 million of which Rs.175.10 million had been paid / provided till the year ended March 31, 2014. The premium payable on redemption was provided out of the securities premium account (to the extent of the balance available) and thereafter from the profits.

- As at March 31, 2015, the total premium payable, as per the agreed redemption schedule, amounted Rs. 8,718.98 millions of which Rs. 655.21 millions had been paid / provided till the year ended March 31, 2015. The premium payable on redemption was provided out of the securities premium account (to the extent of the balance available) and thereafter from the profits.

- During the year ended March 31, 2016, the Company had not redeemed OCCRPS as per the terms of the MRA in view of the ongoing proposal to settle the OCCRPS at a discount to face value. In terms of the said proposal, which is more fully described under Annexure 5.2 (b), the face value of the OCCRPS stand reduced pursuant to a scheme of capital reduction. The Company had received an in-principle approval of the CDR-EG for the proposed settlement.

- As at March 31, 2014 and March 31, 2015, the total premium payable on redemption was to be provided out of the securities premium account (to the extent of the balance available) and thereafter from the profits.

Spandana Sphoorty Financial Limited*(Rupees in Millions unless otherwise stated)***(c) Terms / rights attached to Class B CCPS**

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

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

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

(d) Terms / rights attached to Class A CCPS

During the year ended March 31, 2017, the Company issued 110,000,008 Class A CCPS of Rs.10 each fully paid-up. Further, in financial year 2017-18, the Company has issued 124,999,989 Class A CCPS of Rs.10 each fully paid-up. The Class A CCPS shall rank pari-passu with other preference shares. The Class A CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class A CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10th year from the date of issue i.e. March 31, 2017 and December 4, 2017. The holder can also convert the CCPS before the 10th year by giving 5 days' prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

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

(e) Terms / rights attached to Class A1 CCPS

During the year ended March 31, 2018, the Company issued 119,212,760 Class A1 CCPS of Rs.10 each fully paid-up. The Class A1 CCPS shall rank pari-passu with other preference shares. The Class A1 CCPS shall carry a dividend of 0.001% payable annually in proportion to the total number of equity shares on and as converted basis. The dividend will accrue on cumulative basis and shall be due and payable upon conversion of CCPS into equity shares. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of Class A1 CCPS shall not be entitled to any voting rights in the Company.

Each holder of Class A1 CCPS has to mandatorily convert its preference shares into equity shares at the end of the 10th year from the date of issue i.e. March 8, 2018. The holder can also convert the CCPS before the 10th year by giving 5 days' prior conversion notice to the Company. The Company will issue such number of equity shares as derived by conversion formula given below (subject to adjustment in equity shares capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action):

$$\frac{\text{Number of Class A CCPS proposed to be converted}}{\text{Fair market value of equity shares of the Company as on the date of acquisition of Class A1 CCPS}} \times \text{Face value of Class A1 CCPS}$$

Spandana Sphoorty Financial Limited*(Rupees in Millions unless otherwise stated)***(f) Terms / rights attached to OCRPS**

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

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

Class of Shares	Payment of balance subscription amount	Conversion into equity shares
Series C	Any time post March 31, 2017 the holder is entitled to require the Company to issue a call	To be converted immediately upon being fully paid up.
FY18 Series A	Based on achieving pre-defined profitability levels in respect of FY 2017-18, FY 2018-19 and FY 2019-20 in terms of the Promoter Subscription Agreement, the holder is entitled to require the Company to issue a call	
FY18 Series B		
FY19 Series A		
FY19 Series B		

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

(g) Reconciliation of the shares outstanding at the beginning and at the end of the year

(g.1) Equity shares

Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	28,449,393	284.49	20,380,767	203.81	20,380,767	203.81	19,380,767	193.81	19,380,767	193.81
Issued during the year	1,307,425	13.07	8,068,626	80.69	-	-	1,000,000	10.00	-	-
Outstanding at the end of the year	29,756,818	297.56	28,449,393	284.50	20,380,767	203.81	20,380,767	203.81	19,380,767	193.81

(g.2) OCCRPS

Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	-	-	791,007,721	7,910.08	807,615,809	8,076.16	893,570,000	8,935.70	940,600,000	9,406.00
Issued during the year	-	-	-	-	-	-	3,100,000	31.00	-	-
Redeemed during the year	-	-	791,007,721	7,910.08	16,608,088	166.08	89,054,191	890.54	47,030,000	470.30
Outstanding at the end of the year	-	-	-	-	791,007,721	7,910.08	807,615,809	8,076.16	893,570,000	8,935.70

Note on redemption of OCCRPS

Year ended March 31, 2014

During the year ended March 31, 2014, the Company had redeemed OCCRPS with delays which were due for redemption for the quarters ended September 2013 and December 2013. Further, the Company had not redeemed the OCCRPS with nominal value of Rs.117.58 millions which were due for the quarter ended March 31, 2014 and the total redemption premium involved being Rs.47.61 millions. Despite of the default in redemption, the holders of OCCRPS had not exercised their right for conversion of any OCCRPS into equity shares. The redemption amount, as shown in the table above, includes an amount of Rs.117.58 millions representing the nominal value of OCCRPS due for redemption but not redeemed as at March 31, 2014.

Year ended March 31, 2015

During the year ended March 31, 2015 the Company had partially redeemed OCCRPS with delays which were due for redemption for the quarters ended June, September and December 2014. Further, the Company had not redeemed the OCCRPS which were due for the quarter ended March 2015. Thus the redemption amount, as shown in the table above, includes an amount of Rs.276.52 millions representing the nominal value of OCCRPS due for redemption but not paid as at March 31, 2015. The same had been transferred to current liabilities along with premium due thereon. Despite of the default in redemption, the holders of OCCRPS had not exercised their right for conversion of any OCCRPS into equity shares.

The OCCRPS redemption of certain lenders, who had not participated in the new term loan agreement, is deferred by a period of two years commencing from January 2014 until December 2015. The redemption of such OCCRPS would resume from March 2016 and the proportion of redemption will be 5%, 30%, and 61.25% in the financial years 2015-16, 2016-17 and 2017-18 respectively.

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

Year ended March 31, 2016

During the year ended March 31, 2016, the Company had redeemed OCCRPS of only Rs.209.03 millions against the total amount due for redemption of Rs.1,331.65 millions in view of the ongoing proposal for settlement of OCCRPS referred to in Annexure 6 (b) above. During the same year, the Company had also paid an amount of Rs.233.58 millions against the amount due for redemption, but not paid, as at March 31, 2015 of Rs.276.52 millions. The balance amount of Rs.42.94 millions had been reinstated as share capital from current liabilities as no further scheduled repayments are to be made towards OCCRPS. Thus, the redemption value, shown in the above table, is net of adjustment in respect of previous year's unpaid dues.

Year ended March 31, 2017 and March 31, 2016

The redemption of OCCRPS in year ended March 31, 2017 and previous years had been made out of the profits for the respective years. Since, such profits were inadequate for setting off the accumulated brought forward losses, such redemption of OCCRPS was not in compliance with the provisions of section 55 of the Companies Act, 2013 read with rules framed thereunder. Accordingly, the Company filed an application with the Regional Director of Ministry of Corporate Affairs (MCA) for compounding of offence under the relevant provisions of the Companies Act in respect of all redemptions made upto March 31, 2016. Pursuant to the order dated June 30, 2016 received by the Company, the offence was compounded for period upto March 31, 2016 upon payment of a total compounding fee of Rs.30,000.

(g.3) CCPS Class B

Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	791,007,721	7,910.08	-	-	-	-	-	-	-	-
Issued during the year			791,007,721	7,910.08						
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	791,007,721	7,910.08	791,007,721	7,910.08	-	-	-	-	-	-

(g.4) CCPS Class A

Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	110,000,008	1,100.00	-	-	-	-	-	-	-	-
Issued during the year	124,999,989	1,250.00	110,000,008	1,100.00	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	234,999,997	2,350.00	110,000,008	1,100.00	-	-	-	-	-	-

(g.5) CCPS Class A1

Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	-	-	-	-	-	-	-	-	-	-
Issued during the year	119,212,760	1,192.13	-	-	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	119,212,760	1,192.13	-	-	-	-	-	-	-	-

Spandana Sphoorty Financial Limited (Rupees in Millions unless otherwise stated)										
(g.6) OCRPS Series C										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	1,135,085	0.05	-	-	-	-	-	-	-	-
Issued during the year	-	-	1,135,085	0.05	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	1,135,085	0.05	1,135,085	0.05	-	-	-	-	-	-
(g.7) OCRPS- FY 18 Series A										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01	-	-	-	-	-	-	-	-
Issued during the year	-	-	283,771	0.01	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	283,771	0.01	283,771	0.01	-	-	-	-	-	-
(g.8) OCRPS- FY 18 Series B										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01	-	-	-	-	-	-	-	-
Issued during the year	-	-	283,771	0.01	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	283,771	0.01	283,771	0.01	-	-	-	-	-	-
(g.9) OCRPS- FY 19 Series A										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01	-	-	-	-	-	-	-	-
Issued during the year	-	-	283,771	0.01	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	283,771	0.01	283,771	0.01	-	-	-	-	-	-
(g.10) OCRPS- FY 19 Series B										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions	No. of Shares	Amount in Rs. Millions
At the beginning of the year	283,771	0.01	-	-	-	-	-	-	-	-
Issued during the year	-	-	283,771	0.01	-	-	-	-	-	-
Redeemed during the year	-	-	-	-	-	-	-	-	-	-
Outstanding at the end of the year	283,771	0.01	283,771	0.01	-	-	-	-	-	-

Spandana Sphoorty Financial Limited
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(h)Details of shareholders holding more than 5% in the Company:

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

Equity shares

Name of the shareholder	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Kangchenjunga Limited	10,630,052	35.72%	7,896,937	27.76%	-	0.00%	-	0.00%	-	0.00%
Padmaja Gangireddy	5,879,366	19.76%	6,194,261	21.77%	6,194,261	30.39%	6,194,261	30.39%	5,798,388	28.45%
Valiant Mauritius Partners FDI Limited	4,632,570	15.57%	3,981,780	14.00%	3,981,780	19.54%	3,981,780	19.54%	3,651,780	17.92%
JM Financial Products Limited	2,976,821	10.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
JM Financial Trustee Company Private Limited	1,744,303	5.86%	6,582,276	23.14%	6,582,276	32.30%	6,582,276	32.30%	6,038,276	29.63%
Vijaya Sivarami Reddy Vendidandi	1,491,483	5.01%	1,491,483	5.24%	1,479,983	7.26%	1,479,983	7.26%	1,479,983	7.26%

OCCRPS

Name of the shareholder	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class
ICICI Bank Limited	-	0.00%	-	0.00%	98,068,750	12.40%	102,595,000	12.70%	116,173,750	12.83%
Small Industries Development Bank of India	-	0.00%	-	0.00%	93,155,000	11.78%	102,170,000	12.65%	115,692,500	12.78%
Syndicate Bank	-	0.00%	-	0.00%	65,162,500	8.24%	68,170,000	8.44%	77,192,500	8.53%
Industrial Development Bank of India	-	0.00%	-	0.00%	43,265,000	5.47%	43,265,000	5.36%	48,991,250	5.41%

CCPS (Class A)

Name of the shareholder	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Kangchenjunga Limited	229,999,532	97.87%	107,659,360	97.87%	-	0.00%	-	0.00%	-	0.00%

CCPS (Class A1)

Name of the shareholder	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Kangchenjunga Limited	116,676,087	97.87%	-	0.00%	-	0.00%	-	0.00%	-	0.00%

Spandana Sphoorty Financial Limited
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CCPS (Class B)

Name of the shareholder	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Kangchenjunga Limited	774,176,271	97.87%	774,176,271	97.87%	-	0.00%	-	0.00%	-	0.00%

OCRPS (Series A, B and C)

Name of the shareholder	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class	No. of Shares	% holding in the class
Padmaja Gangireddy	2,270,169	100.00%	2,270,169	100.00%	-	0.00%	-	0.00%	-	0.00%

Annexure 6A: Restated Standalone Statement of Money received against share warrants

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Money received against share warrants	1.49	-	-	-	-

Terms / rights attached to Convertible Share Warrants

On March 6, 2018, the Company issued 14,88,544 Convertible Share Warrants with an exercise price of Rs.235.48 per warrant ("Warrant Exercise Price") of which Re.1 per warrant was paid towards subscription of the warrants prior to the allotment of the warrants ("Upfront Payment Amount") and a balance amount of Rs.234.48 per warrant shall be paid at the time of exercising the right of conversion of such warrants into equity shares ("Balance Payment Amount"). The holder of convertible share warrants shall not be entitled to any voting rights in the Company.

Each warrant shall be convertible into an equivalent number of equity shares upon payment of the Balance Payment Amount, at the option of the warrant holder, in one or more tranches and at such time period as the warrant holder may deem fit, on or prior to the expiry of 24 months ("Offer Exercise Period") from the date of allotment i.e. March 6, 2018 (subject to adjustment in equity share capital that has occurred upto the date of conversion on account of issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action). Upon receipt of the Balance Payment Amount as set out above, the Board of Directors (or a Committee thereof) shall allot one equity share per warrant by appropriating from the Warrant Exercise Price, Rs.10 towards equity share capital and the balance amount received towards securities premium account.

Spandana Sphoorty Financial Limited					
Annexure 7: Restated Standalone Statement of Reserves and Surplus					
(Rupees in Millions unless otherwise stated)					
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Securities premium account					
Balance as per last financial statements	2,582.81	761.32	824.85	1,264.96	1,440.06
Add : Premium on issue of equity shares	294.80	1,819.31	-	-	-
Add : Premium on issue of OCRPS	-	2.18	-	-	-
Add : Received during the year	-	-	-	40.00	-
Less: Utilization towards premium on redemption of OCCRPS	-	-	(63.53)	(480.11)	(175.10)
Closing balance	2,877.61	2,582.81	761.32	824.85	1,264.96
Capital Reserve					
Balance as per last financial statements	-	-	-	-	7.00
Add : Adjustments during the year	-	-	-	-	-
Closing balance	-	-	-	-	7.00
General reserve					
	23.28	23.28	23.28	23.28	23.28
	23.28	23.28	23.28	23.28	23.28
Statutory reserve (As required by Sec 45-IC of Reserve Bank of India Act, 1934)					
Balance as per last financial statements	1,604.98	1,499.08	1,012.61	803.51	674.88
Add : Amount transferred from the surplus balance of Statement of profit and loss	343.70	105.90	486.47	209.10	128.63
Closing balance	1,948.68	1,604.98	1,499.08	1,012.61	803.51
Capital redemption reserve					
Balance as per last financial statements	1,526.92	1,526.92	1,360.84	470.30	-
Add: Amount transferred from surplus in the statement of profit and loss	-	-	166.08	890.54	470.30
Closing balance	1,526.92	1,526.92	1,526.92	1,360.84	470.30
Surplus balance in the statement of profit and loss					
Balance as per last financial statements	(9,645.73)	(9,960.11)	(11,772.44)	(11,742.19)	(11,723.84)
Add: Profit for the period/year	1,703.95	420.58	2,464.88	1,072.96	580.58
Less: Transfer to statutory reserve as required by Sec 45-IC of Reserve Bank of India Act, 1934*	(343.70)	(105.90)	(486.47)	(209.10)	(128.63)
Less : Adjustment of carrying amount of tangible assets in accordance with schedule II of Companies Act, 2013	-	-	-	(3.57)	-
Less: Dividend on OCCRPS [#]	-	(0.30)	-	-	-
Less: Transfer to Capital redemption reserve	-	-	(166.08)	(890.54)	(470.30)
Net surplus in the statement of profit or loss	(8,285.48)	(9,645.73)	(9,960.11)	(11,772.44)	(11,742.19)
Total reserves and surplus	(1,908.99)	(3,907.74)	(6,149.51)	(8,550.86)	(9,173.14)
[#] Includes dividend distribution tax * Transfer of 20% of the profit after tax to the statutory reserves in accordance with the provisions of section 45-IC** of the Reserve Bank of India Act, 1934 is of the profit after tax before restatement adjustment. ** As per Section 45-IC of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at the rate of 20% of the Profit after Tax of the Company every year.					

Spandana Sphoorty Financial Limited

(Rupees in Millions unless otherwise stated)

Notes for Reserves & Surplus**Year ended March 31, 2014**

(A) Amount of premium on redemption, adjusted from the securities premium account, was attributable to the OCCRPS redeemed during the year and includes an amount of Rs.47.61 million representing premium due on redemption but not paid as at March 31, 2014. The adjustment made from the securities premium account is in accordance with section 80 of the Companies Act, 1956.

(B) During the year, the Company had redeemed 47,030,000 OCCRPS in accordance with the terms of the MRA as explained in Annexure 6(b). Accordingly, the Company had transferred an amount equal to the nominal value of the OCCRPS redeemed to the Capital Redemption Reserve account from the profit earned during the year, in compliance with the requirements of Section 80 of the Companies Act, 1956.

(C) Since the opening reserves of the Company were negative, the Company was not eligible to declare any dividend in terms of section 123 of Companies Act, 2013 read with the rules framed thereunder which become applicable with regards to any payment of dividend subsequent to March 31, 2014. Hence, no appropriation had been made towards the dividend payable on the OCCRPS for the current financial year.

The Company had sought an approval from the Ministry of Corporate Affairs ('MCA') for payment of dividend on the OCCRPS which was awaited as at March 31, 2014. The Company has paid the previous year dividend to the holders of OCCRPS, subject to such approval from the MCA. Such payment had been treated as an advance in the books of account.

Year ended March 31, 2015

(A) Amount of premium on redemption, adjusted from the securities premium account, was attributable to the OCCRPS redeemed during the current year and includes an amount of Rs.194.28 millions representing premium due on redemption but not paid as at March 31, 2015, which had been transferred to current liabilities along with the nominal value of the OCCRPS. The adjustment made from the securities premium account is in accordance with section 55 of the Companies Act, 2013.

(B) During the year, 89,054,191 OCCRPS had fallen due for redemption in accordance with the terms of the MRA as explained in Annexure 6(b). Accordingly, the Company had transferred an amount equal to the nominal value of the OCCRPS due for redemption to the Capital Redemption Reserve account from the profit earned during the year, in compliance with the requirements of section 55 of the Companies Act, 2013.

(C) Since the opening reserves of the Company were negative, the Company was not eligible to declare any dividend in terms of section 123 of Companies Act, 2013 read with the rules framed thereunder. Hence, no appropriation had been made towards the dividend payable on the OCCRPS for the financial year. The Company had sought an approval from the Ministry of Corporate Affairs ('MCA') for payment of dividend on the OCCRPS which was awaited as at March 31, 2015. The Company had paid the previous year dividend to the holders of OCCRPS, subject to such approval from the MCA. Such payment had been treated as an advance in the books of account.

Year ended March 31, 2016

(A) As mentioned under Annexure 6(b), the OCCRPS were redeemable at a premium of 12% p.a. Such premium on redemption was provided out of the balance in securities premium account. The amount of premium paid and adjusted in respect of current year redemption is Rs.74.17 millions. Further, of the redemption premium provided as at March 31, 2015 of Rs.194.25 millions, an amount of Rs.183.64 millions has been paid during the year and the balance had been reinstated in the securities premium account for the reasons stated in Annexure 6 (g.2). Thus, the utilisation of securities premium account, shown in the above table, was net of adjustment in respect of previous year unpaid dues.

(B) In accordance with section 55 of the Companies Act, 2013, the Company had transferred an amount equivalent of the nominal value of OCCRPS redeemed during the year, to the Capital Redemption Reserve. Also refer Annexure 6 (g.2).

(C) Since the opening reserves of the Company were negative, the Company was not eligible to declare any dividend in terms of section 123 of Companies Act, 2013 read with the rules framed there under. Hence, no appropriation had been made towards the dividend payable on the OCCRPS for the financial year. The Company had sought an approval from the MCA for payment of dividend on the OCCRPS which was awaited as at March 31, 2016. The Company had paid the previous year dividend to the holders of OCCRPS, subject to such approval from the MCA. Such payment had been treated as an advance in the books of account.

Year ended March 31, 2017

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

Spandana Sphoorty Financial Limited (Rupees in Millions unless otherwise stated)										
Annexure 8: Restated Standalone Statement of Long-term borrowings (Rupees in Millions unless otherwise stated)										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current
Secured										
Non convertible debentures (Refer Annexure 8.1(a) for details)	1,625.00	833.33	-	-	-	-	-	-	-	-
Term Loans										
Indian rupee loan from banks	1,991.53	7,722.79	5,377.31	4,180.45	-	7,553.03	3,070.87	5,505.11	2,991.20	2,908.27
Indian rupee loan from financial institutions and non banking finance companies	1,077.41	2,183.93	-	-	-	1,634.93	681.62	974.70	418.86	708.06
Unsecured										
Non convertible debentures (Refer Annexure 8.1(b) for details)	-	200.00	-	-	-	-	-	-	-	-
Term Loan										
Indian rupee loan from financial institutions (Refer Annexure 8.1 (c) for details)	200.00	-	-	-	-	-	-	-	-	-
	4,893.94	10,940.05	5,377.31	4,180.45	-	9,187.96	3,752.49	6,479.81	3,410.06	3,616.33
The above amount includes										
Secured borrowings*	4,693.94	10,740.05	5,377.31	4,180.45	-	9,187.96	3,752.49	6,479.81	3,410.06	3,616.33
Unsecured borrowings**	200.00	200.00	-	-	-	-	-	-	-	-
Amount disclosed under the head "other current liabilities"	-	(10,940.05)	-	(4,180.45)	-	(9,187.96)	-	(6,479.81)	-	(3,616.33)
Net amount	4,893.94	-	5,377.31	-	-	-	3,752.49	-	3,410.06	-
*The indian rupee loans are secured by hypotheciation of book debts and margin money deposits ** Unsecured borrowings are in the nature of subordinated debt and non convertible debentures.										
Annexure 8.1(a): Terms of principal repayment of secured non convertible debentures										
Particulars	31-Mar-18									
	Total Amount	Non Current	Current							
325, 13.15% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 72 months from the date of allotment i.e. October 31, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of 36 months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	325.00	325.00	-							
180,000,000 (Previous year Nil) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 each. redeemable at the end of 36 months from the date of allotment i.e. October 26, 2017	180.00	180.00	-							
120,000,000 (Previous year Nil) 12.30% Secured, Redeemable, Non-convertible Debentures of face value of Re.1 each, redeemable at the end of 36 months from the date of allotment i.e. August 21, 2017	120.00	120.00	-							
4,000, 13.5% Partly-paid Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 36 months from the date of allotment i.e. September 28, 2017 (subject to exercise of put option by the lender at the end of 12 or 24 months from the date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	833.33	-	833.33							
1,000, 14% Secured, Redeemable, Non-convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 72 months from the date of allotment i.e. September 18, 2017 (subject to exercise of put option by the lender or call option by the Company at the end of 36 months from date of allotment). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	1,000.00	1,000.00	-							

Spandana Sphoorty Financial Limited
(Rupees in Millions unless otherwise stated)

Annexure 8.1(b): Terms of principal repayment of unsecured non convertible debentures

Particulars	31-Mar-18		
	Total Amount	Non Current	Current
200, 13.30% Fully paid up Senior Unsecured, Redeemable, Non-Convertible Debentures of face value of Rs.1 million each redeemable at par at the end of 36 months from the date of allotment i.e. September 26, 2017 (subject to exercise of put option by the lender at the end of 367 days or 24 months). Redeemable on maturity if option not exercised or communication for roll-over received from lender.	200.00	-	200.00

Annexure 8.1(c): Details of Unsecured Subordinate debt as at March 31, 2018

Name of the issuer	Date of Drawdown	Date of Repayment	Rate of interest (per annum)	Total Amount	Current Maturity as at March 31, 2018	Non-Current Maturity as at March 31, 2018	Terms of Repayment
Capital First Limited	09-Jun-17	08-Jun-24	15.00%	200.00	-	200.00	Bullet payment at the end of eighty four months from first disbursement

Annexure 8.3: Other Information

A. Information on CDR package

For the year ended March 31, 2016, 2015 and 2014

The Company had received an approval for the Corporate Debt Restructuring (‘CDR’) package with the lenders under the Master Restructuring Agreement (‘MRA’) dated September 24, 2011. The key features of the CDR are as follows:

1. Of the total debt outstanding as at April 1, 2011:

- an amount of Rs.21,709.80 million (net of fixed deposits available with individual lenders), was restructured under the MRA (including subsequent participation by one lender) during the year ended March 31, 2016. Of the total restructured debt, Rs.9,437 million was reconstituted as Optionally Convertible Cumulative Redeemable Preference Shares (‘OCCRPS’) and the balance amount of Rs.12,272.80 million was reconstituted as rupee term loans.
- an amount of Rs.21,639.00 million (net of fixed deposits available with individual lenders), was restructured under the MRA during the year ended March 31, 2015. Of the total restructured debt, Rs.9,406 million was reconstituted as Optionally Convertible Cumulative Redeemable Preference Shares (‘OCCRPS’) and the balance amount of Rs.12,233 million was reconstituted as rupee term loans. Further, during the year, the Company, further restructured debts outstanding of Rs.70.10 million, by reconstituting Rs.31 million as OCCRPS and the balance of Rs.39.10 million as rupee term loans.
- an amount of Rs.21,639 million (net of fixed deposits available with individual lenders), was restructured under the MRA during the year ended March 31, 2014. Of the total debt outstanding, Rs.9,406 million has been reconstituted as Optionally Convertible Cumulative Redeemable Preference Shares (‘OCCRPS’) and the balance amount of Rs.12,233 million has been reconstituted as rupee term loans.
- The restructured rupee term loans carried a fixed rate of interest of 12% p.a., payable on a monthly basis, with effect from April 1, 2011. Principal amount on the said rupee term loans is repayable starting from financial year 2012-13, the proportion of repayment being 20%, 25%, 25%, 15%, 10% and 5% over six years respectively.

2. Details of security available to the CDR lenders in respect of the rupee term loans outstanding are as follows:

- As part of the MRA, security interest created by the Company is available to all the lenders to secure the restructured term debt, working capital term loans and all amounts payable under the restructuring documents and the security interests so created, rank paripassu among the lenders.
- Additional security was made available to the CDR lenders by pledging of entire unencumbered shares held by the promoters. The promoters would also pledge any additional shares allotted to the promoters as rights/ bonus shares/ preferential allotment, in future during the currency of the package.
- The additional security mentioned above would also be made available to each lender who accedes to the MRA to secure the loan or facility advanced by such lender to the Company.

Applicable for financial year ended March 31, 2015 and March 31, 2014

- If at any time during the subsistence of MRA, the lenders are of the opinion that the security provided by the Company has become inadequate to cover the balance of the loans then outstanding, then, on CDR Empowered Group advising the Company to that effect, the Company shall provide such additional collateral or security to secure the loan, as may be required by the CDR Empowered Group in its sole discretion.

Spandana Sphoorty Financial Limited

(Rupees in Millions unless otherwise stated)

Applicable for financial year ended March 31, 2016 and March 31, 2015

Pursuant to the approval of CDR committee vide its letter dated December 30, 2013, it was agreed that CDR lenders would make available a rupee term loan facility to the Company for an aggregate amount of Rs.11,502.50 million to the Company. Accordingly, the Company entered into a loan agreement dated April 29, 2014 with the participating lenders. This fresh line of credit provided by the participating lenders was referred to as "priority debt".

The priority debt carried a fixed rate of interest of 13% p.a., payable on a monthly basis. Principal amount of priority debt would be repayable in 18 equal monthly installments subsequent to a moratorium of 6 months from draw-down of each tranche.

Applicable for financial year ended March 31, 2015

The lenders who did not participate in the priority debt agreed to defer all repayments due to them under the CDR for a period of two years commencing from January 2014 until December 2015. As per the revised repayment schedule, the balance outstanding principle amount would be repayable starting from financial year 2015-16 (from January 2016) and the proportion of repayment will be 10%, 35%, and 16.25% of the reconstituted term loans, each year respectively. The new rupee term loan is secured by exclusive charge on receivables created out of the facility, apart from the security provided as per MRA.

B. Reconciliation of closing balance (CDR lenders)

There are certain differences in the closing balance of borrowings from CDR lenders as per books of account and the balances as per the confirmations / statement of account received from these lenders. The Company has accounted for all the adjustments in accordance with the terms of the CDR package (along in priority debt loan agreement in financial year 2015-16) and is in the process of identifying the reasons for the differences noted.

- In financial year 2015-16, such differences were not material on net basis.
- In financial year 2014-15, subsequent to the balance sheet date, the unreconciled amount, in respect of which reasons are yet to be identified up to the date of the finalization of the financial statements, was Rs. 0.11 million (net).
- In financial year 2013-14, subsequent to the balance sheet date, the unreconciled amount, in respect of which reasons are yet to be identified up to the date of the finalisation of the financial statements, was Rs. 0.46 million (net).

Spandana Sphoorty Financial Limited

(Rupees in Millions unless otherwise stated)

C. Repayment to lenders

- During the year ended March 31, 2016, there had been delay in repayment of principal and interest to the CDR lenders and the overdue principal and interest remaining unpaid as at March 31, 2016 is Rs.2,616.18 million and Rs.642.33 million respectively.
- During the year ended March 31, 2015, there had been delay in repayment of principal and interest to the CDR lenders and the overdue principal and interest remaining unpaid as at March 31, 2015 is Rs.677.83 million (March 31, 2014: Rs. 698.82 millions), Rs.270.88 million (Includes Rs.6.66 million towards panel interest) (Previous year: Rs.190.10 million) respectively. Further, no repayments had been made by the Company during the year in case of one lender, who had agreed for one time settlement subsequent to balance sheet date. The overdue principal and interest remaining unpaid in respect of such lender as at March 31, 2015 is Rs.594.17 million and Rs.224.86 million respectively.
- During the year ended March 31, 2014, there had been a delay in repayment of principal and interest to the CDR lenders and the overdue principal and interest remaining unpaid as at March 31, 2014 is Rs.683.10 million, Rs.190.10 million (includes Rs.5.45 million towards penal interest) respectively.
- As at March 31, 2014, the Company was in the process of restructuring/settlement of loans from two lenders who had not participated in the CDR package earlier. Pending the finalization of terms for restructuring or settlement no amounts have been paid by the Company to these lenders during the year ended March 31, 2014. The loan outstanding and overdue in respect of such lenders as at March 31, 2014 is Rs.664.30 million and the unpaid interest thereon is Rs.174.67 million.

D. In financial year ended on March 31, 2016, in view of the proposed transaction whereby the Company shall pre-close the debt and exit from CDR, the total borrowings of the Company are expected to mature within twelve months of the balance sheet date. Accordingly, the entire balance of borrowings outstanding as at March 31, 2016 had been considered as current maturities of long-term borrowings.

Spandana Sphoorty Financial Limited
Annexure 8.2: Terms of principal repayment of long term borrowings as at March 31, 2018

Original maturity of loan	Interest rate	Due within 1 year		Due between 1 to 2 Years		Due between 2 to 3 Years		Due beyond 3 Years		Total
		No. of installme nts	Amount (in Rupees)	No. of installme nts	Amount (in Rupees)	No. of installme nts	Amount (in Rupees)	No. of installme nts	Amount (in Rupees)	
Monthly										
1-3 years	11.01%-11.5%	4	87.15	-	-					87.15
		12	47.62	12	53.39	5	24.11	-	-	125.12
		12	44.40	12	49.78	12	55.82	-	-	150.00
		12	163.37	5	73.65	-	-	-	-	237.02
	11.51%-12.00%	12	336.41	2	60.07	-	-	-	-	396.48
	12.01%-12.5%	12	2,285.71	-	-	-	-	-	-	2,285.71
	12.51%-13%	10	222.22	-	-	-	-	-	-	222.22
		12	75.00	4	25.00	-	-	-	-	100.00
		12	50.00	5	20.83	-	-	-	-	70.83
		12	589.85	-	-	-	-	-	-	589.85
	13.01%-13.5%	12	2,501.75	-	-	-	-	-	-	2,501.75
		12	212.54	5	88.56	-	-	-	-	301.10
		12	376.21	2	67.73	-	-	-	-	443.93
		11	317.09	-	-	-	-	-	-	317.09
		12	40.87	4	14.83	-	-	-	-	55.70
	13.51%-14%	3	105.28	-	-	-	-	-	-	105.28
Quarterly										
1-3 years	10.51% - 11.00%	3	171.43	4	228.57		-	-	-	400.00
		4	500.00	4	500.00		-	-	-	1,000.00
		3	257.14	4	342.86		-	-	-	600.00
		3	214.29	4	285.71		-	-	-	500.00
		3	214.29	4	285.71		-	-	-	500.00
	11.01%-11.5%		-		-		-	-	-	-
	12.5%-13%	4	428.57	2	214.29		-	-	-	642.86
		4	250.00	4	250.00	2	125.00			625.00
		3	223.13		-		-			223.13
		4	83.33	4	83.33	4	83.33			250.00
	13.01%-13.5%	2	833.33							833.33
		4	109.09	4	109.09	1	27.27			245.45
Bullet										
1-3 years	12.01%-12.5%					1	120.00			120.00
						1	180.00			180.00
	13.01%-13.5%					1	325.00			325.00
		1	200.00							200.00
	13.51% - 14.00%						-			-
	14.01%-14.5%					1	1,000.00			1,000.00
Above 3 years	14.5%-15%									-
	14%-14.5%									-
	14.5%-15%							1	200.00	200.00
Grand Total		210	10,940.05	85	2,753.41	28	1,940.54	1	200.00	15,834.00

Spandana Sphoorty Financial Limited
Annexure 9: Restated Standalone Statement of Other long term liabilities
(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Unamortized Collection fees	1.01	-	-	-	-
Other payables	-	-	-	621.00	676.80
Total	1.01	-	-	621.00	676.80

Annexure 10: Restated Standalone Statement of Provisions
(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current
Provision for employee benefits										
Provision for gratuity (refer Annexure 28.4)	3.90	-	5.98	-	0.78	-	0.87	-	-	-
A	3.90	-	5.98	-	0.78	-	0.87	-	-	-
Others provisions										
Contingent provision against standard assets (refer Annexure 5.5 (s) and Annexure 28.6)	143.79	164.88	12.21	50.50	5.09	115.48	8.12	112.34	5.68	84.54
Provision for non-performing assets (refer Annexure 5.5 (s) and Annexure 28.6)	8,576.43	-	8,450.79	-	7,995.46	-	10,532.48	-	12,059.79	-
Provision for taxation	-	92.96	-	235.84	-	-	-	-	-	-
B	8,720.22	257.84	8,463.00	286.34	8,000.55	115.48	10,540.60	112.34	12,065.47	84.54
Total (A + B)	8,724.12	257.84	8,468.98	286.34	8,001.33	115.48	10,541.47	112.34	12,065.47	84.54

Annexure 11 : Restated Standalone Statement of Short-term borrowings
(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Loans and advances from related parties(Unsecured)	-	10.00	-	-	-
Cash Credit from banks (secured)*	0.40	-	-	-	-
Total	0.40	10.00	-	-	-

*Cash credit from banks are secured by hyphothcation of book debts.

Annexure 12: Restated Standalone Statement of Other current liabilities
(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Expenses payables	15.79	162.26	27.17	28.77	22.07
Employee benefit payables	123.04	88.20	100.69	92.58	89.45
Payable towards asset assignment and securitization	663.39	5.91	768.89	956.75	1,008.15
Creditors for capital goods	6.30	0.42	5.02	26.90	-
Amounts pending adjustment to borrower accounts	-	-	-	-	79.34
Other payables	20.91	24.51	28.01	36.09	24.05
Other liabilities					
Current maturities of long-term borrowings (refer Annexure 8)	10,940.05	4,180.45	9,187.96	6,479.81	3,616.33
Interest accrued but not due on borrowings	122.97	10.92	11.05	28.63	37.96
Interest accrued and due on borrowings	-	-	642.33	483.83	358.17
Statutory dues payable (including penal damages levied by ESIC)	30.13	19.80	9.10	12.71	11.95
Amounts payable on redemption of OCCRPS (refer Annexure 6(g,2) and 7)	-	-	-	470.80	165.18
Guarantee fee payable	-	-	-	27.39	26.31
Unfructified service tax liability (net of amount paid under protest as at March 31, 2018 and March 31, 2017 Rs 9.93 millions, as at March 31, 2016 Rs. 9.91 millions, as at March 31, 2015 and as at March 31, 2014 Rs. 9.20 millions)	132.83	124.30	116.61	97.64	86.28
Unamortized income					
Unamortised gain on securitisation	4.24	-	-	-	-
Total	12,059.65	4,616.77	10,896.83	8,741.90	5,525.24

Spandana Sphoorty Financial Limited
Annexure 13.1: Restated Standalone Statement of Property, plant and equipment
(Rupees in Millions unless otherwise stated)

Particulars	Land & Building*	Lease hold improvements	Furniture & Fixtures	Office Equipment	Vehicles	Computers & Printers	Total
Gross Block							
As at April 1, 2013	-	-	85.22	37.57	4.40	120.57	247.76
Additions			5.49	3.03	-	4.31	12.83
Disposals			5.88	4.99	-	0.28	11.15
Other adjustments			0.20	0.34	-	0.07	0.61
As at March 31, 2014	-	-	84.63	35.27	4.40	124.53	248.83
Additions			2.58	0.55	-	32.69	35.82
Disposals			2.20	0.45	0.64	5.52	8.81
As at March 31, 2015	-	-	85.01	35.37	3.76	151.70	275.84
Additions	-	92.20	23.79	0.98	-	4.35	121.32
Disposals	-	-	68.24	25.72	0.83	57.74	152.53
As at March 31, 2016	-	92.20	40.56	10.63	2.93	98.31	244.63
Additions	-	3.20	5.80	0.97	1.23	2.83	14.03
Disposals	-	-	0.13	1.07	-	0.27	1.47
As at March 31, 2017	-	95.40	46.23	10.53	4.16	100.87	257.19
Additions	2.01	-	8.86	4.67	-	19.33	34.87
Disposals	-	-	0.10	0.02	0.64	0.25	1.01
As at March 31, 2018	2.01	95.40	54.99	15.18	3.52	119.95	291.05
Depreciation							-
As at April 1, 2013	-	-	58.63	22.26	3.23	108.23	192.35
Depreciation charge for the year			13.38	5.84	0.36	7.09	26.67
Disposals			4.69	3.00	-	0.24	7.93
Other adjustments			0.17	0.30	-	0.06	0.53
As at March 31, 2014	-	-	67.15	24.80	3.59	115.02	210.56
Depreciation charge for the year			7.80	5.30	0.39	13.94	27.43
Disposals			2.15	0.34	0.59	5.32	8.40
Other adjustments (refer Annexure 7)			-	1.58	-	1.99	3.57
As at March 31, 2015	-	-	72.80	31.34	3.39	125.63	233.16
Depreciation charge for the year	-	11.31	4.30	0.45	0.14	11.10	27.30
Disposals	-	-	59.20	22.35	0.83	55.18	137.56
As at March 31, 2016	-	11.31	17.90	9.44	2.70	81.55	122.90
Depreciation charge for the year	-	51.46	8.64	0.87	0.45	8.07	69.49
Disposals	-	-	0.13	1.04	-	0.26	1.43
As at March 31, 2017	-	62.77	26.41	9.27	3.15	89.36	190.96
Depreciation charge for the year	0.05	20.61	10.59	1.34	0.31	9.60	42.50
Disposals	-	-	0.09	0.02	0.59	0.24	0.94
As at March 31, 2018	0.05	83.38	36.91	10.59	2.87	98.72	232.52
Net Block							
As at March 31, 2013	-	-	26.59	15.31	1.17	12.34	55.41
As at March 31, 2014	-	-	17.48	10.47	0.81	9.51	38.26
As at March 31, 2015	-	-	12.21	4.03	0.37	26.07	42.68
As at March 31, 2016	-	80.89	22.66	1.19	0.23	16.76	121.73
As at March 31, 2017	-	32.63	19.82	1.26	1.01	11.51	66.23
As at March 31, 2018	1.96	12.02	18.08	4.59	0.65	21.23	58.54

* Mortgaged as security against secured non-convertible debentures.

Spandana Spahoorty Financial Limited
Annexure 13.2 : Restated Standalone Statement of Intangible Assets

(Rupees in Millions unless otherwise stated)

Particulars	Computer Software
As at April 1, 2013	32.01
Purchase	-
Disposals	-
As at March 31, 2014	32.01
Purchase	12.79
Disposals	-
As at March 31, 2015	44.80
Additions	19.34
Disposal	-
As at March 31, 2016	64.14
Additions	14.79
Disposal	-
As at March 31, 2017	78.93
Additions	16.93
Disposal	-
As at March 31, 2018	95.86
Amortization	
As at April 1, 2013	21.23
Depreciation charge for the year	4.60
As at March 31, 2014	25.83
Depreciation charge for the year	5.70
As at March 31, 2015	31.53
Depreciation charge for the year	9.71
As at March 31, 2016	41.24
Depreciation charge for the year	13.84
Disposal	-
As at March 31, 2017	55.08
Depreciation charge for the year	14.75
Disposal	-
As at March 31, 2018	69.83
Net Block	
As at March 31, 2013	10.78
As at March 31, 2014	6.18
As at March 31, 2015	13.27
As at March 31, 2016	22.90
As at March 31, 2017	23.85
As at March 31, 2018	26.03

Annexure 13.3 : Restated Standalone Statement of Capital work in Progress

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Supply of material	-	-	-	46.55	
Civil works	-	-	-	9.39	
	-	-	-	55.94	-

Spandana Sphoorty Financial Limited										
Annexure 14: Restated Standalone Statement of Non-current investments										
(Rupees in Millions unless otherwise stated)										
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14					
Non trade investments (valued at cost unless stated otherwise)										
Investment in equity shares (Unquoted)										
100,000 equity shares of Rs 10 each of Alpha Microfinance Consultants Private Limited	1.00	1.00	1.00	1.00	1.00					
Trade investments (valued at cost unless stated otherwise)										
Investment in equity shares (Unquoted)										
2,000,000 equity shares of Rs.10 each fully paid up in Caspian Financial Services Limited	20.00	-	-	-	-					
Total	21.00	1.00	1.00	1.00	1.00					
Aggregate amount of unquoted investments	21.00	1.00	1.00	1.00	1.00					
Annexure 15: Restated Standalone Statement of Loan portfolio										
(Rupees in Millions unless otherwise stated)										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Portfolio Loans										
Secured considered good*										
Individual loans	48.66	185.40	0.85	226.11	2.46	180.13	25.63	324.69	123.52	488.15
Secured considered doubtful**										
Individual loans	8.61	-	7.04	-	10.64	-	36.59	-	39.51	-
Unsecured considered good*										
Joint liability group loans	6,237.90	16,413.59	2,345.64	9,549.74	502.04	11,458.46	809.75	10,603.46	522.86	7,744.33
Individual loans	0.13	0.59	0.30	4.32	4.40	35.04	6.41	61.22	13.08	85.35
Joint liability group loans placed as collateral towards securitisation/ assignment transaction	1,275.76	-	-	-	-	-	-	-	-	-
Unsecured considered doubtful**										
Joint liability group loans	7,651.73	-	7,883.69	-	7,067.49	-	9,387.45	-	10,633.50	-
Individual loans	928.25	-	928.56	-	927.62	-	1,206.75	-	1,421.78	-
	16,151.03	16,599.58	11,166.08	9,780.17	8,514.65	11,673.63	11,472.58	10,989.37	12,754.25	8,317.83
* Represents standard assets in accordance with Company's asset classification policy (refer Annexure 5.5 (r))										
** Represents non-performing assets in accordance with Company's asset classification policy (refer Annexure 5.5 (r))										
As at March 31, 2016, as part of the proposed transaction described in Annexure 5.2(B)(2), the Company proposes to sell a part of its loan portfolio in the subsequent period by way of direct assignment. However, such loan portfolio is not specifically identified as at March 31, 2016 and hence no changes in the classification of loan portfolio have been made to that effect										

Spandana Sphoorty Financial Limited										
Annexure 16: Restated Standalone Statement of Other Loans and advances (Rupees in Millions unless otherwise stated)										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
A.Security Deposits										
Unsecured, considered good	17.65	0.33	15.78	0.11	15.54	-	24.77	-	21.45	-
(A)	17.65	0.33	15.78	0.11	15.54	-	24.77	-	21.45	-
B.Loans and advances to related parties										
Inter Corporate advances	-	538.66	-	-	-	-	-	-	-	-
(B)	-	538.66	-	-	-	-	-	-	-	-
C.Other loans and advances (Unsecured, considered good)										
Advance income tax (net of provision)	41.86	-	46.63	-	151.65	-	151.29	-	164.79	-
Capital advances	-	2.17	-	-	-	0.18	-	2.71	-	-
Advance with service provider	5.00	-	1.00	-	1.00	0.82	3.60	-	5.10	-
Advance against sum assured	11.31	9.61	12.40	3.73	16.39	10.94	12.31	21.15	16.71	9.30
Prepaid expenses	-	1.56	-	2.15	-	0.03	-	2.99	-	2.78
Other advances	0.88	1.24	1.29	24.57	-	1.47	0.01	3.41	-	9.80
Unsecured, considered doubtful										
Employee loans	1.70	-	1.70	-	1.91	-	1.96	-	2.21	-
Amounts deposited with courts	4.84	-	4.74	-	5.03	-	5.02	-	5.23	-
Other advances	-	-	15.05	-	10.17	-	3.98	-	-	-
	65.59	14.58	82.81	30.45	186.15	13.44	178.17	30.26	194.04	21.88
Less: Provision for doubtful advances	(17.85)	-	(33.89)	-	(30.91)	-	(23.30)	-	(23.94)	-
(C)	47.74	14.58	48.92	30.45	155.24	13.44	154.87	30.26	170.10	21.88
Total (A+B+C)	65.39	553.57	64.70	30.56	170.78	13.44	179.64	30.26	191.55	21.88
Annexure 17: Restated Standalone Statement of Other assets (Rupees in Millions unless otherwise stated)										
Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Non-current bank balances (refer Annexure 19)	504.30	-	22.61	-	20.88	-	19.17	-	17.63	-
Interest accrued on term deposits	-	-	-	0.47	-	0.57	-	0.65	-	0.67
Interest accrued but not due on portfolio loans	-	121.75	-	65.19	-	64.48	-	81.38	-	86.74
Interest accrued and due on portfolio loans	-	1.43	-	9.11	-	2.36	-	2.71	-	9.05
Interest accrued on inter corporate advances	-	4.48	-	-	-	-	-	-	-	-
Interest accrued but not due on term deposits placed with banks	-	27.00	-	-	-	-	-	-	-	-
Interest accrued but not due on term deposits placed with non banking financial institutions	-	3.86	-	-	-	-	-	-	-	-
Term deposits placed with non banking financial institutions#	25.00	61.75	-	-	-	-	-	-	-	-
Other Receivable	-	-	-	0.54	-	-	-	0.19	-	0.51
Contribution towards gratuity (net of provision)	-	-	-	-	-	-	-	-	13.56	-
Unamortized premium on portfolio purchase	-	2.84	-	-	-	-	-	-	-	-
Total	529.30	223.11	22.61	75.31	20.88	67.41	19.17	84.93	31.19	96.97
# Represent margin money deposits placed to avail term loans from non banking financial institutions and placed as cash collateral in connection with securitisation transactions.										

Spandana Sphoorty Financial Limited

Annexure 18: Restated Standalone Statement of Trade receivables

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Unsecured, considered good	25.54	14.64	18.34	18.57	1.61
Total	25.54	14.64	18.34	18.57	1.61

The Company does not have any trade receivables outstanding for a period exceeding six months from the date they are due for payment

Annexure 19: Restated Standalone Statement of Cash and bank balances

(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18		31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14	
	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current	Current
Cash and bank balances										
Balance with banks										
On current accounts	-	871.29	-	2,894.54	-	351.22	-	580.43	-	229.90
Deposit with original maturity of less than three months	-	150.01	-	-	-	-	-	-	-	-
Cash in hand	-	3.70	-	6.63	-	2.04	-	10.47	-	27.85
	-	1,025.00	-	2,901.17	-	353.26	-	590.90	-	257.75
Other bank balances										
Cash collateral against borrowings										
Margin money deposit (refer note below)	504.30	501.23	22.61	20.88	19.17	17.63				
	504.30	501.23	22.61	-	20.88	-	19.17	-	17.63	-
Amount disclosed under non-current assets (refer Annexure 17)	(504.30)	-	(22.61)	-	(20.88)	-	(19.17)	-	(17.63)	-
Total	-	1,526.23	-	2,901.17	-	353.26	-	590.90	-	257.75

Note : Represents margin money deposits placed to avail tem loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with securitisation transactions.

Spandana Sphoorty Financial Limited					
Annexure 20: Restated Standalone Statement of Revenue from operations					
<i>(Rupees in Millions unless otherwise stated)</i>					
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Interest on portfolio loans	4,710.43	3,361.02	3,282.67	2,827.95	2,549.23
Income from securitization	439.43	-	-	-	-
Other operating revenue					
Loan processing fees	376.24	198.95	173.60	185.43	146.51
Interest on margin money deposits*	38.03	1.35	1.77	1.59	1.60
Recovery against loans written offs	44.23	10.40	6.01	37.01	19.44
Total	5,608.36	3,571.72	3,464.05	3,051.98	2,716.78
* Represents interest on margin money deposits placed to avail tem loans from banks, financial institutions, non banking financial companies and as cash collateral in connection with securitisation transactions..					
Annexure 21: Restated Standalone Statement of Other income					
<i>(Rupees in Millions unless otherwise stated)</i>					
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Interest on fixed deposits	-	-	-	0.03	1.44
Dividend from mutual funds	15.84	16.38	4.63	4.74	10.13
Profit on sale of mutual funds	26.30	-	-	-	-
Profit on sale of fixed assets (net)	0.40	0.21	-	0.79	2.14
Liabilities no longer required written back	-	-	7.30	189.61	5.72
Interest on inter corporate advances	16.94	-	-	-	-
Interest on income tax refund	-	9.85	0.00	0.83	30.79
Incentive income	16.53	-	-	-	-
Commission income	39.75	37.88	32.50	30.52	2.32
Miscellaneous Income	1.85	5.96	5.01	7.83	1.75
Total	117.61	70.28	49.44	234.35	54.29

Spandana Sphoorty Financial Limited					
Annexure 22: Restated Standalone Statement of Employee benefit expense			(Rupees in Millions unless otherwise stated)		
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Salaries, wages and bonus	729.65	556.18	546.51	663.68	673.93
Contribution to provident fund	13.64	12.47	12.42	14.71	14.55
Contribution to Employees State Insurance Corporation	1.89	1.61	2.11	2.86	5.78
Leave benefits	5.54	5.24	7.90	8.20	8.99
Gratuity expense (refer Annexure 28.4)	4.46	5.20	(0.02)	14.42	(0.08)
Staff welfare expenses	3.94	2.25	1.95	2.20	1.52
Total	759.12	582.95	570.87	706.07	704.69
Annexure 23: Restated Standalone Statement of Finance costs			(Rupees in Millions unless otherwise stated)		
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Interest					
On term loans from banks	1,193.36	1,152.06	1,036.00	903.04	813.95
On term loans from financial institutions and non-banking finance companies	423.32	322.54	206.25	162.68	157.63
On Non-Convertible Debentures	189.49	-	-	-	-
On cash credit from banks	1.09	-	-	-	-
On amount borrowed from related party	0.26	0.02	-	-	-
On income tax	30.91	17.57	-	-	-
Other finance cost	154.38	235.25	37.34	50.14	3.83
Bank charges	5.99	6.46	7.64	6.94	11.26
Total	1,998.80	1,733.91	1,287.23	1,122.80	986.67
Annexure 24: Restated Standalone Statement of Other expenses			(Rupees in Millions unless otherwise stated)		
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Rent	47.23	63.35	77.48	81.12	74.09
Rates and taxes	2.61	7.55	1.06	7.19	2.28
Office maintenance	20.46	13.71	16.92	13.84	14.57
Computers and network maintenance	2.91	2.26	3.00	8.43	13.45
Electricity charges	9.38	8.78	8.80	10.01	10.26
Travelling expenses	70.52	73.11	65.76	89.37	97.33
Communication expenses	6.22	6.94	12.36	18.72	19.42
Credit Bureau Expenses	6.48	5.29	3.86	5.20	5.21
Printing and stationery	8.75	7.98	7.49	8.38	11.55
Legal and professional charges	36.55	59.76	24.59	17.54	16.51
Directors sitting fees	3.06	1.43	1.16	1.28	0.47
Auditors remuneration (refer details below)	6.77	6.61	6.82	6.79	4.03
Recruitment and training	6.26	0.97	0.74	0.44	1.49
Subscription fees	4.74	7.09	2.46	0.50	2.00
Other provisions and write off	19.06	10.27	33.78	10.57	132.24
Security charges	1.54	3.29	7.30	10.83	6.18
Foreign exchange loss	-	0.03	0.35	1.08	2.48
Loss on sale of fixed assets	-	-	9.46	-	-
Premium paid on purchase of portfolio	5.45	8.56	0.07	0.50	-
CSR Expenses	4.01	-	-	-	-
Miscellaneous expenses	0.04	0.56	2.15	1.22	0.41
Total	262.04	287.54	285.61	293.01	413.97
			(Rupees in Millions unless otherwise stated)		
Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
As auditor:					
Audit fee	5.52	5.66	5.64	5.55	3.88
Certification fee	0.59	0.32	0.32	0.46	0.16
Out of pocket expenses	0.66	0.63	0.85	0.79	-
Total	6.77	6.61	6.81	6.80	4.04

Spandana Sphoorty Financial Limited
Annexure 25: Restated Standalone Statement of Provision and write-offs
(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Contingent provision against standard assets (refer Annexure 28.6)	245.96	(57.86)	0.11	30.24	67.13
Provision for non-performing assets (refer Annexure 28.6)	125.63	455.34	(2,537.02)	(1,527.31)	(936.16)
Loss on assigned portfolio against credit enhancements provided	-	-	-	140.00	146.62
Portfolio loans written off	-	22.80	2,643.74	1,407.60	775.60
Total	371.59	420.28	106.83	50.53	53.19

Annexure 26: Restated Standalone Statement of Exceptional Items of Income / (Expense)
(Rupees in Millions unless otherwise stated)

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Provision no longer required written back [refer note 1 (a) and 2 below]	-	447.86	1,238.94		-
CDR settlement expense [refer note 1 (b) below]		(343.00)			
Total	-	104.86	1,238.94	-	-

Note 1: Year ended March 31, 2017

(a) Pursuant to the Company's exit from corporate debt restructuring (CDR) upon fulfillment of all conditions stipulated in the CDR Settlement Agreement dated March 21, 2017 (entered into by the Company with its lenders), there were no further amounts payable by the Company to its lenders and assignee banks (with whom the Company had entered into loan assignment transactions in the earlier years). In view of the final settlement, liabilities of Rs.447.86 million (*Rs.294.83 million, net of tax as per the effective tax rate with reference to the restated profit before tax*) were written back which were no longer payable by the Company. Such income arising on account of write back of liabilities, has been disclosed as an exceptional item in the restated summary statements.

(b) Represents additional payments made by the Company to its lenders pursuant to the CDR Settlement Agreement dated March 21, 2017, referred to in (a) above. Such payments of Rs.343 million (*Rs.219.87 million, net of tax as per the effective tax rate with reference to the restated profit before tax*) have been disclosed as an exceptional item in the restated summary statements.

Note 2: Year ended March 31, 2016

During the year ended March 31, 2016, the Company reached at a one-time settlement with some of the lenders who had not participated in corporate debt restructuring programme. The Company paid an agreed amount to such lenders as a full and final settlement in accordance with the approvals granted by the CDR – Empowered Group. As a result of such settlement, liabilities of Rs.1,238.94 million (*current tax for the year being 'nil', no post-tax effect considered*) were written back as those were no longer payable by the Company. Such income, arising on account of write back of liabilities, has been disclosed as an exceptional item in the restated summary statements.

Spandana Sphoorty Financial Limited					
Annexure 27: Restated Standalone Statement of Earning per share (EPS)					
(Rupees in Millions unless otherwise stated)					
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014
Basic Earnings Per Share (Basic EPS)					
Profit after tax	1,703.95	420.58	2,464.88	1,072.96	580.58
Less: Dividend on OCCRPS and tax thereon	-	-	0.10	0.10	0.10
Profit after tax for calculation of Basic EPS (A)	1,703.95	420.58	2,464.78	1,072.86	580.48
Less: Exceptional item (net of tax) (refer Annexure 26 for details)	-	69.03	1,238.94	-	-
Net profit/(loss) excluding exceptional items for calculation of Basic EPS (B)	1,703.95	351.56	1,225.84	1,072.86	580.48
Weighted average number of Equity Shares outstanding (C)	28,535,361	20,402,873	20,380,767	20,254,740	19,380,767
Basic EPS					
Including exceptional item (A / C)	59.71	20.61	120.94	52.97	29.95
Excluding exceptional item (B / C)	59.71	17.23	60.15	52.97	29.95
Nominal value per share	10.00	10.00	10.00	10.00	10.00
Diluted Earnings Per Share (Diluted EPS)					
Net profit for calculation of Basic EPS	1,703.95	420.58	2,464.78	1,072.86	580.48
Add: Dividend on OCCRPS and tax thereon	-	-	0.10	0.10	0.10
Net profit for calculation of diluted earning per share Diluted EPS (D)	1,703.95	420.58	2,464.88	1,072.96	580.59
Less: Exceptional item (net of tax) (refer Annexure 26 for details)	-	69.03	1,238.94	-	-
Net profit/(loss) excluding exceptional items for calculation of Diluted EPS (E)	1,703.95	351.56	1,225.94	1,072.96	580.59
Weighted average number of Shares used for calculating Basic EPS	28,535,361	20,402,873	20,380,767	20,254,740	19,380,767
Add: Effect of dilution					
Conversion of OCCRPS (refer note 1 below)	-	788,840,577	807,562,168	835,267,721	905,327,500
Conversion of Class A CCPS	6,387,420	12,798	-	-	-
Conversion of Class A1 CCPS	332,880	-	-	-	-
Conversion of Class B CCPS	8,948,426	24,848	-	-	-
Conversion of OCRPS	9,081	25	-	-	-
Conversion of share warrants	450	-	-	-	-
Weighted average number of shares considered for calculating Diluted EPS (F)	44,213,618	809,281,121	827,942,935	855,522,461	924,708,267
Diluted EPS					
Including exceptional item (D / F)	38.54	0.52	2.98	1.25	0.63
Excluding exceptional item (E/ F)	38.54	0.43	1.48	1.25	0.63
Nominal value per share	10.00	10.00	10.00	10.00	10.00
Note 1:					
a. The conversion effect of OCCRPS excludes 27,651,911 OCCRPS which are due for redemption but not redeemed as at March 31, 2015 (refer Annexure 6)					
b. In financial year 2015-16, the conversion of OCCRPS is assumed at face value of equity shares					
c. In financial year 2016-17, OCCRPS were converted into Class B preference shares					

28.1 Segment Reporting

The Company operates in a single business segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting' specified under section 133 of the Companies Act 2013, read with rule 7 of the Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016. The Company operates in a single geographical segment i.e. domestic.

28.2 Related parties

1. Subsidiary Company

- a) Caspian Financial Services Limited (incorporated on October 13, 2017)

2. Enterprises where key management personnel exercise significant influence

- a) Spandana Rural and Urban Development Organization
b) Criss Financial Holdings Limited
c) Abhiram Marketing Services Limited
d) Spandana Employee Welfare Trust
e) Spandana Mutual Benefit Trust

3. Key Management Personnel

- a) Padmaja Gangireddy – Managing Director
b) Deepak Goswami – Chief Financial Officer (from January 31, 2018)
c) Rakesh Jhinjhar – Company Secretary (from June 15, 2017)
d) Mustaq Simon Andrews – Chief Financial Officer (from September 15, 2014 to December 29, 2014)
e) Ravi Verma – Chief Financial Officer (from December 29, 2014 to July 15, 2015)
f) Ramnath Krishnan – Chief Financial Officer (from July 30, 2015 to September 14, 2015)
g) Fahim Khan – Company Secretary (from August 10, 2012 to May 11, 2013)
h) Tasneem Shariff – Company Secretary (from September 14, 2013 to December 29, 2014)
i) Vibha Shinde – Company Secretary (from December 29, 2014 to January 14, 2015)
j) Santosh Kumar Jha – Company Secretary (from July 07, 2016 to December 31, 2016)

4. Enterprise having significant influence

- a) Kangchenjunga Limited

5. Relative of Key Management Personnel

- a) Vijaya Sivarami Reddy

Transactions with related party:

Sr. No.	Name of the related party	Nature of transactions	Year ended				
			Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
1	Spandana Rural and Urban Development Organization	Rent expense	8.90	8.00	7.35	2.59	0.94
		Rent deposit	-	-	0.21	2.87	-
		Expense reimbursement	0.66	4.38	0.11	-	-
		Short term borrowing	-	10.00	-	-	-
		Repayment of borrowing	10.00	-	-	-	-
		Interest expenses	0.23	0.02	-	-	-
		Purchase of fixed asset	-	1.00	-	-	-
2	Abhiram Marketing Services Limited	Rent income	-	-	1.70	2.16	1.97
		Commission income	54.32	23.31	32.50	30.52	2.32
		Incentive income	16.53	-	-	-	-
		Security services	-	-	-	0.70	1.93
		Purchase of stationery	-	-	3.63	2.83	3.20
		Other Purchases	-	-	-	0.09	0.74
		Sale of gold in auction	-	-	-	0.51	-
		Expenses reimbursement	25.04	1.56	5.00	4.05	0.66
		Inter corporate advances	207.66	-	-	-	-
		Interest income	3.35	-	-	-	-
		Purchase of fixed assets	4.23	1.00	1.67	1.12	-

Spandana Sphoorty Financial Limited
Annexure 28: Restated Standalone Statement of Additional Information
(Rupees in Millions unless otherwise stated)

Sr. No.	Name of the related party	Nature of transactions	Year ended				
			Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
3	Criss Financial Holdings Limited	Expense reimbursement	0.11	0.23	0.71	0.08	-
		Inter-corporate advances (net)*	331.10	-	-	-	-
		Interest income	13.58	-	-	-	-
		Purchase of Asset	-	-	-	0.18	-
		Purchase of portfolio	230.10	178.09	7.35	7.52	0.92
4	Padmaja Gangireddy	Rent paid	0.03	0.32	0.57	0.49	0.12
		Remuneration #	30.00	27.84	27.84	27.84	27.15
		Rent deposit paid	-	-	-	-	0.06
		Issue of share warrants	1.49	-	-	-	-
		Issuance of equity shares	17.65	-	-	-	-
		Rent deposit received	0.11	-	-	-	-
5	Spandana Employee Welfare Trust	Expense reimbursement	0.03	0.04	0.04	-	-
		Issue of equity shares	9.07	-	-	-	-
6	Spandana Mutual Benefit Trust	Expense reimbursement	0.23	0.02	0.03	-	-
7	Caspian Financial Services Limited	Pre-incorporation expenses	0.51	-	-	-	-
8	Kangchenjunga Limited	Issue of preference shares (Class A)	1,223.40	-	-	-	-
		Issue of preference shares (Class A1)	1,166.76	-	-	-	-
9	Deepak Goswami	Remuneration#	1.85	-	-	-	-
10	Rakesh Jhinharia	Remuneration#	1.09	-	-	-	-
11	VijayaSivarami Reddy	Salary and wages	-	-	-	-	0.59
		Salary advance	-	-	-	-	0.35
12	Fahim Khan	Remuneration#	-	-	-	-	0.11
13	Tasneem Shariff	Remuneration#	-	-	-	1.34	0.97
14	Vibha Shinde	Remuneration#	-	-	-	0.14	-
15	Santosh Kumar Jha	Remuneration#	-	0.53	-	-	-
16	Mustaq Simon Andrews	Remuneration#	-	-	-	0.44	-
17	Ravi Verma	Remuneration#	-	-	0.45	0.76	-
18	Ramnath Krishnan	Remuneration#	-	-	1.12	-	-

* Of the ICDs given of Rs.385.10 million, the Company received repayment of Rs.54.10 million in FY 2017-18.

#As the provision for gratuity is made for the Company as a whole, the amount pertaining to the Key Management Personnel is not specifically identified and hence is not included above.

Transactions during the year are shown net of service tax/GST and inclusive of TDS.

Spandana Sphoorty Financial Limited
Annexure 28: Restated Standalone Statement of Additional Information
(Rupees in Millions unless otherwise stated)

Balances at the end of the year:

Sr. No	Name of the related party	Nature of transactions	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
			(Payable)/ Receivable	(Payable)/ Receivable	(Payable)/ Receivable	(Payable)/ Receivable	(Payable)/ Receivable
1	Spandana Rural and Urban Development Organization	Rent expense	(0.25)	(0.24)	(0.12)	(0.03)	(0.02)
		Rent deposit	3.09	3.09	3.09	2.87	-
		Expense reimbursement	0.00	4.36	(0.01)	-	-
		Short term borrowing	-	(10.00)	-	-	-
		Interest expenses	-	(0.02)	-	-	-
2	Abhiram Marketing Services Limited	Rent income	-	-	-	0.18	-
		Commission income	5.36	-	16.01	19.34	1.55
		Incentive income	19.17	-	-	-	-
		Security services	-	-	-	-	(0.70)
		Purchase of stationery	-	-	(0.64)	(0.82)	(0.04)
		Other Purchases	-	-	-	0.13	0.14
		Sale of Gold in auction	-	-	-	(0.00)	-
		Expenses reimbursement	0.48	0.01	2.50	0.04	0.66
		Inter corporate advances	207.66	-	-	-	-
		Interest income	1.18	-	-	-	-
3	Criss Financial Holdings Limited	Purchase of fixed assets	-	-	(0.04)	(0.34)	-
		Expenses reimbursement	0.01	(0.28)	0.41	0.19	-
		Inter corporate advances	331.00	-	-	-	-
		Interest income	3.31	-	-	-	-
4	Padmaja Gangireddy	Purchase of portfolio	-	-	-	1.81	-
		Rent paid	-	-	(0.07)	(0.02)	(0.02)
		Remuneration #	(3.50)	(2.73)	(3.72)	(4.25)	(1.52)
5	Spandana Employee Welfare Trust	Rent Deposit Paid	-	0.11	0.11	0.11	0.11
		Expense reimbursement	-	-	0.04	-	-
6	Spandana Mutual Benefit Trust	Expense reimbursement	-	-	0.03	-	-
7	Caspian Financial Services Limited	Pre-incorporation expenses	0.51	-	-	-	-
8	Deepak Goswami	Remuneration	0.73	-	-	-	-
9	Rakesh Jhinharia	Remuneration	0.11	-	-	-	-
10	Vijaya Sivarami Reddy	Salary Advance	-	-	-	-	0.05

28.3 Contingent liabilities not provided for

Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Claims made by Service Tax department	48.67	49.24	48.67	189.28	195.90
Credit enhancements provided towards securitization transactions	1,832.33	-	-	-	-
Arrears of dividend on OCCRPS not provided for					
- FY 2012-13	-	-	0.09	0.09	0.09
- FY2013-14	-	-	0.09	0.09	0.09
- FY 2014-15	-	-	0.08	0.08	-
- FY 2015-16	-	-	0.08	-	-
Tax on OCCRPS dividend	-	-	0.05	0.03	0.01
Total	1,881.00	49.24	49.06	189.57	196.09

28.4 Employee benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity, on cessation of employment and it is computed at 15 days salary (last drawn salary) for each completed year of service subject to limit of Rs.1.00 million (Rs.2.00 million as at March 31, 2018) as per The Payment of Gratuity Act, 1972. The scheme is funded with an insurance Company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the Balance Sheet for the gratuity plan.

a. Change in defined benefit obligation

Particulars	Year ended				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Opening defined benefit obligation	19.18	15.70	21.11	8.31	10.32
Current service cost	2.64	2.72	1.85	4.73	1.89
Interest cost	1.34	1.19	1.69	0.66	0.76
Past service cost	0.95	-	-	-	-
Actuarial loss/(Gain)	0.53	3.39	(3.54)	10.75	(0.93)
Benefits paid	(2.99)	(3.82)	(5.41)	(3.34)	(3.72)
Closing defined benefit obligation	21.65	19.18	15.70	21.11	8.32

b. Change in the fair value of plan assets

Particulars	Year ended				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Opening fair value of plan assets	13.20	14.92	20.25	21.86	23.79
Expected return on plan assets	0.99	1.19	1.61	1.70	2.14
Actuarial gains	0.05	0.91	(1.53)	0.03	(0.35)
Employer contributions	6.50	-	-	-	-
Benefits paid	(2.99)	(3.82)	(5.41)	(3.34)	(3.72)
Closing fair value of plan assets	17.75	13.20	14.92	20.25	21.86

c. Balance Sheet:Details of provision for gratuity:

Particulars (as at)	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Present value of funded obligations	21.65	19.18	15.70	21.11	8.31
Fair value on plan assets	17.75	13.20	14.92	20.25	21.86
Net (liability)/asset	(3.90)	(5.98)	(0.78)	(0.86)	13.55

d. Statement of profit and loss:

Net employees benefit expense (recognized in employees benefit expense):

Particulars	Year ended				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Current service cost	2.64	2.72	1.85	4.73	1.89
Past service cost	0.95	-	-	-	-
Interest on defined benefit obligation	1.34	1.19	1.69	0.66	0.76
Expected return on plan assets	(0.99)	(1.19)	(1.54)	(1.68)	(2.14)
Net actuarial loss/(gain)	0.49	2.48	(2.02)	10.71	(0.59)
Amount included in expenses	4.43	5.20	(0.02)	14.42	(0.08)

e. Major categories of plan assets as a percentage of fair value of total plan assets are as follows:

Category of Assets	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Investment with insurer	100%	100%	100%	100%	100%

f. Summary of Actuarial Assumptions:

Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Discount rate	7.44%	7.00%	7.60%	8.00%	9.00%
Expected return on plan assets	7.50%	8.00%	7.60%	8.00%	8.00%
Salary escalation rate (p.a.)	10.00%	13.00%	10.00%	10.00%	5.00%
Retirement age (years)	58	58	60	60	55

- **Discount rate:** The discount rate is based on the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.
- **Expected rate of return on plan assets:** This is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.
- **Salary escalation rate:** The estimates of future salary increases considered taking into account the inflation, seniority, promotion and other relevant factors.

g. Amounts for the current and previous four periods are as follows

Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Defined benefit obligation	21.65	19.18	15.70	21.11	8.31
Fair value of plan assets	17.75	13.20	14.92	20.25	21.86
Surplus/(deficit) in the plan	(3.90)	(5.98)	(0.78)	(0.87)	13.56
Experience adjustments on plan liabilities	(0.53)	(3.39)	3.54	(10.75)	(0.93)
Experience adjustments on plan assets	0.05	0.91	(1.53)	0.03	(0.35)

28.5 Leases

Operating lease where the Company is a lessee

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

Lease payments charged to statement of profit and loss:

Particulars	For the year ended				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Operating lease payments recognized	47.23	63.34	77.49	81.13	66.28
Minimum lease obligations					
Not later than one year	9.54	14.68	13.41	13.41	-
Later than one and not later than five years	10.46	5.69	20.37	33.78	-
Later than five years	-	-	-	-	-

Particulars	For the year ended				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Sub-lease payments recognized	-	-	1.70	2.16	1.97

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

Spandana Sphoorty Financial Limited
Annexure 28: Restated Standalone Statement of Additional Information
(Rupees in Millions unless otherwise stated)

28.6 Loan portfolio and provision for standard and non-performing assets:

As at March 31, 2018:

Asset Classification	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets				Portfolio Loan outstanding(Net)	
	Mar-18	Mar-17	Mar-17	Addition	Write back	Mar-18	Mar-18	Mar-17
Unsecured								
Standard	23,927.90	11,900.00	61.90	245.80	-	307.70	23,620.20	11,838.10
Non-Performing *	8,580.10	8,812.20	8,448.20	126.90	1.90	8,573.20	6.90	364.00
Subtotal(A)	32,508.00	20,712.20	8,510.10	372.70	1.90	8,880.90	23,627.10	12,202.10
Secured								
Standard	234.10	227.00	0.70	0.20	-	0.90	233.20	226.30
Sub-Standard	1.80	3.50	0.10	0.10	-	0.20	1.60	3.40
Doubtful	6.80	3.50	2.50	0.60	0.00	3.10	3.70	1.00
Subtotal(B)	242.70	234.00	3.30	0.90	0.00	4.20	238.50	230.70
Total(A+B)	32,750.70	20,946.20	8,513.40	373.60	1.90	8,885.10	23,865.60	12,432.80

* Figures for March 31, 2017 include an additional provision of Rs.412.8 million for loans which, in the opinion of the Company, are not recoverable. Such provision is in accordance with the Company's provisioning policy as defined under Annexure 5.5 (s).

Category of loan portfolio	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets		Portfolio Loan outstanding(Net)	
	Mar-18	Mar-17	Mar-18	Mar-17	Mar-18	Mar-17
Portfolio in states of Andhra Pradesh and Telangana disbursed prior to Jan 1, 2012	7,933.10	7,975.50	7,930.30	7,972.10	2.80	3.40
Portfolio in states of Andhra Pradesh and Telangana disbursed post Jan 1, 2012 including Gold Loans	1,194.70	447.30	11.60	2.30	1,183.00	445.00
Portfolio in other states	23,622.90	12,523.40	943.20	539.00	22,679.70	11,984.40
Total	32,750.70	20,946.20	8,885.10	8,513.40	23,865.50	12,432.80

As at March 31, 2017:

Asset Classification	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets				Portfolio Loan outstanding(Net)	
	Mar-17	Mar-16	Mar-16	Addition FY16-17	Write back	Mar-17	Mar-17	Mar-16
Unsecured								
Standard	11,900.00	11,999.90	120.00	-	58.10	61.90	11,838.10	11,879.90
Non-performing*	8,812.20	7,995.10	7,992.90	473.70	18.40	8,448.20	364.00	2.20
Subtotal(A)	20,712.20	19,995.00	8,112.90	473.70	76.50	8,510.10	12,202.10	11,882.10
Secured								
Standard	227.00	182.60	0.50	0.20	-	0.70	226.30	182.10
Sub-Standard	3.50	3.80	0.40	-	0.30	0.10	3.40	3.40
Doubtful	3.50	6.80	2.20	3.30	3.00	2.50	1.00	4.60
Subtotal(B)	234.00	193.20	3.10	3.50	3.30	3.30	230.70	190.10
Total(A+B)	20,946.20	20,188.20	8,116.00	477.20	79.80	8,513.40	12,432.80	12,072.20

* Includes an additional provision of Rs.412.8 million (March 31, 2016: Nil) for loans which, in the opinion of the Company, are not recoverable. Such provision is in accordance with the Company's provisioning policy as defined under Annexure 5.5 (s).

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(Rupees in Millions unless otherwise stated)

Category of loan portfolio	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets		Portfolio Loan outstanding(Net)	
	Mar-17	Mar-16	Mar-17	Mar-16	Mar-17	Mar-16
Portfolio in states of Andhra Pradesh and Telangana disbursed prior to Jan 1, 2012	7,975.50	7,992.90	7,972.10	7,992.90	3.40	-
Portfolio in states of Andhra Pradesh and Telangana disbursed post Jan 1, 2012 including Gold Loans	447.30	276.00	2.30	3.40	445.00	272.60
Portfolio in other states	12,523.40	11,919.30	539.00	119.70	11,984.40	11,799.60
Total	20,946.20	20,188.20	8,513.40	8,116.00	12,432.80	12,072.20

As at March 31, 2016

Asset Classification	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets				Portfolio Loan outstanding(Net)	
	Mar-16	Mar-15	Mar-15	Addition FY15-16	Write back	Mar-16	Mar-16	Mar-15
Unsecured								
Standard	11,999.90	11,480.80	114.80	5.20	-	120.00	11,879.90	11,366.00
Non-performing	7,995.10	10,594.20	10,527.70	-	2,534.80	7,992.90	2.20	66.50
Subtotal(A)	19,995.00	22,075.00	10,642.50	5.20	2,534.80	8,112.90	11,882.10	11,432.50
Secured								
Standard	182.60	350.30	5.70	-	5.10	0.60	182.00	344.70
Sub-Standard	3.80	30.20	3.00	-	2.60	0.40	3.50	27.10
Doubtful	6.80	6.40	1.80	0.40	-	2.20	4.60	4.70
Subtotal(B)	193.20	386.90	10.50	0.40	7.70	3.10	190.10	376.50
Total(A+B)	20,188.20	22,461.90	10,653.00	5.60	2,542.50	8,116.00	12,072.20	11,809.00

Category of loan portfolio	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets		Portfolio Loan outstanding(Net)	
	Mar-16	Mar-15	Mar-16	Mar-15	Mar-16	Mar-15
Portfolio in states of Andhra Pradesh and Telangana disbursed prior to Jan 1, 2012	7,992.90	10,527.00	7,992.90	10,527.00	-	-
Portfolio in states of Andhra Pradesh and Telangana disbursed post Jan 1, 2012 including Gold Loans	276.00	530.80	3.40	10.50	272.60	520.30
Portfolio in other states	11,919.30	11,404.10	119.70	115.50	11,799.60	11,288.70
Total	20,188.20	22,461.90	8,116.00	10,653.00	12,072.20	11,809.00

As at March 31, 2015

Asset Classification	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets				Portfolio Loan outstanding(Net)	
	Mar-15	Mar-14	Mar-14	Addition FY14-15	Write back	Mar-15	Mar-15	Mar-14
Unsecured								
Standard	11,480.80	8,365.60	83.70	31.10	-	114.80	11,366.00	8,281.90
Non-performing	10,594.20	12,055.30	12,055.30	-	1,527.60	10,527.70	66.50	-
Subtotal(A)	22,075.00	20,420.90	12,139.00	31.10	1,527.60	10,642.50	11,432.50	8,281.90
Secured								
Standard	350.30	611.70	6.50	-	0.80	5.70	344.70	605.20
Sub-Standard	30.20	33.90	3.40	-	0.40	3.00	27.10	30.50
Doubtful	6.40	5.60	1.10	0.70	-	1.80	4.70	4.50
Subtotal(B)	386.90	651.20	11.00	0.70	1.20	10.50	376.50	640.20
Total(A+B)	22,461.90	21,072.10	12,150.00	31.80	1,528.80	10,653.00	11,809.00	8,922.10

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Category of loan portfolio	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets		Portfolio Loan outstanding(Net)	
	Mar-15	Mar-14	Mar-15	Mar-14	Mar-15	Mar-14
Portfolio in states of Andhra Pradesh and Telangana disbursed prior to Jan 1, 2012	10,527.00	12,054.38	10,527.00	12,040.94	-	13.44
Portfolio in states of Andhra Pradesh and Telangana disbursed post Jan 1, 2012 including Gold Loans	530.80	865.85	10.50	22.55	520.30	843.31
Portfolio in other states	11,404.10	8,151.87	115.50	86.51	11,288.70	8,065.35
Total	22,461.90	21,072.10	10,653.00	12,150.00	11,809.00	8,922.10

As at March 31, 2014

Asset Classification	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets				Portfolio Loan outstanding(Net)	
	Mar-14	Mar-13	Mar-13	Addition FY13-14	Write back	Mar-14	Mar-14	Mar-13
Unsecured								
Standard	8,365.60	8,698.60	21.50	62.20	-	83.70	8,281.90	8,677.10
Non-performing	12,055.30	12,972.50	12,972.50	-	917.20	12,055.30	-	-
Subtotal(A)	20,420.90	21,671.10	12,994.00	62.20	917.20	12,139.00	8,281.90	8,677.10
Secured								
Standard	611.70	617.20	1.50	5.00	-	6.50	605.20	615.70
Sub-Standard	33.90	19.80	19.80	-	16.40	3.40	30.50	-
Doubtful	5.60	3.60	3.60	-	2.50	1.10	4.50	-
Subtotal(B)	651.20	640.60	24.90	5.00	18.90	11.00	640.20	615.70
Total(A+B)	21,072.10	22,311.70	13,018.90	67.20	936.10	12,150.00	8,922.10	9,292.80

Category of loan portfolio	Portfolio Loan outstanding (Gross)		Provision for Standard and Non-performing assets		Portfolio Loan outstanding(Net)	
	Mar-14	Mar-13	Mar-14	Mar-13	Mar-14	Mar-13
Portfolio in states of Andhra Pradesh and Telangana disbursed prior to Jan 1, 2012	12,054.38	12,874.60	12,040.94	12,841.45	13.44	33.26
Portfolio in states of Andhra Pradesh and Telangana disbursed post Jan 1, 2012 including Gold Loans	865.85	478.25	22.55	1.20	843.31	477.05
Portfolio in other states	8,151.87	8,958.85	86.51	176.45	8,065.35	8,782.49
Total	21,072.10	22,311.70	12,150.00	13,019.10	8,922.10	9,292.80

28.7 Amounts payable to Micro, Small and Medium enterprises

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises as at March31, 2018, March31, 2017, March31, 2016, March31, 2015 and March31, 2014.

For the year ended March 31, 2018, March31, 2017, March31, 2016, March31, 2015 and March31, 2014, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

28.8 Expenditure in foreign currency

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Capital expenditure	-	-	-	4.89	-

28.9 Additional information required by RBI

a. Capital to risk assets ratio ('CRAR'):

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
CRAR (%)	37.16%	49.01%	-17.70%	-11.00%	6.80%
CRAR-Tier I Capital (%)	37.16%	48.57%	-17.70%	-11.00%	3.40%
CRAR-Tier II Capital (%)	-	0.44%	-	-	3.40%

The modifications to the NBFC-MFI directions issued by RBI vide its circular no.RBI/2012-13/161 DNBS (PD) CC.No.300 /03.10.038/2012-13 dated August 3, 2012 have specified that provision made towards portfolio in the state of Andhra Pradesh should be in accordance with the NBFC-ND-SI Prudential Norms and such provision should be added back notionally to the net owned funds for the purpose of calculation of the capital to risk assets ratio ('CRAR') and would be progressively reduced by 20% each year, over 5 years i.e. from March 31, 2013 to March 31, 2017. As per the progressive reduction, percentage specified in the table below in respect of provision made towards portfolio in the state of Andhra Pradesh (and Telangana) has been notionally reckoned as a part of net own funds:

Particulars	31-Mar-18	31-Mar-17	31-Mar-16	31-Mar-15	31-Mar-14
Provision reckoned in NOF	0%	20%	40%	60%	80%

b. Exposure to real estate sector

Category	Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
A	Direct exposure					
I	Residential Mortgages					
	Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;	59.34	1.97	5.60	11.45	34.09
II	Commercial Real Estate -					
	Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose Commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits.	-	-	-	-	-
III	Investments in Mortgage Backed Securities (MBS) and other securitised exposures -	-	-	-	-	-
	Residential	-	-	-	-	-
	Commercial Real Estate	-	-	-	-	-
B	Indirect exposure					
	Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-	-	-	-
	Total	59.34	1.97	5.60	11.45	34.09

- c. Outstanding of loans against security of gold as a percentage to total assets as at March 31, 2018, March31, 2017, March31, 2016, March31, 2015 and March31, 2014 is 0.54%, 1.08%, 0.89%, 1.61% and 2.76% respectively.
- d. The Company has no exposure to capital market during the year ended March 31, 2018, March31, 2017, March31, 2016, March31, 2015 and March31, 2014.

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e. Asset liability management:

As on March 31, 2018:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	661.80	957.70	870.30	3,504.10	4,946.50	4,693.90	-	200.00	15,834.30
Advances *	1,428.60	1,608.80	1,470.90	4,405.10	8,238.20	7,586.50	48.50	6.60	24,793.20
Investments	-	-	-	-	-	-	-	21.00	21.00

As on March 31, 2017:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	49.20	49.20	49.20	1,344.30	2,688.60	5,377.30	-	-	9,557.80
Advances *	1,526.70	1,487.20	1,265.00	2,976.90	2,552.80	2,395.30	384.30	2.50	12,590.70
Investments	-	-	-	-	-	-	-	1.00	1.00

As on March 31, 2016:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings #	-	-	-	9,187.90	-	-	-	-	9,187.90
Foreign currency liabilities	-	2.60	-	-	-	-	-	-	2.60
Advances *	1,491.70	1,417.60	1,340.00	3,346.40	4,095.30	661.50	25.80	-	12,378.30
Investments	-	-	-	-	-	-	-	1.00	1.00

#Borrowings were considered as current maturities in view of the proposed settlement described under Annexure 8.

As on March 31, 2015:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowings	1,591.30	321.90	350.60	1,223.70	2,992.20	3,752.50	-	-	10,232.20
Advances*	1,913.00	1,242.30	1,192.50	3,095.70	3,576.20	996.70	123.10	-	12,139.50
Investments	-	-	-	-	-	-	-	1.00	1.00

As on March 31, 2014:

Particulars	Upto 1 month	1 to 2 months	2 to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Borrowing	927.50	244.00	244.00	732.00	1,468.90	3,268.30	141.90	-	7,026.60
Advances *	1,290.00	1,276.30	1,111.70	2,517.40	2,144.30	829.60	56.40	-	9,225.70
Investments	-	-	-	-	-	-	-	1.00	1.00

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

f. Information on instances of fraud

Instances of fraud reported during the year ended March 31, 2018:

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	13	0.24	0.38	(0.14)
Fake Loans	9	6.54	0.68	5.86

*Includes recoveries in respect of frauds reported in earlier years

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

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	30	0.49	0.49	0.00
Fake Loans	8	4.29	0.26	4.03

*Includes recoveries in respect of frauds reported in earlier years

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

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	69	1.82	0.47	1.35
Fake Loans	10	4.04	0.26	3.78

*Includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2015:

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	98	3.04	0.90	2.14
Fake Loans	10	1.47	0.43	1.03

*Includes recoveries in respect of frauds reported in earlier years

Instances of fraud reported during the year ended March 31, 2014:

Nature of fraud	No. of cases	Amount of fraud	Recovery*	Amount provided
Cash Embezzlement	25	1.48	0.11	1.37
Fake Loans	3	3.41	0.40	3.01

*Includes recoveries in respect of frauds reported in earlier years

- g.** The Company has no transactions / exposure in derivatives during the year ended March 31, 2018, March31, 2017, March31, 2016, March31, 2015 and March31, 2014.

h. Disclosure of complaints

Particulars	Year ended				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
No. of complaints pending at the beginning	11	24	1	0	0
No. of complaints received during the year	1810	672	329	40	5
No. of complaints redressed during the year	1803	685	306	39	5
No. of complaints pending at the end *	18	11	24	1	0

* Resolved subsequent to balance sheet date

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i. Concentration of Advances, Exposures and NPAs

Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Concentration of Advances					
Total advances to twenty largest borrowers	20.70	17.90	22.00	18.50	29.90
(%) of advances to twenty largest borrowers to total advances	0.06%	0.09%	0.11%	0.08%	0.14%
Concentration of Exposures					
Total exposure to twenty largest borrowers	20.70	18.90	22.30	19.10	33.60
(%) of exposure to twenty largest borrowers to total exposure	0.06%	0.09%	0.11%	0.08%	0.16%
Concentration of NPAs					
Total exposure to top four NPA accounts	2.00	1.20	1.40	3.80	1.70

j. Sector wise NPAs

Sector	Percentage of NPAs to total advances in that sector				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Agriculture and allied activities	28%	47%	47%	57%	25%
MSME	26%	42%	36%	39%	19%
Corporate borrowers	0%	0%	0%	0%	0%
Services	23%	32%	31%	44%	8%
Unsecured personal loans	0%	0%	0%	0%	2%
Auto loans	18%	32%	30%	59%	2%
Other personal loans	35%	48%	48%	40%	2%

Non-performing assets include amount of Rs.7,933.10 million as at March 31, 2018, Rs.7,975.50 million as at March 31, 2017, Rs.7,992.90 million as at March 31, 2016, Rs.10,527.00 million as at March 31, 2015 and Rs.12,054.38 million as at March 31, 2014 representing portfolio in the state of Andhra Pradesh and Telangana originated prior to January 01, 2012 which had been fully provided for.

k. Movement of NPAs

Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Net NPAs to net advances (%)	0.05%	1.59%	0.08%	0.83%	0.39%
Movement of NPAs (gross)					
1. Opening balance	8,819.20	8,005.70	10,630.80	12,094.90	12,996.00
2. Additions during the year	181.40	835.60	56.20	99.40	91.80
3. Reductions during the year	(411.90)	(22.10)	(2,681.30)	(1,563.50)	(992.90)
4. Closing balance	8588.70	8,819.20	8,005.70	10,630.80	12,094.90
Movement of Net NPAs					
1. Opening balance	368.30	10.20	99.00	35.10	-
2. Additions during the year	53.80	358.90	53.70	93.00	74.30
3. Reductions during the year	(410.00)	(0.80)	(142.40)	(29.10)	(39.20)
4. Closing balance	12.20	368.30	10.30	99.00	35.10
Movement of provision for NPAs (excl. standard assets)					
1. Opening balance	8450.80	7,995.50	10,532.50	12,059.90	12,996.00
2. Provisions made during the year	127.50	476.40	1.90	7.10	17.40
3. Write off/ write back of provisions	(1.90)	(21.10)	(2,538.90)	(1,534.50)	(953.60)
4. Closing balance	8576.40	8,450.80	7,995.50	10,532.50	12,059.80

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l. Investments:

Particulars		Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
1	Value of investments					
	(i) Gross value of investments					
	(a) In India	21.00	1.00	1.00	1.00	1.00
	(b) Outside India	-	-	-	-	-
	(ii) Provision for depreciation					
	(a) In India	-	-	-	-	-
	(b) Outside India	-	-	-	-	-
	(iii) Net value of investments					
	(a) In India	21.00	1.00	1.00	1.00	1.00
	(b) Outside India	-	-	-	-	-
2	Movement of provisions held towards depreciation					
	(i) Opening balance	-	-	-	-	-
	(ii) Add: Provision made during the year	-	-	-	-	-
	(iii) Less: Write off/ write back	-	-	-	-	-
	(iv) Closing balance	-	-	-	-	-

m. Details relating to securitisation:

The information on securitisation of loans is as under:

Particulars	Year ended				
	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Total number of loans securitised	658,431	-	-	-	-
Total book value of loans securitised	9,573.30	-	-	-	-
Total book value of loans securitised including loans placed as collateral	10,926.90	-	-	-	-
Sale consideration received for loans securitized	9,573.30	-	-	-	-
Outstanding value of loan securitised	6,846.03	-	-	-	-
Excess interest spread recognised in the statement of profit and loss	435.30	-	-	-	-
Credit enhancements provided and outstanding (Gross):					
Interest subordination	873.80	-	-	-	-
Principal subordination	1,353.50	-	-	-	-
Cash collateral	478.70	-	-	-	-

Sr. No	Particulars	As at				
		Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
1	No. of SPVs sponsored by the NBFC for securitisation transactions during the year	10	-	-	-	-
2	Total amount of securitised assets as per the books of the SPVs sponsored by the NBFC as on the date of balance sheet:	8,752.10	-	-	-	-
3	Total amount of exposures retained to comply with minimum retention requirement ('MRR') as on the date of balance sheet:	-	-	-	-	-
	a) Off balance sheet exposures					
	- First loss	1,832.23	-	-	-	-
	- Others	-	-	-	-	-
	b) On balance sheet exposures					
	- First loss	-	-	-	-	-
	- Others	-	-	-	-	-
4	Amount of exposures to securitization transactions other than MRR:					

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Sr. No	Particulars	As at				
		Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
	a) Off-balance sheet exposures					
	i) Exposure to own securitisations					
	- First loss	-	-	-	-	-
	- Others	-	-	-	-	-
	ii) Exposure to third party securitisations					
	- First loss	-	-	-	-	-
	- Others	-	-	-	-	-
	b) On-balance sheet exposures					
	i) Exposure to own securitisations					
	- First loss	-	-	-	-	-
	- Others	-	-	-	-	-
	ii) Exposure to third party securitisations					
	- First loss	-	-	-	-	-
	- Others	-	-	-	-	-

- n. Details of financial assets sold to securitization / reconstruction company for asset reconstruction:**
The Company has not sold financial assets to Securitization / Reconstruction companies for asset reconstruction during the financial year ended on March 31, 2018, 2017, 2016, 2015 and 2014.
- o. Details of assignment transactions undertaken:**
The Company has not undertaken assignment transactions in the financial year ended on March 31, 2018, 2017, 2016, 2015 and 2014.
- p. Details of non-performing financial assets purchased / sold:**
The Company has not purchased / sold non-performing financial assets in the financial year ended on March 31, 2018, 2017, 2016, 2015 and 2014.
- q. Details of financing of parent company products:**
This disclosure is not applicable as the Company does not have any holding / parent Company.
- r. Unsecured Advances – Refer Annexure 15**
- s. Registration obtained from other financial sector regulators:**
The Company is registered with the ‘Ministry of Corporate Affairs’ (Financial regulators as described by Ministry of Finance)
- t. Disclosure of penalties imposed by RBI and other regulators:**
No penalties imposed by RBI and other regulators in the financial year ended on March 31, 2018, 2017, 2016, 2015 and 2014.
- u. Provisions and contingencies (shown under the head expenditure in statement of profit and loss)**

Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
Provision for income tax (net)	573.22	218.27	-	7.83	0.70
Provision for non-performing assets	125.60	455.30	(2,537.00)	(1,527.30)	(936.20)
Provision for standard assets	246.00	(57.90)	0.10	30.20	67.10
Provision for unfructified service tax liability	8.50	7.00	20.40	-	-
Provision for theft & fraud	6.90	4.90	6.20	4.00	-
Provision for gratuity	4.50	5.20	(0.10)	14.70	(0.10)
Provision for leave benefits	5.50	5.20	7.90	8.20	9.00
Provision for insurance claims	(1.10)	(1.40)	1.50	(4.40)	16.70
Provision for employee loans	-	(0.20)	(0.10)	(0.20)	2.20
Provision for bonus	9.90	11.40	17.20	2.80	3.90
Provision for other assets	0.10	-	-	-	-

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v. Unhedged foreign currency

Particulars	As at Mar-18		As at Mar-17		As at Mar-16		As at Mar-15		As at Mar-14	
	USD	INR	USD	INR	USD	INR	USD	INR	USD	INR
Guarantee fee payable	-	-	-	-	-	-	0.43	27.39	0.43	26.31
Creditors for purchase of assets	-	-	-	-	0.04	2.62	0.12	10.72	-	-

w. Information on Net Interest Margin

Particulars	Mar-18	Mar-17	Mar-16	Mar-15	Mar-14
	(%)	(%)	(%)	(%)	(%)
Average interest charged	16.88	16.00	14.57	12.75	11.62
Average effective cost of borrowing*	13.82	16.31	13.26	12.90	12.02
Net Interest margin	3.06	(0.31)	1.31	(0.15)	(0.39)

*Does not include CDR settlement expenditure incurred during the financial year ended March 31, 2017

28.10 The Company has certain litigations pending with income tax authorities, service tax authorities and other litigations which have arisen in the ordinary course of business. The Company has reviewed all such pending litigations having an impact on the financial position, and has adequately provided for where provisions are required and disclosed the contingent liability (refer Annexure 28.3) where applicable in the restated standalone financial statements.

28.11 CSR Expenses

Particulars	31-Mar-18	31-Mar-17
a) Gross amount required to be spent by the Company during the year	15.80	27.50
b) Amount spent during the year on purposes other than construction/acquisition of any asset	4.00	-
Paid	4.00	-
Yet to be paid	-	-
Total	4.00	-

28.12 Disclosure of SBNs for the year ended March 31, 2017

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

Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on November 8, 2016	3.80	3.80	7.60
(+) Permitted receipts [refer Note (a) below]	-	2,945.60	2,945.60
(+) Non-permitted receipts [refer Note (b) below]	564.10	-	564.10
(-) Permitted payments [refer Note (c) below]	-	1,975.80	1,975.80
(-) Amount deposited in Banks	567.90	928.20	1,496.10
Closing cash in hand as on December 30, 2016	-	45.40	45.40

Notes:

- Permitted receipts in other denomination notes include collections made by the Company from its loan borrowers and withdrawals from bank accounts during the period from November 9, 2016 to December 30, 2016 in the ordinary course of business.

Spandana Sphoorty Financial Limited
Annexure 28: Restated Standalone Statement of Additional Information
(Rupees in Millions unless otherwise stated)

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

As per our report of even date

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

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

per Shrawan Jalan
Partner
Membership No.102102

Padmaja Gangireddy
Managing Director
DIN: 00004842

Kartikeya Dhruv Kaji
Director
DIN: 07641723

Rakesh Jhinharia
Company Secretary
Membership No.
F8325

Deepak Goswami
Chief Financial Officer

Place: Mumbai
Date: May 15, 2018

Place: Hyderabad
Date: May 15, 2018

Spandana Sphoorty Financial Limited						
Annexure 29 : Restated Standalone Statement of Tax shelter			(Rupees in Millions unless otherwise stated)			
Particulars		For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014
Profit before current and deferred taxes as restated	(A)	2,277.17	638.85	2,464.88	1,080.79	581.28
Tax rate						
Normal Tax rate (%)	(B)	34.61%	34.61%	34.61%	33.99%	33.99%
Tax thereon						
Tax on normal profit	(C)	788.13	221.11	853.09	367.36	197.58
Total		788.13	221.11	853.09	367.36	197.58
Adjustments						
Permanent Differences						
Expenses disallowed under the Income Tax Act		35.77	0.62	9.84	7.25	5.92
Donation and CSR expenditure		4.01	-	-	-	-
Deduction under section 80JJAA of Income Tax Act		(15.37)	-	-	-	-
Income exempt under Income Tax Act		(16.25)	(16.59)	(995.34)	(6.19)	(12.27)
Others		-	-	-	(5.72)	-
Subtotal	(D)	8.16	(15.97)	(985.50)	(4.66)	(6.35)
Temporary Differences						
Difference in depreciation as per tax and books of account		20.97	42.97	0.24	(5.65)	15.77
Provision for compensated absences		-	-	-	-	-
Provision for other assets		-	-	-	-	-
Set off of brought forward Loss		(2,483.25)	(556.42)	-	-	-
Provision for portfolio loans		371.60	397.48	(2,536.91)	(1,497.07)	(869.03)
Business losses carried forward		-	-	454.71	535.20	74.75
Difference in restated profit and reported profit due to change in accounting policy and prior period items		14.56	126.43	(32.50)	(27.45)	62.56
Expenses disallowed in previous year which are allowed in current year		(14.46)	(644.45)	(31.09)	(112.89)	(29.50)
Other timing differences		(119.47)	11.07	666.22	31.75	170.52
Subtotal	(E)	(2,210.05)	(622.92)	(1,479.33)	(1,076.11)	(574.93)
Net Adjustment (D+E)	(F)	(2,201.89)	(638.89)	(2,464.83)	(1,080.77)	(581.28)
Tax thereon						
Tax on normal profit	(G)	(762.07)	(221.11)	(853.09)	(367.36)	(197.58)
Total current tax (H = G+C)	(H)	26.06	-	-	-	-
Tax under 115JB of Income Tax Act, 1961*	(I)	573.22	218.27	-	-	-
Current tax on restated profit, as derived (Higher of (H) and (I))[#]	(J)	573.22	218.27	-	-	-
Current tax on restated profit, as derived (rounded off)		573.22	218.27	-	-	-
Current tax expenses as per restated summary statements		573.22	218.27	-	-	-
* Represents Minimum Alternate Tax (MAT) computed on the book profits of the Company u/s 115JB of the Income Tax Act, 1961.						
[#] Since the Company had negative taxable income for the years ended 2016, 2015 and 2014, current tax expense for these years is zero.						
Notes:						
1. The aforesaid Statement of Tax Shelter has been prepared as per the restated standalone summary statement of profits and losses of the Company.						
2. The above statement should be read with the annexure to restated summary statements of assets and liabilities, profits and losses and cash flows appearing in Annexure 4.						
3. Income tax rate includes applicable surcharge, education cess and higher education cess of the year concerned.						

Spandana Sphoorty Financial Limited		
Annexure 30: Restated Standalone Statement of Capitalisation		<i>(Rupees in Millions unless otherwise stated)</i>
Position of Debt and Shareholders' funds as at March 31, 2018:		
Particulars	Pre Issue	Post Issue
Total Debt		
Short Term Debt* (A)	0.40	[●]
Long Term Debt (B)	4,893.94	[●]
Add: Current maturities of long term borrowings (including non convertible debentures)(C)	10,940.05	[●]
Total Debt (D = A+B+C)	15,834.39	[●]
Shareholders' Funds		
Share Capital (E)	11,749.86	[●]
Reserves and Surplus (F)	(1,908.99)	[●]
Total Shareholders' Funds (G = E+F)	9,840.87	[●]
Long Term Debt** / Shareholders' Funds [H = (B+C)/G]	1.61	[●]
Total Debt / Shareholders' Funds [I = (D/G)]	1.61	[●]
* Short term debt represent borrowings having a repayment tenure of twelve months or less. ** Long term debt includes current portion of long-term borrowings repayable over twelve months from March 31, 2018. Notes The above figures are based on the Restated Standalone Summary Statements. Since, the issue price and number of shares are yet to be finalised, the post-issue capitalisation statement has not been presented.		

Spandana Spahoorty Financial Limited					
Annexure 31 : Restated Standalone Statement of Accounting Ratios					
(Rupees in Millions unless otherwise stated)					
Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014
I. Basic and Diluted Earnings Per Share (Rs.)					
Basic Earnings Per Share (Basic EPS)					
Profit after tax	1,703.95	420.58	2,464.88	1,072.96	580.58
Less : Dividend on OCCRPS and tax there on	-	-	0.10	0.10	0.10
Net profit for calculation of basic earning per share (A)	1,703.95	420.58	2,464.78	1,072.86	580.48
Less: Exceptional item (net of tax) (refer Annexure 26 for details)	-	69.03	1,238.94	-	-
Net profit/(loss) excluding exceptional items for calculation of basic earning per share (B)	1,703.95	351.55	1,225.84	1,072.86	580.48
Weighted average number of shares for calculating Basic EPS (C)	28,535,361	20,402,873	20,380,767	20,254,740	19,380,767
Basic EPS					
Including exceptional item (A/ C)	59.71	20.61	120.94	52.97	29.95
Excluding exceptional item (B / C)	59.71	17.23	60.15	52.97	29.95
Nominal value per share	10.00	10.00	10.00	10.00	10.00
Diluted Earnings Per Share (Diluted EPS)					
Net profit for calculation of basic earning per share (A)	1,703.95	420.58	2,464.78	1,072.86	580.48
Add: Dividend on OCCRPS and tax there on	-	-	0.10	0.10	0.10
Net profit for calculation of diluted earning per share (D)	1,703.95	420.58	2,464.88	1,072.96	580.58
Less: Exceptional item (net of tax) (refer Annexure 26 for details)	-	69.03	1,238.94	-	-
Net profit/(loss) excluding exceptional items for calculation of diluted earning per share (E)	1,703.95	351.56	1,225.94	1,072.96	580.58
Weighted average number of shares for calculating Basic EPS (F)	28,535,361	20,402,873	20,380,767	20,254,740	19,380,767
Add: Effect of dilution (G)					
0.001% Optionally convertible cumulative redeemable preference shares (OCCRPS)	-	788,840,577	807,562,168	835,267,721	905,327,500
Class A 0.001% Compulsory Convertible preference shares (CCPS)	6,387,420	12,798	-	-	-
Class A1 0.001% Compulsory Convertible preference shares (CCPS)	332,880	-	-	-	-
Class B 0.001% Compulsory Convertible preference shares (CCPS)	8,948,426	24,848	-	-	-
Series A, B and C 0.001% Optionally Convertible Redeemable preference shares (OCRPS)	9,081	25	-	-	-
Share warrants	450	-	-	-	-
Weighted average number of shares for calculating Diluted EPS (H) = (F+G)	44,213,618	809,281,121	827,942,935	855,522,461	924,708,267
Diluted EPS					
Including exceptional item (D/ H)	38.54	0.52	2.98	1.25	0.63
Excluding exceptional item (E / H)	38.54	0.43	1.48	1.25	0.63
Nominal value per share	10.00	10.00	10.00	10.00	10.00
II. Net Assets Value per equity share (Rs.)					
Net worth, as restated (A)	9,840.88	5,386.92	1,964.38	(270.89)	(43.63)
Less: Preference share capital	11,452.30	9,010.17	7,910.08	8,076.16	8,935.70
Net Asset Value excluding preference share capital (B)	(1,611.42)	(3,623.25)	(5,945.70)	(8,347.05)	(8,979.33)
Number of equity shares outstanding at the end of the year (C)	29,756,818	28,449,393	20,380,767	20,380,767	19,380,767
Net Assets Value per equity share (D) = (B) / (C)	(54.15)	(127.36)	(291.73)	(409.56)	(463.31)
III. Return on Net worth (%)					
Net Profit after tax, as restated (A)	1,703.95	420.58	2,464.88	1,072.96	580.58
Net worth, as restated (B)	9,840.88	5,386.92	1,964.38	(270.89)	(43.63)
Return on Net Worth (C) = (A) / (B)	17.31%	7.81%	125.48%	-396.08%	-1330.83%
Notes					
1. The figures disclosed above are based on the Restated Standalone Summary Statements of the Company.					
2. The above statement should be read with the notes to Restated Standalone Summary Statements in Annexure 4.					
3. The ratios have been computed as follows:					
(i) Earnings per share =	Net profit available for equity shareholders for the year Weighted average number of equity shares outstanding during the year				
(ii) Net asset value per equity share =	Net worth as at the end of the year Number of equity shares outstanding at the end of the year				
(iii) Return on net worth (%) =	Net profit after tax for the year Net worth at the end of the year				
4. Weighted average number of equity shares is the number of equity shares outstanding at the beginning of the year adjusted by the number of equity shares issued during the year multiplied by the time weighing factor. The time weighing factor is the number of days for which the specific shares are outstanding as a proportion of total number of days during the year.					
5. Net worth for ratios mentioned in above note represents the aggregate of the paid up share capital and reserves and surplus (excluding revaluation reserve, if any), as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of the profit and loss account, if any					
6. Earnings per share calculations are in accordance with Accounting Standard 20 "Earnings Per Share" notified under section 133 of the Companies Act 2013, read together with Companies (Accounts) Rules, 2014 and Companies (Accounting Standards) Amendment Rules, 2016.					

Spandana Sphoorty Financial Limited
Annexure 32: Statement of Dividend (for all classes of shares)

Particulars	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014
Equity shares					
Face value – (Indian Rupees)	10.00	10.00	10.00	10.00	10.00
% of dividend	Nil	Nil	Nil	Nil	Nil
Amount of dividend	Nil	Nil	Nil	Nil	Nil
0.001% Optionally convertible cumulative redeemable preference shares (OCCRPS) *					
Face value – (Indian Rupees)	NA	NA	10.00	10.00	10.00
% of dividend	NA	NA	0.001%	0.001%	0.001%
Amount of dividend	NA	NA	79,101	83,424	90,533
* OCCRPS converted into Class B Compulsory Convertible Preference Shares in the year ended March 31, 2017					
Class B 0.001% Compulsory Convertible Preference Shares (CCPS) **					
Face value – (Indian Rupees)	10.00	10.00	NA	NA	NA
% of dividend	Nil	Nil	NA	NA	NA
Amount of dividend	Nil	Nil	NA	NA	NA
** OCCRPS converted into Class B Compulsory Convertible Preference Shares in the year ended March 31, 2017					
Class A 0.001% Compulsory Convertible Preference Shares (CCPS)					
Face value – (Indian Rupees)	10.00	10.00	NA	NA	NA
% of dividend	Nil	Nil	NA	NA	NA
Amount of dividend	Nil	Nil	NA	NA	NA
Class A1 0.001% Compulsory Convertible preference shares (CCPS)					
Face value – (Indian Rupees)	10.00	NA	NA	NA	NA
% of dividend	Nil	NA	NA	NA	NA
Amount of dividend	Nil	NA	NA	NA	NA
0.001% Optionally Convertible Redeemable Preference Shares (OCRPS) - Series A, B, C*					
Face value – (Indian Rupees)	10.00	10.00	NA	NA	NA
% of dividend	Nil	Nil	NA	NA	NA
Amount of dividend	Nil	Nil	NA	NA	NA
* OCRPS are partly paid up					

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IND AS

The Restated Financial Statements included in this Draft Red Herring Prospectus are based on the audited standalone financial statements of the Company which are prepared in accordance with Indian GAAP, and restated in accordance with the SEBI ICDR Regulations, and the audited consolidated financial statement of the Company and its Subsidiary, prepared in accordance with Indian GAAP, and restated in accordance with the SEBI ICDR Regulations. Certain differences exist between Indian GAAP and Ind AS which might be material to the financial information contained herein. The matters described below summarise certain differences between Indian GAAP and Ind AS that may be material. Our Company is responsible for preparing the summary below. Our Company has not prepared a complete reconciliation of its financial statements and related footnote disclosures between Indian GAAP and Ind AS and has not quantified such differences. Accordingly, no assurance is provided that the following summary is complete.

Potential investors should consult their own professional advisors for an understanding of the differences between Indian GAAP and Ind AS, and how those differences might affect the financial information herein. In making an investment decision, potential investors must rely upon their own examination of our Company, the terms of the Offering and the financial information.

Ind AS No.	Particulars	Indian GAAP	Ind AS
Ind AS 1	Presentation of Financial Statements	<u>Other Comprehensive Income:</u> There is no concept of 'Other Comprehensive Income' under Indian GAAP.	<u>Other Comprehensive Income:</u> Ind AS 1 introduces the concept of Other Comprehensive Income ("OCI"). Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognized in the statement of profit or loss as required or permitted by other Ind AS.
		<u>Extraordinary items:</u> Under Indian GAAP, extraordinary items are disclosed separately in the statement of profit and loss and are included in the determination of net profit or loss for the period. Items of income or expense to be disclosed as extraordinary should be distinct from the ordinary activities and are determined by the nature of the event or transaction in relation to the business ordinarily carried out by an entity.	<u>Extraordinary items:</u> Under Ind AS, presentation of any items of income or expense as extraordinary is prohibited.
		<u>Change in Accounting Policies:</u> Indian GAAP requires changes in accounting policies to be presented in the financial statements on a prospective basis (unless transitional provisions, if any, of an accounting standard require otherwise) together with a disclosure of the impact of the same, if material. If a change in the accounting policy has no material effect on the financial statements for the current period, but is expected to have a material effect in the later periods, the same should be appropriately disclosed.	<u>Change in Accounting Policies:</u> Ind AS requires retrospective application of changes in accounting policies by adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy had always been applied, unless transitional provisions of an accounting standard require otherwise.
		<u>Errors:</u> Prior period items are included in determination of net profit or loss of the period in which the error pertaining to a prior period is discovered and are separately disclosed in the statement of profit and loss in a manner that the impact on current profit or loss can be perceived.	<u>Errors:</u> Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred or if the error occurred before the earliest period presented, by restating the opening balance sheet.
Ind AS 12	Deferred Taxes	Under Indian GAAP, the Company determines deferred tax to be recognized in the financial statements with reference to the income statement approach i.e. with reference to the timing differences between profit offered for income taxes and profit as per the financial statements.	As per Ind AS 12 Income Taxes, deferred tax is determined with reference to the balance sheet approach i.e. based on the differences between carrying value of the assets/ liabilities and their respective tax base. Using the balance sheet approach, there could be additional deferred tax charge/ income on account of all Ind AS opening balance sheet Adjustments.
Ind AS 16	Property, plant and equipment –	Under Indian GAAP, the Company currently provides depreciation on Written Down Value	Ind AS 16 mandates reviewing the method of depreciation, estimated useful life and estimated

Ind AS No.	Particulars	Indian GAAP	Ind AS
	reviewing depreciation and residual value	(WDV) method over the useful lives of the assets estimated by the Management.	residual value of an asset at least once in a year. The effect of any change in the estimated useful and residual value shall be taken prospectively. Ind AS 101 allows current carrying value under Indian GAAP for items of property, plant and equipment to be carried forward as the cost under Ind AS.
Ind AS 19	Accounting for Employee Benefits	Currently, under Indian GAAP the Company recognizes all short term and long term employee benefits in the profit and loss account as the services are received. For long term employee benefit, the Company applies actuarial valuation techniques to determine the liability.	Under Ind AS 19, the change in liability is split into changes arising out of service, interest cost and re-measurements and the change in asset is split between interest income and re-measurements. Changes due to service cost and net interest cost/income need to be recognized in the income statement and the changes arising out of re-measurements are to be recognized directly in OCI.
Ind AS 24	Related Parties	Under Indian GAAP, the scope of related parties is limited. Indian GAAP covers the spouse, son, daughter, brother, sister, father and mother who may be expected to influence, or be influenced by, that individual in his/her dealings with the reporting enterprise. It covers key management personnel (KMP) of the entity only. Co-venturers or co-associates are not related to each other.	Definition of related party as per Ind AS is very wide. It includes the persons specified within the meaning of 'relative' under the Companies Act 2013 and that person's domestic partner and dependents of that person's domestic partner. It also covers KMP of the parent company as well. Two entities are related to each other in both their financial statements, if they are either co-venturers or one is a venture and the other is an associate.
Ind AS 37	Provisions, contingent liabilities and contingent assets	Under Indian GAAP, provisions are recognised only under a legal obligation. Also, discounting of provisions to present value is not permitted.	Under IND AS, provisions are recognised for legal as well as constructive obligations. IND AS requires discounting the provisions to present value, if the effect of time value of money is material.
Ind AS 102	Share based payments	Under Indian GAAP, company has an option to account for share based payments on the basis of intrinsic value or fair value.	Under Ind AS, the share based payments have to be mandatorily accounted for basis the fair value and the same has to be recorded in the Statement of Profit or Loss over the vesting period. The fair valuation of the unvested options as on the transition date have to be adjusted against retained earnings.
Ind AS 32/ 107 / 109	Presentation and classification of Financial Instruments	Currently, under Indian GAAP, the financial assets and financial liabilities are recognised at the transaction value. The Company classifies all its financial assets and liabilities as short term or long term. Long term investments are carried at cost less any permanent diminution in the value of such investments determined on a specific identification basis. Current investments are carried at lower of cost or realisable value except for investments in mutual funds which are carried at the Net asset value declared by the mutual fund in accordance with the NBFC Master Directions. Under Indian GAAP, disclosures are limited. Borrowings through hybrid instruments like compulsorily convertible debentures are presented as debt / equity based on their status at each reporting date. Financial liabilities are carried at their transaction values. Disclosures under Indian GAAP are limited.	Ind AS 109 requires all financial assets and financial liabilities to be recognised on initial recognition at fair value. Financial assets have to be either classified as measured at amortized cost or measured at fair value. Where assets are measured at fair value, gains and losses are either recognized entirely in profit or loss (FVTPL), or recognized in other comprehensive income (FVOCI). Financial assets include equity and debts investments, interest free deposits, loans, trade receivables etc. Disclosures under Ind AS are materially different from those prescribed under Indian GAAP. Under Ind AS 32, a financial liability shall be classified as debt or equity at the inception based on the underlying substance of the contractual arrangement.
Ind AS 32/ 107 / 109	Subsequent Measurement of financial instruments	Currently under Indian GAAP, income from loan processing fees is recognised entirely at the time of disbursement of loan in the Statement of Profit and Loss.	Financial instruments classified at amortized cost and FVOCI and the related revenue (including processing fees and fees of similar nature) net of related costs have to be measured using the Effective Interest Rate (EIR) method. There are

Ind AS No.	Particulars	Indian GAAP	Ind AS
		Similarly, loan processing fees and other ancillary charges incurred for borrowing are recognised entirely at the time of availing the borrowing. All costs incurred for origination of loan portfolio are recognised in the Statement of Profit and Loss in the period in which they are incurred. In accordance with the NBFC Master Directions issued by the Reserve Bank of India, income on non-performing assets is recognised only on realisation basis.	two measurement categories for financial liabilities – FVTPL and amortized cost. According to Ind AS 109, interest income on financial assets is recognised in accordance with EIR method on the gross carrying value pending on the stage in which the asset is categorised. In the case where the loan or an asset is considered impaired, the interest income will be accounted for at the net amount, i.e., gross carrying amount less provisions made.
Ind AS 32 / 107 / 109	Financial Instruments Impairment	Under Indian GAAP, the Company assesses the provision for doubtful debts at each reporting period based on relevant information like creditworthiness of the borrower/ ability of the group to repay the dues / exceptional events like demonetisation / provisioning norms stipulated by the Reserve Bank of India.	The impairment methodology in Ind AS is based on expected credit losses with reference to credit risk of each financial instrument for all financial assets measured at amortized cost or FVOCI.
Ind AS 109	Financial Instrument Securitisation/ assignment of loans	De-recognition of loans securitized is based on the “True Sale” criteria. Any loss arising on account of sale/ transfer of loan assets is required to be recognized immediately in the period in which such sale is effected whereas any profit/ premium arising on such sale is required to be amortised over the life of the securities issued or the life of the underlying loan assets. No adjustments are required for the obligations or benefits arising for acting as the servicing agent in the securitization / assignment transaction.	De-recognition of loans securitised is based on the ‘risk and reward’ model and a ‘control’ model. If de-recognition criteria is met, the financial asset transferred is de-recognized and difference between carrying value and consideration received shall be recognized in the statement of profit and loss. The entity also needs to recognize the interest payments that it would not give up as interest-only strip receivable (with corresponding credit to profit and loss) computed by discounting the excess interest spread (EIS) to its present value. If de-recognition criteria is not met, the entity shall continue to recognise the transferred asset in its entirety and shall recognise a financial liability for the consideration received. In subsequent periods, the entity shall recognise any income on the transferred asset and any expense incurred on the financial liability. In case the entity also act as a servicing agent for the assigned loan portfolio, then servicing asset and servicing liability will be recognised upfront at their fair value for the right retained for servicing the financial asset for the service contract.
Ind AS 103	Business Combinations	Under Indian GAAP, business combinations are accounted using pooling of interest method or purchase method based on fulfilment of certain conditions. All assets / liabilities acquired are recognised at their carrying value from the books of the amalgamating company or fair value of such assets / liabilities at the option of the Company in case of purchase method, against pooling of interest method where they are recognised at their carrying values only.	According to Ind AS 103, all assets / liabilities acquired under the business combination are measured at their fair values on the date of acquisition. Additionally, the Company has an option under Ind AS 101 to restate any business combinations entered before the date of transition, in accordance with Ind AS 103.
Ind AS 108	Determination of Segments	Under Indian GAAP, companies are to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Company’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.	Under Ind AS, operating segments are identified based on the financial information that is regularly reviewed by the chief operating decision-maker (CODM) in deciding how to allocate resources and in assessing performance.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our restated consolidated financial statements as of and for the year ended March 31, 2018 and our restated standalone financial statements as of and for the years ended March 31, 2018, 2017, 2016, 2015 and 2014, including the related annexures. These Restated Financial Statements have been prepared in accordance with Indian GAAP, applicable provisions of the Companies Act and restated in accordance with the SEBI ICDR Regulations.

Indian GAAP differs in certain material respects with Ind AS, IFRS and U.S. GAAP. See "Risk Factors – Significant differences exist between Indian GAAP and other accounting principles, such as U.S. GAAP and International Financial Reporting Standards ("IFRS"), which investors may be more familiar with and may consider material to their assessment of our financial condition." on page 39.

Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the 12-month period ended March 31 of that year.

This discussion contains forward-looking statements that involve risks and uncertainties and reflects our current view with respect to future events and financial performance. Actual results may differ from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Forward-looking Statements" and "Risk Factors" on pages 16 and 17, respectively.

Overview

We are a leading, rural focused NBFC-MFI with a geographically diversified presence in India. We offer income generation loans under the joint liability group model, predominantly to women from low-income households in Rural Areas. As of March 31, 2018, we were the fourth largest NBFC-MFI and the sixth largest amongst NBFC-MFIs and SFBs in India, in terms of AUM (Source: ICRA Research; see "*Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters*" on page 109). Further, according to ICRA Research, our operating expense to average managed assets ("**AMA**") ratio was better than the industry as a whole for Fiscal 2018.

Through our extensive corporate history, we have developed an in-depth understanding of the borrowing requirements of the low-income client segment. Our business model involves regular client meeting processes through our employees, who maintain contact with our clients across the districts that we cover. As of March 31, 2018, we had 4,045 employees (including 2,746 credit assistants) operating out of 694 branches in 222 districts across 15 states in India. Through our loan products and client-centric approach, we endeavor to strengthen the socio-economic well-being of low-income households by providing financing on a sustainable basis in order to improve livelihoods, establish identity and enhance self-esteem.

We were incorporated as a public company in 2003 and registered as an NBFC with the RBI in 2004. Subsequently, we registered as an NBFC-MFI in 2015. Between the years 2005 to 2010, we grew our micro-finance operations and, as of March 2010, we were the second largest MFI in terms of AUM (Source: ICRA Research).

In October 2010, the MFI industry (including us) was severely impacted due to external regulatory action, as the government of the formerly unified Andhra Pradesh promulgated the AP Microfinance Ordinance 2010, which enforced several restrictions on the operations of MFIs (for details, see "*Industry Overview – Historical Growth and Development of the Microfinance Industry – Andhra Pradesh (AP) Ordinance (2010)*"). This severely impacted our collections and the consequent cash-flow shortage impacted our ability to service our debt, which in turn impaired our growth and profitability. Our lenders referred us to the corporate debt restructuring ("**CDR**") mechanism of the RBI to develop a plan to restructure our borrowings and revive our business. We agreed on a CDR plan with our lenders, which allowed us to get cash-flow relaxations to enable us to continue our efforts towards portfolio diversification, process improvement and cost rationalization. These measures helped us turn our operations profitable from the year ended March 31, 2014.

Further during the time that we were under CDR, we deployed efforts to recover dues in AP, such as continuing to keep our branches open and continuing to engage with borrowers. Our operations turned profitable in the year ended March 31, 2014 and we went on to make profits for four consecutive years while operating under the CDR mechanism. Our restated profit after tax was ₹580.58 million, ₹1,072.96 million, ₹2,464.88 million and ₹420.58 million for Fiscals 2014, 2015, 2016 and 2017, respectively. As a result of our collections from the old AP portfolio and the profits generated from our operations in other states, we were able to restructure our outstanding debt as well as raise refinancing debt from our existing CDR lenders. We also received capital infusion from Kangchenjunga, our Corporate Promoter, and Kedaara AIF – 1, which enabled us to exit from CDR mechanism successfully in March 2017 with approvals from the RBI and our lenders. ICRA Research notes that we were one of only two major companies that were able to successfully exit from CDR.

Post our exit from CDR in March 2017, we increased our lender base, diversified our borrowings to new banks and NBFCs and also issued NCDs in the capital markets (leading to a reduction in Average Effective Cost of Borrowing to 13.82% for Fiscal 2018 from 16.31% for Fiscal 2017). As a result, during Fiscal 2018, with increasing flow of capital, we expanded our operations

and were able to effectively utilize our existing branch network and employees (that were earlier underutilized due to lack of capital).

Prior to our exit from CDR in 2017, we had limited access to capital, due to which we were able to offer loans in lower ticket sizes than the demand from our clients. According to ICRA Research, we had the lowest portfolio per branch amongst peer comparison of major NBFC-MFIs and SFBs, as of March 31, 2017. Post exit from CDR, we were able to optimize the ticket sizes and also acquire new clients at existing and new branches. This helped us grow our AUM in the year ended March 31, 2018 at one of the highest rates (144.1% in Fiscal 2018) among large NBFC-MFIs in India (Source: ICRA Research; see “Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters” on page 109). For Fiscal 2018, our Disbursements increased by 87.34% (from ₹20,591.65 million as of March 31, 2017 to ₹38,576.48 million as of March 31, 2018 and our Gross AUM grew from ₹12,970.75 million as of March 31, 2017 to ₹31,663.54 million as of March 31, 2018) and the Return on Annual Average Net Worth increased from 11.44% for Fiscal 2017 to 22.37% for Fiscal 2018. For further details, please see “Selected Statistical Information” on page 179.

The following table sets forth our key financial and operational metrics as of or for the periods indicated:

	As of / For the		
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
	(₹ in millions, except percentages and number of borrowers)		
Gross AUM ⁽¹⁾	31,663.54	12,970.75	12,195.38
Gross AUM Growth (%) ⁽²⁾	144.11%	6.36%	2.18%
Disbursements ⁽³⁾	38,576.48	20,591.65	17,933.03
Disbursement Growth ⁽⁴⁾	87.34%	14.83%	-9.57%
Borrowers ⁽⁵⁾	1.59	1.06	1.07
Total Revenue ⁽⁶⁾	5,725.97	3,642.00	3,513.49
Operating Expense/ Annual Average Gross AUM ⁽⁷⁾	4.83%	7.58%	7.41%
Operating Expense / Annual Average Gross AUM (including the old AP Portfolio) ⁽⁸⁾	3.56%	4.64%	4.19%
Cost to Income Ratio ⁽⁹⁾	28.93%	49.99%	40.13%
Provision and write-offs / Annual Average Gross AUM ⁽¹⁰⁾	1.67%	3.34%	0.89%
Profit before tax ⁽¹¹⁾	2,277.17	638.85	2,464.88
Profit after tax ⁽¹²⁾	1,703.95	420.58	2,464.88
Gross PAR 90+ (excluding the old AP Portfolio) ⁽¹³⁾	655.60	843.70	12.80
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽¹⁴⁾	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽¹⁵⁾	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽¹⁶⁾	0.03%	2.81%	0.08%
Collection Efficiency ⁽¹⁷⁾	99.25%	97.13%	99.41%
Return on Annual Average Gross AUM ⁽¹⁸⁾	7.64%	3.34%	20.43%
Return on Annual Average Net Worth ⁽¹⁹⁾	22.38%	11.44%	291.10%*
Net Worth ⁽²⁰⁾	9,840.88	5,386.92	1,964.38

Figures disclosed in the above table, except “Total Revenue”, “Profit before Tax” and “Profit after Tax” are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

Notes:

- (1) Gross AUM represents our total portfolio loans outstanding (gross i.e. without netting-off the related provisioning) comprising the outstanding of loan portfolio held by us as well as the outstanding of loan portfolio which have been transferred by us by way of securitization or assignment as at the end of the relevant year, excluding (in both cases) loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012. For a reconciliation of our Gross AUM to the loan portfolio appearing on our restated summary of assets and liabilities, please see “Selected Statistical Information” on page 179.
- (2) Gross AUM Growth represents percentage growth in Gross AUM for the relevant year over Gross AUM of the previous year.
- (3) Disbursements represent the aggregate of all loan amounts extended to our customers in the relevant year.
- (4) Disbursement Growth represents percentage growth in disbursement for the relevant year over disbursement of the previous year.
- (5) Borrowers represents the number of customers who have active loan accounts with us as at the end of the relevant year.
- (6) Total Revenue represents our restated total revenue for the year.
- (7) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses. Annual Average Gross AUM is the average of our Gross AUM as of the last day of the relevant year and our Gross AUM as of the last day of the previous year.
- (8) Operating Expense represents employee benefits expenses, depreciation and amortization expenses and other expenses. Annual Average Gross AUM (including the old AP Portfolio) is the average of our Gross AUM (including the old AP Portfolio) as of the last day of the relevant year and our Gross AUM (including the old AP Portfolio) as of the last day of the previous year.
- (9) Cost to Income Ratio represents the sum of employee benefits expenses, other expenses, and depreciation and amortization expenses as a percentage of Net Interest Income plus our restated other income.
- (10) Provision and write-offs represents the aggregate of provisions and write offs.
- (11) Profit before tax represents our restated profit before tax.
- (12) Profit after tax represents our restated profit for the year
- (13) Gross PAR 90+ (excluding the old AP Portfolio) represents total loan outstanding that are overdue for 90 days or more (including any such loan outstandings that form part of our securitized loan portfolio), excluding loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
- (14) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents “Gross PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM as at the date mentioned

- (15) *Net PAR 90+ (excluding the old AP Portfolio)* represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (16) *Net PAR 90+ Ratio (excluding the old AP Portfolio)* represents “Net PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned.
- (17) *Collection Efficiency* represents the ratio of our collections (including overdue collections) for the year to billings for the year.
- (18) *Return on Annual Average Gross AUM* is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Gross AUM in such year.
- (19) *Return on Annual Average Net Worth* is calculated as our Profit After Tax for the relevant year as a percentage of our Annual Average Net Worth in such year.
- * Our net worth, as restated as at March 31, 2015 was negative, amounting to ₹(270.89) million. As a consequence, our Return on Annual Average Net Worth for the year ended March 31, 2016 is much higher than our Return on Annual Average Net Worth for the years ended March 31, 2016 and 2017. Net Worth represents our restated net worth as of the last day of the relevant year.

Introductory note regarding financial information presented in this chapter

Our sole subsidiary, Caspian Financial, was incorporated on October 13, 2017. As a result, we have prepared consolidated financial statements only for the year ended March 31, 2018 (as that was the only financial year for which we had a consolidating entity). Caspian Financial does not derive any revenue from operations (as it is not an operating subsidiary) and accordingly did not have a material contribution to our consolidated financial statements. In this chapter, for consistency in comparison we have compared standalone financial information for the years ended March 31, 2018, 2017 and 2016. For further details on Caspian Financial, please see “*History and Certain Corporate Matters – Our Subsidiaries*” on page 147.

Factors Affecting Our Results of Operations

The performance and growth potential of the micro-finance industry in India

As an NBFC-MFI, we are impacted by (and will continue to be impacted by) the performance of the micro-finance industry in India, especially in rural India (where our operations are focused). According to ICRA Research, with increasing demand for micro-credit, the size of the overall microfinance sector has witnessed steady increase over the years, with the market size growing at a CAGR of 22.5% in the period from the year ended March 31, 2009 to the year ended March 31, 2018. The demand increase is attributed to improving awareness and reach leading to increased volumes, as well as rise in inflation and higher number of borrowers in higher loan cycles driving higher ticket sizes (*Source: ICRA Research*). This overall increase in market size has contributed to the growth of our business in prior periods.

However, certain events in the past have disrupted the growth of the micro-finance industry and have also had an adverse impact on our financial results. For example, in October 2010, due to the promulgation of an ordinance by the formerly unified Andhra Pradesh government (“**AP Microfinance Ordinance**”), introducing stringent measures on the MFI industry, our business and operations were severely impacted. For further details on the background and impact of the AP Microfinance Ordinance on the industry, see “*Industry Overview*” on page 92. Due to the concentration of our business in the formerly unified Andhra Pradesh at the time, our collections were impacted which adversely affected our ability to service our debt. We also had to make a provision for our outstanding loan portfolio originating from the formerly unified Andhra Pradesh. While we have managed to collect a significant amount of outstanding loans from the formerly unified Andhra Pradesh, our financial statements continue to include a provision for non-performing assets originating from Andhra Pradesh and Telangana disbursed prior to January 1, 2012. As of March 31, 2018, this provision amounted to ₹7,930.30 million (our Gross AUM (including the old AP Portfolio) as of March 31, 2018 was ₹39,596.64 million, out of which the old AP Portfolio comprised ₹7,933.10 million).

In the aftermath of the AP Microfinance Ordinance, our lenders referred us to the corporate debt restructuring (“**CDR**”) mechanism of the RBI to develop a plan to restructure our borrowings and revive our business. For further details in relation to the CDR process, please see “*Annexure 5.2 – Regulatory and Company updates of our Restated Standalone Financial Information*” on page 245. During the period that we were in CDR, we deployed extra efforts to recover dues in Andhra Pradesh and also continued our operations in the rest of India. Our operations turned profitable in the year ended March 31, 2014 and we went on to make profits for four consecutive years while operating under the CDR mechanism. Our restated profit after tax was ₹580.58 million, ₹1,072.96 million, ₹2,464.88 million and ₹420.58 million for the years ended March 31, 2014, 2015, 2016 and 2017 respectively. The collections from Andhra Pradesh coupled with the profitability derived from the streamlining of operations helped us to raise refinancing debt from existing CDR lenders. Further, capital infusion from our Corporate Promoter, Kangchenjunga, and from Kedaara AIF – 1, enabled us to exit the CDR mechanism successfully in March 2017 after receiving approvals from RBI and concerned lenders.

Further, in November 2016, the Indian government announced the demonetization of bank notes of ₹500 and ₹1,000 denominations which also impacted our business. ICRA Research notes that in the aftermath of demonetization, inadequate currency supply, political interference in some states and disruption in borrower cash flows led to a sharp dip in MFIs’ collection efficiencies (from over 98% prior to demonetization to approximately 75-80% in November and December 2016). We were also adversely affected by the effects of demonetization. However, ICRA Research notes that our performance (in terms of reductions in 30 days past due (“**dpd**”) delinquencies and 90 dpd delinquencies) was superior to the industry, as a result of our rural focus, lower share of portfolio in the most affected districts and our geographically diversified portfolio. For further details, please see “*Industry Overview – Benchmarking of Spandana Sphoorty Financial Limited on various parameters – Comparison on Asset Quality*” on page 109.

Any such disruptive events in the future may adversely affect our results of operations in future periods.

Further, as we focus on providing micro-loans in Rural Areas, our results of operations are affected by the performance and the future growth potential of microfinance in rural India. In this regard, ICRA Research notes that the significant under penetration of credit in rural areas offers strong potential for improvement and that given the relatively deeper reach, existing client relationships and employee base, micro-finance institutions are well placed to address this demand which is currently being met by informal sources such as local money lenders. Accordingly, with our focus on the rural segment as of September 30, 2017, 80% of our portfolio was located in Rural Areas, as compared with 49% for 22 NBFC-MFIs as a whole (*Source: ICRA Research*). We expect to benefit from the expected growth potential for microfinance in rural India.

However, on the other hand, we are also exposed to the general risks relating to the microfinance industry. For instance, our clients typically have limited sources of income, savings and credit histories and our loans are typically provided free of collateral. Such clients generally do not have a high level of financial resilience, and, as a result, they can be adversely affected by declining economic conditions and natural calamities. In addition, we rely on non-traditional guarantee mechanisms rather than tangible assets as collateral, which may not be effective in recovering the value of our loans. For a discussion of the risks relating to the nature of microfinance loans, see “*Risk Factors – Microfinance loans are unsecured and are susceptible to certain operational, credit and political risks which may result in increased levels of NPAs, thereby adversely affecting our business, results of operations and financial condition*” on page 18.

The popularity of our loan products

We derive most of our revenue from interest on portfolio loans, which amounted to 94.76%, 94.10% and 83.99% of our revenue from operations for the years ended March 31, 2016, 2017 and 2018. We specialize in providing income generation loans to women in Rural Areas under the joint liability group model.

As a result of our long-standing corporate history and the expertise of our Promoter and management team, we have a deep understanding of the requirements of clients in Rural Areas, the nuances of lending to these individuals and issues specific to the microfinance industry in India. As a result, we were able to successfully exit from CDR and have been able to grow our Gross AUM post our exit (despite the disruptive impact of demonetisation on the micro-finance industry).

Our revenue from operations increased from ₹3,464.05 million for the year ended March 31, 2016 to ₹3,571.72 million for the year ended March 31, 2017 and ₹5,608.36 million for the year ended March 31, 2018. This increase was mainly on account of the increase in volume of our portfolio loans to both existing and new clients. For a detailed discussion of the reasons for the increase in our income from portfolio loans in prior periods, please see “– *Our Results of Operations*”. We believe our focus on providing financing to our client on a speedy and continual basis according to their life cycle needs has led to the popularity of our income generation products, thereby driving the growth in our revenue from operations.

Going forward, in line with our growth strategy, we expect income generation loans to continue to contribute a significant portion to our revenue from operations and expect to leverage their popularity to derive organic business growth. For further details on our growth strategy, please see “*Our Business – Our Strategy*”.

Availability of Cost-Effective Sources of Funding

Our ability to meet client demand for new loans will depend on our ability to obtain additional financing on acceptable and cost-effective terms. Our funding sources are varied, as we believe that a diversified debt profile ensures that we are not overly dependent on any one type or source for funding. We meet our funding requirement through diverse sources, such as term loans from banks, financial institutions and non-banking financial companies, proceeds from loan assets assigned and securitized, proceeds from the issuance of NCDs. We believe that this enables us to meet our funding in a cost efficient manner.

As of March 31, 2018, we had total borrowings (current and non-current) aggregating to ₹15,834.39 million, comprising long-term borrowings amounting to ₹4,893.94 million, short-term borrowings amounting to ₹0.40 million and current maturities of long-term borrowings amounting to ₹10,940.05 million.

Our debt service costs and overall cost of funds depend on many external factors, including developments in the Indian credit markets and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. Internal factors that affect our cost of funds include our credit ratings, cash flows and available credit limits. Any increase in our cost of funds may lead to a reduction in our net interest margin, or require us to increase interest rates on loans disbursed to clients in the future to maintain our net interest margin.

We increased our lender base from three lenders as of March 31, 2017 to 22 lenders as of March 31, 2018. Further, while we did not have a credit rating as of March 31, 2017, our credit ratings improved from BBB- (Stable) as of August 2017 to BBB+ (Stable) in May 2018. Our Average Effective Cost of Borrowing decreased from 16.31% for the year ended March 31, 2017 to 13.82% for the year ended March 31, 2018. For further details of our borrowing profile, please see “*Selected Statistical Information – Borrowing Profile*” on page 184. We intend to further diversify our lender base by raising financing through lower cost avenues such as capital markets instruments such as NCDs, commercial paper and securitizations and through term

loans under priority sector lending from banks. This diversification will enable us to effectively meet our funding requirements and further optimize our Average Effective Cost of Borrowings.

Our Ability to Manage Finance Costs and Fluctuations in Interest Rates Effectively

Our results of operations depend substantially on the level of our net interest income (representing our revenue from operations as reduced by our finance costs). Our finance costs amounted to 36.64%, 47.61% and 34.91% of our total revenue for the years ended March 31, 2016, 2017 and 2018.

The differential between the interest rates that we charge on interest-earning assets and the interest rates that we pay on interest-bearing liabilities, and the volume of such assets and liabilities, tend to have a significant impact on our results of operations. Changes in market interest rates affect the interest rates we charge on our interest-earning assets differently from the interest rates we pay on our interest-bearing liabilities and also affect the value of our investments. An increase in interest rates could result in an increase in interest expense relative to interest income if we are not able to increase the rates charged on our loans and advances or if the volume of our interest-bearing liabilities is larger or growing faster than the volume of our interest-earning assets. The differences between repricing maturities of rate sensitive liabilities and rate sensitive assets, called repricing gaps, exposes our business to interest rate risk.

Our business is also exposed to interest rate risk in the form of non-uniform movement in different interest rate benchmarks that are used for pricing of our assets and liabilities. Such scenarios would lead to a reduction in our net interest income (representing our revenue from operations as reduced by our finance costs) and net interest margin. The quantum of the changes in interest rates for our assets and liabilities may also be different, leading to a decrease in the interest margin.

The table below sets forth certain key financial indicators as of or for the periods specified:

Metric	As of / for the		
	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
	(standalone)	(standalone)	(standalone)
	(₹ in million)		
Revenue from operations ⁽¹⁾	5,608.36	3,571.72	3,464.05
Other income ⁽²⁾	117.61	70.28	49.44
Finance costs ⁽³⁾	1,998.80	1,733.91	1,287.23
Net interest income ⁽⁴⁾	3,609.56	1,837.81	2,176.82
Net Interest Margin (NIM-R):			
Average Interest Charged (A) ⁽⁵⁾	23.54%	25.72%	27.19%
Average Effective Cost of Borrowing (B) ⁽⁶⁾	13.82%	16.31%	13.26%
NIM-R (A-B) ⁽⁷⁾	9.72%	9.41%	13.93%

Figures disclosed in the above table, except "Revenue from Operations", "Other Income" and "Finance Costs" are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

- (1) Revenue from operations represents our restated revenue from operations for the year.
- (2) Other income represents our restated other income for the year.
- (3) Finance costs represents our restated finance costs for the year, comprising interest expense on debentures, term loans from banks, term loans from financial institutions, terms loans from non-banking finance companies, term loans from others and term loans payable on demand from banks; other borrowing costs; and bank charges.
- (4) Net interest income represents revenue from operations for the relevant period reduced by finance costs in such year.
- (5) Average Interest Charged represents interest income from qualifying assets, as defined by the RBI, which is gross loan portfolio outstanding during the period (excluding loan portfolio originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012) divided by the monthly average qualifying assets for the relevant year.
- (6) For Fiscal 2016, Average Effective Cost of Borrowing, as defined by the RBI, is our total finance costs less interest income on margin money deposits placed as collateral during the year divided by our monthly average total borrowings less our monthly average of margin money deposits placed as collateral for borrowings.
For Fiscal 2017 and 2018, Average Effective Cost of Borrowing, as defined by the RBI, is our total finance costs less interest income on margin money deposits placed as collateral during the year divided by our monthly average total borrowings.
- (7) NIM-R represents net interest margin computed as Average Interest Charged less Average Effective Cost of Borrowing.

Our Credit Quality and Levels of Provisions and Write-offs

Our ability to manage the credit quality of our loans is a key driver of our results of operations. Pursuant to RBI guidelines, we are required to make a provision on standard assets. In addition to this, RBI guidelines require us to classify and, depending on the duration of non-payment, make a provision on loans that become NPAs. As the number of our loans that become NPAs increases, the credit quality of our loan portfolio decreases, which leads to an increase in our provisions and write-offs, thereby adversely affecting our profitability and margins.

Further, our credit quality is also susceptible to external events that impact the industry as a whole. In the aftermath of the AP Microfinance Ordinance, we had to make provisions for our outstanding portfolio of loans originating from the formerly unified Andhra Pradesh, which significantly affected our results of operations and financial condition. With a view to minimizing provisions and write-offs, we follow robust diversification, risk management, credit assessment and expansion policies. For

instance, to address geographic concentration risk, we follow specified disbursement caps at the state, district and branch levels. In addition, we follow a systematic eligibility criteria for clients, which is aimed at minimizing loan defaults and avoiding lending to fake borrowers. We also utilize credit bureaus to independently assess the credit-worthiness of prospective borrowers. In addition, in order to prevent frauds by our employees, we follow a standard transfer policy, whereby all our field employees are transferred after spending a fixed period (not exceeding 12 months) at one location. We also have well-established internal controls and our internal audit department, which is overseen by the audit and risk management committee of our board, is an independent function which evaluates operational risks, internal controls, adherence to systems and conducts timely inspection of our branches. For further details, please see “Our Business – Client Selection Policies and Processes”.

Our well diversified geographic portfolio, credit assessment policies and effective risk management policies have resulted in healthy asset quality. The following table shows our key portfolio indicators:

Metric	As of		
	March 31, 2018 (standalone)	March 31, 2017 (standalone)	March 31, 2016 (standalone)
Gross NPA ⁽¹⁾ (₹ in million)	8,588.70	8,819.20	8,005.70
Net NPA ⁽²⁾ (₹ in million)	12.20	368.30	10.30
Gross PAR 90+ (excluding the old AP Portfolio) ⁽³⁾ (₹ in million)	655.60	843.70	12.80
Gross PAR 90+ Ratio (excluding the old AP Portfolio) ⁽⁴⁾ (%)	2.07%	6.50%	0.10%
Net PAR 90+ (excluding the old AP Portfolio) ⁽⁵⁾ (₹ in million)	9.50	365.00	10.20
Net PAR 90+ Ratio (excluding the old AP Portfolio) ⁽⁶⁾ (%)	0.03%	2.81%	0.08%

Figures disclosed above are not measures of financial position, operating performance or liquidity defined by generally accepted accounting principles and may not be comparable to similarly titled measures presented by other companies.

- (1) Gross NPA represents the non-performing portfolio loans outstanding (gross) as of the last day of the relevant year (including loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (2) Net NPA represents the non-performing portfolio loans outstanding (net) as of the last day of the relevant year i.e. non-performing portfolio loans outstanding (gross) as reduced by the provision for such non-performing assets (including provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (3) Gross PAR 90+ (excluding the old AP Portfolio) represents total loan outstanding that are overdue for 90 days or more (including any such loan outstandings that form part of our securitized loan portfolio), excluding loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012.
- (4) Gross PAR 90+ Ratio (excluding the old AP Portfolio) represents “Gross PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM as at the date mentioned
- (5) Net PAR 90+ (excluding the old AP Portfolio) represents the total loan outstanding that are overdue for 90 days or more, (including any such loan outstandings that form part of our securitized loan portfolio), as reduced by the provision for such PAR 90+ loans (excluding provision for loans originating from the states of Andhra Pradesh and Telangana that were disbursed prior to January 1, 2012).
- (6) Net PAR 90+ Ratio (excluding the old AP Portfolio) represents “Net PAR 90+ (excluding the old AP Portfolio)” (as defined above) as a percentage of Gross AUM (net of provision for such PAR 90+ loans) as at the date mentioned.

Our Ability to Manage Operating Expenses and Increase Employee Productivity

Since our exit from CDR in March 2017, we increased our lender base, diversified our borrowings and also received additional capital infusion totaling to ₹2,442.13 million in the year ended March 31, 2018 from our Corporate Promoter, Kangchenjunga and Kedaara AIF – 1. As a result, during the year ended March 31, 2018, with increasing flow of capital, we expanded our operations, as we were able to effectively utilize our existing branch network and employees (that were earlier underutilized due to lack of capital) and also expand our branch network and employee base. We increased our branches from 526 as of March 31, 2017 to 694 as of March 31, 2018. According to ICRA Research, we had the lowest portfolio per branch amongst peer comparison of major NBFC-MFIs and SFBs, as of March 31, 2017. We also increased the number of our loan officers from 1,984 as of March 31, 2017 to 2,746 as of March 31, 2018. Further, we also encouraged our employees to increase productivity during the period, which led to an increase in our disbursement per employee (excluding trainee CAs) from ₹7.50 million as of March 31, 2017 to ₹11.09 million as of March 31, 2018, disbursement per branch from ₹39.15 million as of March 31, 2017 to ₹55.59 million as of March 31, 2018 and Gross AUM per branch from ₹24.66 million as of March 31, 2017 to ₹45.62 million as of March 31, 2018. As a result of our efforts to increase our employee productivity, despite our increase in branches and employees, our Operating Expense to Annual Average Gross AUM ratio decreased from 7.58% to 4.83%, which we believe reflects the cost efficiency of our business operations.

Going forward, as we further increase our loan portfolio, controlling our operating expenses will be critical in maintaining our profitability. We focus on the retention of existing clients by timely disbursement of loans and also on acquiring new clients by leveraging our existing and new branch infrastructure. Additionally, in our business operations, we follow streamlined and uniform processes and procedures, which allows us to maintain operational efficiencies even as we expand our volume of loans. At the branch level, we have implemented standardized systems and a simple front-end interface that reduces the operating cost and time of conducting transactions.

Further, as part of our growth strategy, we also intend to expand our branch network to increase our presence in under-penetrated states and districts (for further details, please see “Our Business – Our Strategy”. For the years ended March 31, 2018, 2017

and 2016, our employee benefits expenses amounted to ₹759.12 million, ₹582.95 million and ₹570.87 million, respectively. Our employee benefits expenses were 13.26%, 16.01% and 16.25% of our total revenue, respectively, for the years ended March 31, 2018, 2017 and 2016. Our results of operations will be affected by our ability to manage operating expenses as we expand, in particular by the increase in our employee benefits expense. As we further expand our branch network, we will need to increase headcount both at the field and head office level.

However, as our operations expand, we also expect to derive benefits from economies of scale, which we believe will assist us in optimizing our operating expenses. In addition, we also continue to invest in our technology platform and technology-enabled operating procedures to increase operational and management efficiencies.

Government Policy and Regulation

Our results of operations and continued growth depend on government policies and regulation. As an NBFC-MFI, we will continue to be affected by a number of regulations promulgated by the RBI that regulate, among other things, NPA and standard assets provisioning norms, capital adequacy norms and other lending stipulations and other operational restrictions. For details, see “*Regulations and Policies*” on page 135. Any change in the regulatory framework affecting NBFC-MFIs, and in particular those requiring to maintain certain financial ratios, accessing funds or lending to NBFC-MFIs by banks among others including priority-sector lending norms, would adversely affect our results of operations and growth.

Critical Accounting Policies

Use of Estimates

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

Change in accounting estimates

For the year ended March 31, 2018

During the year, we revised our estimates relating to loan provisioning such that they were more conservative than the provisioning requirements stipulated by the RBI. As a result of these changes in the loan provisioning estimates, the overall provisioning for loan portfolio for the year ended March 31, 2018 was higher (as compared with the RBI stipulated provisioning norms) and our profit before tax was lower by ₹371.06 million.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the revenue can be reliably measured.

Interest income on loans given is recognized under the internal rate of return method. Income or any other charges on non-performing asset are recognized only when realized. Any such income recognized before the asset became non-performing and remaining unrealized is reversed.

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

Loan processing fees collected from clients are recognized on an upfront basis at the time of disbursement of the loan.

Profit / premium arising at the time of securitization of the loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from excess interest spread is recognized in the statement of profits and losses account net of any losses at the time of actual receipt.

All other income is recognized on an accrual basis.

Investments

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

temporary in the value of the investments. On disposal of an investment the difference between carrying amount and net disposal proceeds are charged or credited to the statement of profit and loss.

Borrowing Costs

Borrowing costs consist of interest and other costs that we incur in connection with the borrowing of funds. All borrowing costs are recognized in the period in which they are incurred.

Income Taxes

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Minimum alternate tax (“MAT”) paid in a year is charged to the statement of profits and losses as current tax. We recognize MAT credit available as an asset only to the extent that there is convincing evidence that we will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which we recognize MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the statement of profits and losses and shown as “MAT Credit Entitlement”. We review the “MAT credit entitlement” asset at each reporting date and write down the asset to the extent we do not have convincing evidence that we will pay normal tax during the specified period.

Earnings per share

Basic 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. Partly paid equity shares are treated as fraction of an equity share to the extent that they were entitled to participate in dividends related to a fully paid equity share during the period.

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

Provisions

A provision is recognized when we have a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Classification of Loan Portfolio

- A. Unsecured loan portfolio (excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) is classified as standard and non-performing assets in accordance with Chapter IX of the NBFC Master Directions, as described below:

Asset classification	Arrear period
Standard assets	Overdue for less than 90 days
Non-performing assets	Overdue for 90 days or more

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

Provisioning Policy for Loan Portfolio

For the year ended March 31, 2018

- (iv) Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for at:
- (a) 1% of the standard loan portfolio outstanding; and
 - (b) 50% of the aggregate loan outstanding which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan outstanding which is overdue for 180 days or more.

- (v) All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions as summarized below:

Asset classification	Provision
Standard (<i>overdue up to 3 months</i>)	0.40%
Non-performing ('NPA') (<i>overdue for 3 months or more</i>)	
Sub-standard (<i>classified as NPA for up to 12 months</i>)	10%
Doubtful (<i>classified as sub-standard for more than 12 months</i>)	
Doubtful up to 1 year (Secured)	20%
Doubtful from 1 to 3 years (Secured)	30%
Doubtful over 3 years (Secured)	50%
Doubtful assets not covered by realizable security (Unsecured)	100%
Loss asset (<i>loans considered irrecoverable in the opinion of the management</i>)	Write off

- (vi) Securitized loan portfolio is provided for at 1% of the total outstanding of such loans, subject to the maximum guarantee provided by the Company in respect of the securitization arrangements.

For years ended March 31, 2017 and 2016

- (iii) Unsecured loan portfolio, excluding the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana is provided for in accordance with Chapter IX of the NBFC Master Directions which require the total provision to be higher of:

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

- (iv) All other loans and advances (comprising the secured loan portfolio and the loan portfolio disbursed prior to January 1, 2012 in the states of Andhra Pradesh and Telangana) are provided for in accordance with Chapter V of the NBFC Master Directions, as amended from time to time, as summarized below:

Asset classification	Provision
Standard	
For year ended March 31, 2017(<i>overdue up to 4 months</i>)	0.35%
For year ended March 31, 2016(<i>overdue up to 5 months</i>)	0.30%
Non-performing ('NPA') (<i>overdue for 4/5 months or more, as applicable</i>):	
Sub-standard (<i>classified as NPA for up to 14/16 months, as applicable</i>)	10%
Doubtful (<i>classified as sub-standard for more than 14/16 months, as applicable</i>)	
Doubtful up to 1 year (Secured)	20%
Doubtful from 1 to 3 years (Secured)	30%
Doubtful over 3 years (Secured)	50%
Doubtful asset not covered by realizable security (Unsecured)	100%
Loss asset (<i>loans considered irrecoverable in the opinion of the management</i>)	Write off

Principal Components of Income and Expenses

The following is a brief description of the principal line items that are included in our restated summary statement of profit and losses:

Revenue

Total revenue consists of revenue from operations and other income.

Revenue from operations

Revenue from operations comprises primarily interest on portfolio loans that we provide to our clients and also income from securitization of our portfolio.

In addition, we also recognize other operating revenue, comprising primarily loan processing fees, which are the upfront fees paid by our clients at the time of disbursement of loans. Other operating revenue also includes interest on margin money deposits, which represents interest on margin money deposits placed to avail term loans from banks, financial institutions, non-banking financial companies and as cash collateral in connection with securitization transactions and also recovery against loans written off.

The following table sets forth our revenue from operations from each of these sources for the periods indicated:

Revenue from operations	For the year ended March 31,		
	2018 (standalone)	2017 (standalone)	2016 (standalone)
	(₹ in million)		
Interest on portfolio loans	4,710.43	3,361.02	3,282.67
Income from securitization	439.43	-	-
Other operating revenue:			
Loan processing fees	376.24	198.95	173.60
Interest on margin money deposits	38.03	1.35	1.77
Recovery against loans written off	44.23	10.40	6.01
Total revenue from operations	5,608.36	3,571.72	3,464.05

Other income

Revenue from other income comprises primarily commission income, incentive income, profit on the sale of and dividends from mutual funds (i.e., treasury income from the investment of surplus funds in short term liquid funds) and interest on inter-corporate advances. We derive commission income from our contracts with Abhiram Marketing. In addition to our core business of providing micro-credit, we have contractual arrangements with Abhiram Marketing, a company engaged in the business of sale of consumer goods (such as mobile phones, sarees, solar lamps, sewing machines and bicycles, among other products) that are intended for purposes such as improving the quality of life of our clients, improving health and hygiene for families, reducing household expenditures and improving awareness, communication and mobility. For the years ended March 31, 2016, 2017 and 2018, we derived commission income at the rate of 8%, 13% and 13% of total collection for Abhiram Marketing, respectively. In the year ended March 31, 2018, as the sales by Abhiram Marketing exceeded expectations, we also received additional commission from Abhiram Marketing, which is referred to as incentive income. In addition, other income also comprises of interest on fixed deposits, profit on sale of fixed assets, liabilities no longer required and written back, interest on income tax refund, and other miscellaneous income.

Expenses

Our expenses comprise employee benefits expense, finance costs, other expenses, depreciation and amortization expenses, and provisions and write-offs.

Employee benefits expense

Employee benefits expense comprise primarily the salaries, wages and bonuses of our employees, contributions to provident fund, contribution to Employees State Insurance Corporation, leave benefits, gratuity expense and staff welfare expenses.

Finance costs

Finance costs primarily comprise interest expense on term loans from banks, term loans from financial institutions, term loans from non-banking finance companies, non-convertible debentures and cash credit from banks. In addition, finance costs also comprise other finance costs (i.e., processing fees paid to lenders) and bank charges.

Other expenses

Other expenses comprise of various other expenses incurred in our business operations, primarily travelling expenses of our employees, rent expense, legal and professional charges, office maintenance expense, and other provisions and write-offs.

Depreciation and amortization expenses

Depreciation and amortization expense includes depreciation of property, plant and equipment and amortization of intangible assets.

Provisions and write-offs

Provisions and write-offs comprise contingent provision against standard assets, provision for non-performing assets, and portfolio loans written off.

Exceptional items

For the years ended March 31, 2016 and 2017, we also incurred exceptional items which related to provisions no longer required and written back. Further, for the year ended March 31, 2017, we incurred CDR settlement expense (in relation to our borrowings that were restructured pursuant to CDR).

Tax expense

Our tax expense primarily comprises current tax.

Our Results of Operations

The following table sets forth our restated statement of profit and loss for the for years ended March 31, 2018, 2017 and 2016, the components of which are also expressed as a percentage of total revenue for such periods:

	For the year ended March 31,							
	2018 (consolidated) ⁽¹⁾		2018 (standalone)		2017 (standalone)		2016 (standalone)	
	(₹ in million)	(% of Total Revenue)	(₹ in million)	(% of Total Revenue)	(₹ in million)	(% of Total Revenue)	(₹ in million)	(% of Total Revenue)
Revenue:								
Revenue from operations	5,608.36	97.94%	5,608.36	97.95%	3,571.72	98.07%	3,464.05	98.59%
Other income	117.93	2.06%	117.61	2.05%	70.28	1.93%	49.44	1.41%
Total Revenue	5,726.29	100.00%	5,725.97	100.00%	3,642.00	100.00%	3,513.49	100.00%
Expenses:								
Employee benefits	759.12	13.26%	759.12	13.26%	582.95	16.01%	570.87	16.25%
Finance costs	1,998.80	34.91%	1,998.80	34.91%	1,733.91	47.61%	1,287.23	36.64%
Other expenses	262.55	4.58%	262.04	4.58%	287.54	7.90%	285.61	8.13%
Depreciation and amortization expenses	57.24	1.00%	57.25	1.00%	83.33	2.29%	37.01	1.05%
Provisions and write-offs	371.59	6.49%	371.59	6.49%	420.28	11.54%	106.83	3.04%
Total expenses	3,449.30	60.24%	3,448.80	60.24%	3,108.01	85.34%	2,287.55	65.11%
Profit before exceptional items and tax	2,276.99	39.76%	2,277.17	39.77%	533.99	14.66%	1,225.94	34.89%
Exceptional item	-	-	-	-	104.86	2.88%	1,238.94	35.26%
Profit before tax	2,276.99	39.76%	2,277.17	39.77%	638.85	17.54%	2,464.88	70.15%
Tax expenses:								
Current tax	573.28	10.01%	573.22	10.01%	218.27	5.99%	-	-
Deferred tax	-	-	-	-	-	-	-	-
Adjustment of tax relating to earlier periods	-	-	-	-	-	-	-	-
Total tax expenses	573.28	10.01%	573.22	10.01%	218.27	5.99%	-	-
Profit after tax	1,703.71	29.75%	1,703.95	29.76%	420.58	11.55%	2,464.88	70.15%

Notes:

- (1) We present the year-on-year comparison of our results of operations for the years ended March 31, 2018, 2017 and 2016 on a standalone basis below, for consistency in the comparisons. We had consolidated operations only for the year ended March 31, 2018 and the consolidation of our sole subsidiary did not have a material impact on our financial results for the year ended March 31, 2018. For further details, please see “ - Introductory note regarding financial information presented in this chapter”.

Year Ended March 31, 2018 (Standalone) Compared to Year Ended March 31, 2017 (Standalone)

Revenue

Our total revenue increased by 57.22% to ₹5,725.97 million for the year ended March 31, 2018 from ₹3,642.00 million for the year ended March 31, 2017.

Revenue from Operations

Our revenue from operations increased by 57.02% to ₹5,608.36 million for the year ended March 31, 2018 from ₹3,571.72 million for the year ended March 31, 2017.

This increase was primarily because interest on portfolio loans increased by 40.15% to ₹4,710.43 million for the year ended March 31, 2018 from ₹3,361.02 million for the year ended March 31, 2017. Post our exit from CDR in March 2017, as we received greater funding from our lenders and equity infusion from our Corporate Promoter Kangchenjunga and Kedaara AIF – 1, we focused on growing our operations. We were able to effectively utilize our existing branch network and employees (that were earlier underutilized due to lack of capital) and also expand our branch network and employee base. We increased our branches from 526 as of March 31, 2017 to 694 as of March 31, 2018 (for further details on our branch network, please see “Our Business – Our Branch Network” on page 125). We also increased the number of our loan officers from 1,984 as of March 31, 2017 to 2,746 as of March 31, 2018. Further, we also encouraged our employees to increase productivity during the period,

which led to an increase in our disbursement per employee from ₹7.50 million as of March 31, 2017 to ₹11.09 million as of March 31, 2018. Our disbursement per branch grew from ₹39.15 million as of March 31, 2017 to ₹55.59 million as of March 31, 2018 and our AUM per branch from ₹24.66 million as of March 31, 2017 to ₹45.62 million as of March 31, 2018.

As a result of our efforts, we increased our client base from 1.06 million as of March 31, 2017 to 1.59 million as of March 31, 2018, our Gross AUM increased by 144.11% (from ₹12,970.75 million as of March 31, 2017 to ₹31,663.54 million as of March 31, 2018) and our Disbursements increased by 87.34% (from ₹20,591.65 million as of March 31, 2017 to ₹38,576.67 million as of March 31, 2018). As a result of our focus on improving employee productivity, despite our increase in branches and employees, our Operating Expense to Annual Average Gross AUM ratio decreased from 7.58% to 4.83%, which we believe reflects the cost efficiency of our business operations.

Further, income from securitization increased to ₹439.43 million for the year ended March 31, 2018 from ₹0.00 million for the year ended March 31, 2017 as we commenced the securitization of portfolio loans in the year ended March 31, 2018 as it is a comparatively less expensive source of funding and provides a good opportunity to diversify our borrowings and reduce leverage. The total book value of loans securitized in the year ended March 31, 2018 amounted to ₹9,573.30 million.

In addition, loan processing fees increased to ₹376.24 million for the year ended March 31, 2018 from ₹198.95 million for the year ended March 31, 2017 in line with the increase in our loan portfolio.

Further, our interest on margin money deposits increased to ₹38.03 million for the year ended March 31, 2018 from ₹1.35 million for the year ended March 31, 2017 mainly due to the margin money deposited for our securitized portfolio loans which re-started in the year ended March 31, 2018.

Other income

Our other income increased by 67.34% to ₹117.61 million for the year ended March 31, 2018 from ₹70.28 million for the year ended March 31, 2017.

This increase was primarily because of increase in treasury income generated through investment in liquid mutual funds (profit on liquidation of mutual fund), which increased to ₹26.30 million for the year ended March 31, 2018 from ₹0.00 million for the year ended March 31, 2017. In addition, interest on inter-corporate advances increased to ₹16.94 million for the year ended March 31, 2018 from ₹0.00 million for the year ended March 31, 2017 due to advances extended to our Group Companies (Criss Financial Holdings Limited and Abhiram Marketing Services Limited) to support the growth in their business. Further, our commission income increased to ₹39.75 million for the year ended March 31, 2018 from ₹37.88 million for the year ended March 31, 2017, as a result of the increase in sales by Abhiram Marketing. We also received incentive income amounting to ₹16.53 million for the year ended March 31, 2018 (compared to ₹0.00 million for the year ended March 31, 2017) from Abhiram Marketing, as sales by Abhiram Marketing in the year ended March 31, 2018 were higher than expected.

The increase in treasury income generated through investment in mutual funds and interest on inter-corporate advances was partially offset by the decrease in dividends from mutual funds to ₹15.84 million for the year ended March 31, 2018 from ₹16.38 million for the year ended March 31, 2017; interest on income tax refund by ₹9.85 million (from ₹9.85 million in the year ended March 31, 2017 to ₹0.00 million in the year ended March 31, 2018) and miscellaneous income by ₹4.11 million (from ₹5.96 million in the year ended March 31, 2017 to ₹1.85 million in the year ended March 31, 2018).

Expenses

Employee Benefits Expenses

Employee benefits expenses increased by 30.22% to ₹759.12 million for the year ended March 31, 2018 from ₹582.95 million for the year ended March 31, 2017.

This increase was primarily because salaries, wages and bonus expense increased by 31.19% to ₹729.65 million for the year ended March 31, 2018 from ₹556.18 million for the year ended March 31, 2017, due to 35.61% increase in the number of our employees across functions (primarily loan officers and field supervisors, as we increased the number of our branches in the year ended March 31, 2018) from 3,044 as of March 31, 2017 to 4,045 as of March 31, 2018 and also as a result of annual increments for the year ended March 31, 2018.

In addition, contribution to provident fund increased by 9.38% to ₹13.64 million in the year ended March 31, 2018 from ₹12.47 million in the year ended March 31, 2017, due to the increase in the number of our employees.

Finance Costs

Our finance costs increased by 15.28% to ₹1,998.80 million for the year ended March 31, 2018 from ₹1,733.91 million for the year ended March 31, 2017.

This increase was due to the following reasons:

- our interest expense on term loans from financial institutions and non-banking financial companies increased by 31.25% to ₹423.32 million for the year ended March 31, 2018 from ₹322.54 million for the year ended March 31, 2017 mainly due to increase in borrowings from financial institutions and non-banking financial companies. Our outstanding borrowings from financial institutions and non-banking financial companies increased from ₹0.00 as of March 31, 2017 to ₹3,461.34 million as of March 31, 2018, as we diversified our borrowing profile;
- our interest expense on term loans from banks increased by 3.58% to ₹1,193.36 million for the year ended March 31, 2018 from ₹1,152.06 million for the year ended March 31, 2017 mainly due to an increase in our term loan borrowings from banks. Our outstanding term loan borrowings from banks increased from ₹9,557.76 million as of March 31, 2017 to ₹9,714.32 million as of March 31, 2018;
- our interest expense on NCDs increased to ₹189.49 million for the year ended March 31, 2018 from ₹0.00 million for the year ended March 31, 2017 as we issued NCDs in the year ended March 31, 2018. Our outstanding NCDs were ₹2,658.33 million as at March 31, 2018);
- our interest expense on income tax increased by 75.92% to ₹30.91 million for the year ended March 31, 2018 from ₹17.57 million for the year ended March 31, 2017 due to an increase in our tax expense from ₹218.27 million for the year ended March 31, 2017 to ₹573.22 million for the year ended March 31, 2018.

The decrease in finance costs was partially offset by the following:

- our other finance cost decreased by 34.38% to ₹154.38 million for the year ended March 31, 2018 from ₹235.25 million for the year ended March 31, 2017 primarily as a result of lower loan processing fees paid for the year ended March 31, 2018; and
- bank charges decreased to ₹5.99 million for the year ended March 31, 2018 from ₹6.46 million for the year ended March 31, 2017.

Notwithstanding the increase in our finance cost for the year ended March 31, 2018, compared to the year ended March 31, 2017, our Average Effective Cost of Borrowing reduced to 13.82% for the year ended March 31, 2018 from 16.31% for the year ended March 31, 2017. The decrease in our Average Effective Cost of Borrowing was mainly enabled by increasing our lender base from three banks as of March 31, 2017 to 22 as of March 31, 2018, credit rating improvement from unrated as of March 31, 2017 to BBB + (Stable) as of March 31, 2018 and improvement in our borrowing mix.

Other Expenses

Our other expenses decreased by 8.87% to ₹262.04 million for the year ended March 31, 2018 from ₹287.54 million for the year ended March 31, 2017.

This decrease was primarily because rent expenses decreased by 25.45% to ₹47.23 million for the year ended March 31, 2018 from ₹63.35 million for the year ended March 31, 2017, as the rentals across our branches decreased, since Abhiram Marketing entered into lease agreements with our landlords for their proportionate usage of our branches, thereby reducing our rentals. Further, legal and professional charges decreased by 38.86% to ₹36.84 million from ₹59.76 million in the same period, primarily since legal and professional charges incurred for the work done in respect of the CDR exit and equity raising were incurred in the year ended March 31, 2017 (leading to higher legal and professional charges in the year ended March 31, 2017).

Depreciation and Amortization Expenses

Our depreciation and amortization expenses decreased by 31.30% to ₹57.25 million for the year ended March 31, 2018 from ₹83.33 million for the year ended March 31, 2017, mainly due to a ₹30.85 million decrease in depreciation of leasehold improvements. The leasehold improvement was capitalized between November 2015 and March 2016 for our newly-built head office. Since we adopt the written down value method of depreciation, the value of depreciation in initial years is relatively higher than later years.

Provisions and Write-Offs

Our overall provisions and write-offs decreased by 11.59% to ₹371.59 million for the year ended March 31, 2018 from ₹420.28 million for the year ended March 31, 2017.

This decrease was on account of the following reasons:

- our provisions for non-performing assets decreased by 72.41% from ₹455.34 million for the year ended March 31, 2017 to ₹125.63 million for the year ended March 31, 2018. In the year ended March 31, 2017, as the microfinance industry was adversely affected by demonetization which also led to a decrease in our Collection Efficiencies, we

made an additional provision of ₹412.80 million for loans which were impacted by the demonetization and were considered non-recoverable. However, through our committed and focused efforts, we were able to recover a substantial portion of these loans which led to a reduction in our non-performing assets for the year ended March 31, 2018.

- our portfolio loans written off decreased from ₹22.80 million for the year ended March 31, 2017 to ₹0.00 million for the year ended March 31, 2018 as there was no write-off for the year ended March 31, 2018.

The above decrease was offset by an increase in contingent provision against standard assets to ₹245.96 million for the year ended March 31, 2018 from a reversal amounting to ₹57.86 million for the year ended March 31, 2017, mainly due to growth in Gross AUM and change in accounting policy relating to provisioning of our loan portfolio. During the year ended March 31, 2018, we revised our estimates relating to loan provisioning. As a result of these changes in the loan provisioning estimates, our contingent provisions against standard assets for the year ended March 31, 2018 was higher. Our provisioning policy prescribes the provisioning requirement at a higher level compared to the minimum provisioning requirements stipulated by the RBI, with a view to ensuring that we are able to withstand any adverse impacts on our portfolio.

Exceptional Items

There were no exceptional items for the year ended March 31, 2018, as compared with exceptional income of ₹104.86 million for the year ended March 31, 2017. This exceptional income was due to provisions no longer required and written back amounting to ₹447.86 million for the year ended March 31, 2017 and CDR settlement expenses amounting to ₹343.00 million for the same period. The provisions no longer required and written back and CDR settlement expenses for the year ended March 31, 2017 were pursuant to the CDR settlement agreement which provided for full and final settlement of our dues payable to lenders.

Profit before tax

As a result of the foregoing, our profit before tax increased to ₹2,277.17 million for the year ended March 31, 2018 from ₹638.85 million for the year ended March 31, 2017.

Total tax expenses

Our total tax expenses increased to ₹573.22 million for the year ended March 31, 2018 from ₹218.27 million for the year ended March 31, 2017, as a result of the increase in the profit before tax for the year ended March 31, 2018. The taxes for both these fiscal years were paid under minimum alternate tax (MAT) provisions.

Profit after tax

As a result of the foregoing, our profit after tax increased to ₹1,703.95 million for the year ended March 31, 2018 from ₹420.58 million for the year ended March 31, 2017.

Year Ended March 31, 2017 (Standalone) Compared to Year Ended March 31, 2016 (Standalone)

Total Revenue

Our total revenue increased by 3.66% to ₹3,642.00 million for the year ended March 31, 2017 from ₹3,513.49 million for the year ended March 31, 2016.

Revenue from operations

Our revenue from operations increased by 3.11% to ₹3,571.72 million for the year ended March 31, 2017 from ₹3,464.05 million for the year ended March 31, 2016.

This increase was primarily because interest on our portfolio loans increased by 2.39% to ₹3,361.02 million for the year ended March 31, 2017 from ₹3,282.67 million for the year ended March 31, 2016, largely driven by growth in our Gross AUM. Our Gross AUM increased by 6.36% from ₹12,195.38 million as of March 31, 2016 to ₹12,970.75 million as of March 31, 2017 as a result of higher loan disbursements and a commensurate increase in our Gross AUM.

In addition, loan processing fees increased by 14.6% to ₹198.95 million for the year ended March 31, 2017 from ₹173.60 million for the year ended March 31, 2016 due to higher loan disbursements in the year ended March 31, 2017 compared with the year ended March 31, 2016. Recovery against loans written off increased by 73.04% to ₹10.40 million for the year ended March 31, 2017 from ₹6.01 million for the year ended March 31, 2016 in the same period due to our focused and sustained effort for recovery of loans forming part of the old AP Portfolio.

Other income

Our other income increased by 42.15% to ₹70.28 million for the year ended March 31, 2017 from ₹49.44 million for the year ended March 31, 2016.

This increase was due to the following reasons:

- treasury income (dividend) through investment of short term surpluses in liquid mutual funds increased by 253.78% to ₹16.38 million for the year ended March 31, 2017 from ₹4.63 million for the year ended March 31, 2016. The increase in dividends was because of an increase in investments in mutual funds to ₹4,593.40 million during the year ended March 31, 2017 from ₹1,790.00 million during the year ended March 31, 2016;
- commission income increased by 16.55% to ₹37.88 million in the year ended March 31, 2017 from ₹32.50 million in the year ended March 31, 2016, mainly due to an increase in the rate of commission earned from Abhiram Marketing from 8% for the year ended March 31, 2016 to 13% for the year ended March 31, 2017;
- interest on income tax refund increased to ₹9.85 million in the year ended March 31, 2017 from ₹0.00 million in the year ended March 31, 2016;
- profit on sale of fixed assets increased to ₹0.21 million in the year ended March 31, 2017 from ₹0.00 million in the year ended March 31, 2016, due to the sale of old depreciated assets; and
- miscellaneous income increased by 18.96% to ₹5.96 million in the year ended March 31, 2017 from ₹5.01 million in the year ended March 31, 2016.

The increase in our other income was partially offset by the decrease in liabilities no longer required and written back to ₹0.00 million the year ended March 31, 2017 from ₹7.30 million in the year ended March 31, 2016.

Expenses

Employee benefits expenses

Employee benefits expenses increased by 2.12% to ₹582.95 million for the year ended March 31, 2017 from ₹570.87 million for the year ended March 31, 2016.

This increase was primarily because gratuity expense increased to ₹5.20 million for the year ended March 31, 2017, mainly due to increase in headcounts and salary increments. In addition, salaries, wages and bonus increased marginally by 1.77% to ₹556.18 million for the year ended March 31, 2017 from ₹546.51 million for the year ended March 31, 2016 due to an increase in the number of employees (primarily loan officers) from 2,751 as of March 31, 2016 to 3,044 as of March 31, 2017.

Finance costs

Our finance costs increased by 34.70% to ₹1,733.91 million for the year ended March 31, 2017 from ₹1,287.23 million for the year ended March 31, 2016.

This increase was due to the following reasons:

- our interest expense on term loans from banks increased by 11.20% to ₹1,152.06 million for the year ended March 31, 2017 from ₹1,036.00 million for the year ended March 31, 2016, mainly due to an increase in our term loan borrowings from banks. Our outstanding term loan borrowings from banks increased from ₹7,553.03 million as of March 31, 2016 to ₹9,557.76 million as of March 31, 2017;
- our interest expense on term loans from financial institutions and non-banking financial companies increased by 56.38% to ₹322.54 million for the year ended March 31, 2017 from ₹206.25 million for the year ended March 31, 2016, primarily due to an increase in loans during the year ended March 31, 2017 and additional interest paid at the time of repayment of all these loans while exiting from CDR in March 2017;
- our interest expense on income tax increased to ₹17.57 million for the year ended March 31, 2017 from ₹0.00 million for the year ended March 31, 2016, as we had no tax liability for the year ended March 31, 2016; and
- our other finance cost increased by 530.02% to ₹235.25 million for the year ended March 31, 2017 from ₹37.34 million for the year ended March 31, 2016 primarily due to loan processing fees on fresh borrowings of ₹10,557.76 million during the year ended March 31, 2017. This fresh borrowing was made in March 2017 to repay all the previous loans to exit from CDR.

Other expenses

Our other expenses increased by 0.68% to ₹287.54 million for the year ended March 31, 2017 from ₹285.61 million for the year ended March 31, 2016. Our travelling expenses increased by 11.18% to ₹73.11 million for the year ended March 31, 2017 from ₹65.76 million for the year ended March 31, 2016 mainly due to growth in our business and employees. Our legal and professional charges increased by 143.03% to ₹59.76 million for the year ended March 31, 2017 from ₹24.59 million for the year ended March 31, 2016, as we incurred one-off legal and professional fees relating to the CDR settlement and equity fund raising in the year ended March 31, 2017. These increases were offset by the decrease in rent expenses by 18.24% to ₹63.35 million for the year ended March 31, 2017 from ₹77.48 million for the year ended March 31, 2016 mainly due to decrease in our average rent per branch through better negotiation or moving the branches to low rental premises.

Depreciation and amortization expenses

Our depreciation and amortization expenses increased by 125.16% to ₹83.33 million for the year ended March 31, 2017 from ₹37.01 million for the year ended March 31, 2016, mainly due to a ₹40.15 million increase in depreciation of leasehold improvement. As leasehold improvement was capitalized between November 2015 and March 2016 for our newly-built head office, the depreciation on leasehold improvement was only ₹11.31 million for the year ended March 31, 2016.

Provisions and write-offs

Our provisions and write-offs increased by 293.41% to ₹420.28 million for the year ended March 31, 2017 from ₹106.83 million for the year ended March 31, 2016.

This increase was largely on account of the increase in our provision for non-performing assets by 117.95% to ₹455.34 million for the year ended March 31, 2017 from a reversal of ₹2,537.02 million for the year ended March 31, 2016. This increase was mainly due to an additional provision of ₹412.80 million for loans which were impacted by the demonetization and were considered non-recoverable for the year ended March 31, 2017. In the year ended March 31, 2016, there was a reversal of provisions for non-performing assets as a substantial portion of the non-performing assets were written-off.

The increase in provisions and write-offs was partially offset by the decrease in portfolio loans written off amounting to ₹22.80 million for the year ended March 31, 2017 from ₹2,643.74 million for the year ended March 31, 2016 as there was no further write-off of the old AP portfolio for the year ended March 31, 2017.

Exceptional Items

Our exceptional items decreased to ₹104.86 million for the year ended March 31, 2017 from ₹1,238.94 million for the year ended March 31, 2016. This was due to a decrease in provisions no longer required and written back to ₹447.86 million from ₹1,238.94 million and increase in CDR settlement expenses to ₹343.00 million from ₹00.00 million for the same period.

Profit before tax

As a result of the foregoing, our profit before tax decreased to ₹638.85 million for the year ended March 31, 2017 from ₹2,464.88 million for the year ended March 31, 2016. As stated above, the profit before tax for the year ended March 31, 2017 was impacted by a higher provision made towards our portfolio impacted by demonetization and also the decrease in exceptional income from ₹1,238.94 million for the year ended March 31, 2016 to ₹104.86 million for the year ended March 31, 2017.

Total tax expenses

Our total tax expenses increased to ₹218.27 million for the year ended March 31, 2017 from ₹0.00 million for the year ended March 31, 2016, as there was no taxable income for the year ended March 31, 2016. The tax was paid under Minimum Alternate Tax (MAT) provisions.

Profit after tax

As a result of the foregoing, our profit after tax decreased to ₹420.58 million for the year ended March 31, 2017 from ₹2,464.88 million for the year ended March 31, 2016.

Financial Position

Our restated net worth was ₹9,840.88 million as of March 31, 2018, an increase of 82.68% from ₹5,386.92 million as of March 31, 2017. Our restated net worth increased by 174.23% to ₹5,386.92 million as of March 31, 2017 from ₹1,964.38 million as of March 31, 2016. The increase in our restated net worth is on account of profit generated over the respective years and capital infusion (including securities premium) of ₹2,750.00 million for the year ended March 31, 2018 and ₹3,002.26 million for the year ended March 31, 2017.

Assets

The following table sets forth the principal components of our assets as of March 31, 2018, 2017 and 2016:

Assets	As of March 31,		
	2018 (standalone)	2017 (standalone)	2016 (standalone)
	(₹ in million)		
Non-Current Assets:			
Property, plant and equipment	58.54	66.23	121.73
Intangible assets	26.03	23.85	22.90
Non-current investments	21.00	1.00	1.00
Loan portfolio	16,151.03	11,166.08	8,514.65
Other loans and advances	65.39	64.70	170.78
Other non-current assets	529.30	22.61	20.88
Total Non-Current Assets	16,851.29	11,344.47	8,851.94
Current Assets:			
Trade receivables	25.54	14.64	18.34
Cash and bank balances	1,526.23	2,901.17	353.26
Loan portfolio	16,599.58	9,780.17	11,673.63
Other loans and advances	553.57	30.56	13.44
Other current assets	223.11	75.31	67.41
Total Current Assets	18,928.03	12,801.85	12,126.08
Total Assets	35,779.32	24,146.32	20,978.02

As of March 31, 2018, we had total assets of ₹35,779.32 million, compared to ₹24,146.32 million as of March 31, 2017 and ₹20,978.02 million as of March 31, 2016.

Non-Current Assets

Property, Plant and Equipment

As of March 31, 2018, we had property, plant and equipment of ₹58.54 million compared to ₹66.23 million as of March 31, 2017 and ₹121.73 million as of March 31, 2016. The decrease in property, plant and equipment is primarily due to depreciation.

Intangible Assets

As of March 31, 2018, we had intangible assets of ₹26.03 million compared to ₹23.85 million as of March 31, 2017 and ₹22.90 million as of March 31, 2016. The increase in intangible assets has primarily been due to the additions to and purchase of computer software, which was partially offset by an increase in the amortization of computer software as of the periods indicated.

Non-Current Investments

As of March 31, 2018, we had non-current investments of ₹21.00 million. Non-current investments were ₹1.00 million as of March 31, 2017 and March 31, 2016. The increase as of March 31, 2018 (as compared with March 31, 2017) is due to investment of ₹20.00 million in our Subsidiary, Caspian Financial Services Limited.

Loan Portfolio

Our non-current loan portfolio was ₹16,151.03 million as of March 31, 2018, as compared to ₹11,166.08 million as of March 31, 2017 and ₹8,514.65 million as of March 31, 2016. The increase in non-current loan portfolio between March 31, 2018 and March 31, 2017 is on account of 87.34% growth in loan disbursement enabled by increase in our branches from 526 as of March 31, 2017 to 694 as of March 31, 2018. We also increased the number of our loan officers from 1,984 as of March 31, 2017 to 2,746 as of March 31, 2018. Further, we also encouraged our employees to increase productivity during the period, which led to an increase in our disbursement per employee (excluding trainee CAs) from ₹7.50 million as of March 31, 2017 to ₹10.83 million as of March 31, 2018, disbursement per branch from ₹39.15 million as of March 31, 2017 to ₹55.59 million as of March 31, 2018 and Gross AUM per branch from ₹24.66 million as of March 31, 2017 to ₹45.62 million as of March 31, 2018. The increase in non-current loan portfolio between March 31, 2017 and March 31, 2016 is on account 14.83% growth in loan disbursement enabled by increase in our branches from 503 as of March 31, 2016 to 526 as of March 31, 2017. We also increased the number of our loan officers from 1,635 as of March 31, 2016 to 1,984 as of March 31, 2017.

Other Loans and Advances

Other loans and advances were ₹65.39 million as of March 31, 2018, as compared to ₹64.70 million as of March 31, 2017 and ₹170.78 million as of March 31, 2016. The decrease in other loans and advances between March 31, 2017 and March 31, 2016 is mainly due to an income tax refund of ₹115.04 million.

Other Non-Current Assets

Other non-current assets were ₹529.30 million as of March 31, 2018, as compared to ₹22.61 million as of March 31, 2017 and ₹20.88 million as of March 31, 2016. The increase in other non-current assets between March 31, 2018 and March 31, 2017 was primarily because of non-current bank balances that amounted to ₹504.30 million as of March 31, 2018. The increase in other non-current assets between March 31, 2017 and March 31, 2016 was because of increase in non-current bank balances amounting to ₹1.73 million.

Current Assets

Trade receivables

We had trade receivables of ₹25.54 million as of March 31, 2018 as compared to ₹14.64 million as of March 31, 2017 and ₹18.34 million as of March 31, 2016. The increase in trade receivables between March 31, 2018 and March 31, 2017 is mainly due to the receivables from incentive income of ₹16.53 million for the year ended March 31, 2018. The decrease in trade receivables between March 31, 2017 and March 31, 2016 is mainly due to lower outstanding balances from the debtors as of March 31, 2017.

Cash and Bank Balances

We had cash and bank balances of ₹1,526.23 million as of March 31, 2018, compared to ₹2,901.17 million as of March 31, 2017 and ₹353.26 million as of March 31, 2016. The cash and bank balance represent the cash in hand and balances and deposits with banks. The bank balance was higher for the year ended March 31, 2017 mainly due to unutilized proceeds of capital infusion and fresh borrowings received on March 30, 2017 and March 31, 2017.

Loan Portfolio

We had current loan portfolio of ₹16,599.58 million as of March 31, 2018, compared to ₹9,780.17 million as of March 31, 2017 and ₹11,673.63 million as of March 31, 2016. The increase in current loan portfolio between March 31, 2018 and March 31, 2017 is mainly on account of 87.34% growth in loan disbursement enabled by increase in our branches from 526 as of March 31, 2017 to 694 as of March 31, 2018. We also increased the number of our loan officers from 1,984 as of March 31, 2017 to 2,746 as of March 31, 2018. Further, we also encouraged our employees to increase productivity during the period, which led to an increase in our disbursement per employee (excluding trainee CAs) from ₹7.50 million as of March 31, 2017 to ₹10.83 million as of March 31, 2018, disbursement per branch from ₹39.15 million as of March 31, 2017 to ₹55.59 million as of March 31, 2018 and Gross AUM per branch from ₹24.66 million as of March 31, 2017 to ₹45.62 million as of March 31, 2018. The increase in current loan portfolio between March 31, 2017 and March 31, 2016 is on account 14.83% growth in loan disbursement enabled by increase in our branches from 503 as of March 31, 2016 to 526 as of March 31, 2017. We also increased the number of our loan officers from 1,635 as of March 31, 2016 to 1,984 as of March 31, 2017.

Other Loans and Advances

We had other loans and advances of ₹553.57 million as of March 31, 2018 compared to ₹30.56 million as of March 31, 2017 and ₹13.44 million as of March 31, 2016. Other loans and advances mainly consist of inter-corporate advances, security deposits, insurance claims receivables and prepaid expenses. The increase as of March 31, 2018 compared with March 31, 2017 was mainly due to inter-corporate advances (provided to certain group companies to support their growth) that amounted to ₹538.66 million as at March 31, 2018. The increase as of March 31, 2017 compared with March 31, 2016 was mainly due to service tax input credit amounting to ₹18.13 million.

Other Current Assets

We had other current assets of ₹223.11 million as of March 31, 2018, compared to ₹75.31 million as of March 31, 2017 and ₹67.41 million as of March 31, 2016. Other assets (current) mainly consist of interest accrued but not due on portfolio loans, deposits with banks and inter-corporate advances and term deposits placed with non-banking financial institutions. The increase for the year ended March 31, 2018 is mainly due to increase in interest accrued but not due on portfolio loans amounting to ₹56.56 million; interest accrued but not due on term deposits placed with banks amounting to ₹27.00 million as at March 31, 2018; term deposits placed with non-banking financial institutions amounting to ₹61.75 million as at March 31, 2018. The increase in other current assets for the year ended March 31, 2017 by ₹7.90 million is mainly due to increase in interest accrued and due on portfolio loans by ₹6.75 million.

Liabilities and Provisions

The following table sets forth the principal components of our liabilities as of the periods indicated:

Liabilities	As of March 31,		
	2018 (standalone)	2017 (standalone)	2016 (standalone)
	₹ in millions		
Non-Current Liabilities:			
Long-term borrowings	4,893.94	5,377.31	-
Other long-term liabilities	1.01	-	-
Long-term provisions	8,724.12	8,468.98	8,001.33
Total Non-Current Liabilities	13,619.07	13,846.29	8,001.33
Current Liabilities:			
Short-term borrowings	0.40	10.00	-
Other current liabilities	12,059.65	4,616.77	10,896.83
Short-term provisions	257.84	286.34	115.48
Total Current Liabilities	12,317.89	4,913.11	11,012.31

Non-Current Liabilities

Long-term Borrowings

We had long-term borrowings of ₹4,893.94 million as of March 31, 2018, as compared to ₹5,377.31 million as of March 31, 2017 and ₹0.00 million as of March 31, 2016. Our long-term borrowings decreased to ₹4,893.94 million as of March 31, 2018 from ₹5,377.31 million as of March 31, 2017 due to reduced long term borrowing as the company re-started securitization transactions in the year ended March 31, 2018. Our long-term borrowings increased to ₹5,377.31 million as of March 31, 2017 from ₹0.00 million as of March 31, 2016 as pursuant to our debt restructuring leading to our exit from CDR, we were required to pre-close our debt, which led to our entire balance of borrowings outstanding as of March 31, 2016 being classified as short-term borrowings as they were expected to mature within twelve months of the balance sheet date.

Other Long-term Liabilities

We had other long-term liabilities of ₹1.01 million as of March 31, 2018, as compared to ₹0.00 million as of March 31, 2017 and March 31, 2016. Our other long-term liabilities increased to ₹1.01 million as of March 31, 2018 from ₹0.00 million as of March 31, 2017 due to unamortized fees received on securitized transactions. The fees are amortized over the life of securitized portfolio.

Long-term Provisions

We had long-term provisions of ₹8,724.12 million as of March 31, 2018 as compared to ₹8,468.98 million as of March 31, 2017 and ₹8,001.33 million as of March 31, 2016. The long-term provisions mainly represent the contingent provision against standard assets and provision for non-performing assets. The increase in long-term provisions between March 31, 2018 and March 31, 2017 by ₹255.14 million is due to increase in contingent provision against standard assets by ₹131.58 million and increase in provision for non-performing assets by ₹125.64 million. The increase in long-term provisions between March 31, 2017 and March 31, 2016 by ₹467.65 million is mainly due to increase in provision for non-performing assets by ₹455.33 million.

Current Liabilities

Short-term Borrowings

We had ₹0.40 million short-term borrowings as of March 31, 2018, as compared to ₹10.00 million as of March 31, 2017 and ₹0.00 million as of March 31, 2016.

Other Current Liabilities

We had other current liabilities of ₹12,059.65 million as of March 31, 2018 as compared to ₹4,616.77 million as of March 31, 2017 and ₹10,896.83 million as of March 31, 2016. Our other current liabilities decreased to ₹4,616.77 million as of March 31, 2017 from ₹10,896.83 million as of March 31, 2016 due to the proposed transaction which allowed us to pre-close our debts and exit from CDR. This led to our entire balance of borrowings outstanding as of March 31, 2016 being classified as current maturities of long term borrowings as they were expected to mature within twelve months of the balance sheet date.

Short-term Provisions

We had short-term provisions of ₹257.84 million as of March 31, 2018 as compared to ₹286.34 million as of March 31, 2017 and ₹115.48 million as of March 31, 2016. Short-term provisions mainly represent contingent provision against standard assets

and provision for taxes. Our short-term provisions decreased to ₹257.84 million as of March 31, 2018 from ₹286.34 million as of March 31, 2017 due to the decrease in tax provisions to ₹92.96 million as of March 31, 2018 from ₹235.84 million for the year ended March 31, 2017. Our short-term provisions increased to ₹286.34 million as of March 31, 2017 from ₹115.48 million as of March 31, 2016 due to the increase in tax provisions to ₹235.84 million as of March 31, 2017 from ₹0.00 million for the year ended March 31, 2016. Tax provisions were ₹0.00 million for the year ended March 31, 2016 as there was no taxable profit for that year.

Shareholders' Funds

As of March 31, 2018, our shareholders funds increased to ₹9,842.36 million, representing approximately 27.51% of our total assets. Our shareholders' funds increased to ₹5,386.92 million as of March 31, 2017 from ₹1,964.38 million as of March 31, 2016 due to profit generated during the year amounting to ₹420.58 million and infusion of share capital including securities premium amounting to ₹3,000.00 million for the year ended March 31, 2017.

As of March 31, 2017, and 2016, our shareholders' funds represented 22.31% and 9.36% of our total assets, respectively.

Liquidity and Capital Resources

The purpose of our liquidity management function is to ensure that we have sufficient funds available to extend loans to our clients, to repay principal and interest on our borrowings and to fund our working capital requirements. We have access to diverse sources of liquidity such as term loans and working capital facilities, proceeds from loans assigned and securitized, proceeds from the issuance of NCDs, and borrowings from NBFCs and FIs. We typically invest our surplus cash in fixed deposits with banks and financial institutions and units of liquid mutual funds.

We actively manage our liquidity and capital position by raising funds periodically. We regularly monitor our funding levels to ensure that we are able to satisfy the requirements for loan disbursements and maturity of our liabilities. All our loan agreements and debentures contain a number of covenants including financial covenants. For details, see *"Financial Indebtedness"* and *"Risk Factors – We are subject to certain conditions and restrictions in terms of our financing arrangements, which could restrict our ability to conduct our business and operations in the manner we desire. We also require consents from our lenders to undertake certain activities in relation to the Offer and have not yet received such consents from one of our lenders. In addition, on certain occasions in the past, we have been unable to comply with certain financial covenants in our financing documents"* on pages 327 and 23, respectively.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended March 31,		
	2018	2017	2016
	(standalone)	(standalone)	(standalone)
	(₹ in million)		
Net cash generated/ (used in) Operating Activities	(10,838.82)	(821.97)	1,137.63
Net cash generated/ (used in) Investing Activities	(55.48)	(12.19)	(93.99)
Net cash generated/ (used in) Financing Activities	9,018.13	3,382.07	(1,281.28)
Net increase/ (decrease) in Cash and Cash Equivalents	(1,876.17)	2,547.91	(237.64)

Operating Activities

Net cash used in operating activities was ₹10,838.82 million for the year ended March 31, 2018. While our net profit before tax was ₹2,277.17 million for the year ended March 31, 2018, we had an operating profit before working capital changes of ₹2,738.70 million, primarily as a result of contingent provision against standard assets of ₹245.96 million, provision for non-performing asset of ₹125.63 million, depreciation and amortization expenses of ₹57.25 million and interest on income tax of ₹24.40 million, which was partially offset by dividend from mutual funds of ₹15.84 million.

Our changes in working capital for the year ended March 31, 2018 primarily consisted of an increase in loans and advances of ₹12,347.14 million (as we expanded our business operations) and an increase in margin money deposits (net) of ₹1,069.67 million, which was partially offset by an increase in other current liabilities of ₹671.74 million (represented mainly by an increase in payables towards asset securitization transactions). Direct taxes paid (net of refund) were ₹735.50 million for the year ended March 31, 2018.

Net cash used in operating activities was ₹821.97 million for the year ended March 31, 2017. While our net profit before tax was ₹638.85 million for the year ended March 31, 2017, we had an operating profit before working capital changes of ₹1,054.05 million, primarily as a result of provision for non-performing assets of ₹455.34 million, depreciation and amortization expenses of ₹83.33 million, portfolio loans written off of ₹22.80 million and interest on income tax of ₹17.57 million, which was partially offset by liabilities no longer required and written back of ₹104.86 million, contingent provision against standard assets of ₹57.86 million and dividend from mutual funds of ₹16.38 million. Our changes in working capital for the year ended March

31, 2017 primarily consisted of an increase in loans and advances of ₹702.39 million (as we expanded our business operations), a decrease in other current liabilities of ₹1,167.69 million, due mainly to a decrease in payables towards asset assignment transactions of ₹762.98 million and an increase in other current and non-current assets of ₹7.90 million, which were partially offset by a decrease in trade receivables of ₹3.70 million. Direct taxes paid (net of refunds) was ₹0.00 million for the year ended March 31, 2017.

Net cash generated from operating activities was ₹1,137.63 million for the year ended March 31, 2016. While our net profit before tax was ₹2,464.88 million for the year ended March 31, 2016, we had an operating profit before working capital changes of ₹1,401.42 million, primarily as a result of a reversal of provision of non-performing assets of ₹2,537.02 million and liabilities no longer required and written back of ₹1,246.24 million, which was partially offset by portfolio loans written off of ₹2,643.74 million, depreciation and amortization expenses of ₹37.01 million, other provisions and write-offs of ₹33.78 million and loss on sale of fixed assets of ₹9.46 million. Our changes in working capital for the year ended March 31, 2016 primarily consisted of a decrease in other long term liabilities of ₹621.00 million (which reflects provisions no longer required written back) and an increase in loans and advances of ₹380.33 million (due to growth in loan portfolios), which were partially offset by an increase in other current liabilities of ₹721.86 million and a decrease in other current and non-current assets of ₹17.52 million. Direct taxes paid (net of refunds) was ₹0.36 million for the year ended March 31, 2016.

Investing Activities

Net cash used in investing activities was ₹55.48 million for the year ended March 31, 2018, consisting of purchase of current investments of ₹34,856.79 million and purchase of fixed assets (including capital work in progress and capital advances) of ₹51.80 million, which were partially offset by sale of current investments of ₹34,856.79 million. This is due to surplus funds that await loan disbursements to clients being invested in liquid mutual funds that are liquidated within the same year. Sale of current investments comprised the sale of investments in units of liquid mutual funds) and dividends from mutual funds of ₹15.84 million.

Net cash used in investing activities was ₹12.19 million for the year ended March 31, 2017, consisting of purchase of current investments of ₹4,593.40 million and purchase of fixed assets (including capital work in progress and capital advances) of ₹28.82 million, which were partially offset by sale of current investments of ₹4,593.40 million and dividends from mutual funds of ₹16.38 million. This is due to surplus funds that await loan disbursements to clients being invested in liquid mutual funds that are liquidated within the same year. Sale of current investments comprised the sale of investments in units of liquid mutual funds.

Net cash used in investing activities was ₹93.99 million for the year ended March 31, 2016, consisting of purchase of current investments of ₹1,790.00 million and purchase of fixed assets (including capital work in progress and capital advances) of ₹104.07 million, which were partially offset by sale of current investments of ₹1,790.00 million (this is due to surplus funds that await loan disbursements to clients being invested in liquid mutual funds that are liquidated within the same year. Sale of current investments comprised the sale of investments in units of liquid mutual funds).

Financing Activities

Net cash generated from financing activities was ₹9,018.13 million for the year ended March 31, 2018, consisting of proceeds from long-term borrowings (net) of ₹6,276.24 million, proceeds from issue of preference shares of ₹2,442.13 million and proceeds from the issuance of equity shares of ₹307.87 million.

Net cash generated from financing activities was ₹3,382.07 million for the year ended March 31, 2017, consisting of proceeds from issue of equity shares of ₹1,900.00 million, proceeds from issue of preference shares of ₹1,102.27 million and proceeds from long-term borrowings (net) of ₹369.80 million.

Net cash used in financing activities was ₹1,281.28 million for the year ended March 31, 2016, consisting of redemption of OCCRPS of ₹700.40 million and long-term borrowings (net) of ₹580.88 million.

Indebtedness

As of March 31, 2018, we had total borrowings (current and non-current) aggregating to ₹15,834.39 million, comprising of non-current long-term borrowings of ₹4,893.94 million, short-term borrowings of ₹0.40 million and current maturities of long-term borrowings of ₹10,940.05 million. For details, see “Financial Indebtedness” on page 327. The following table sets forth certain information relating to principal portions of our outstanding indebtedness as of March 31, 2018, and our repayment obligations in the periods indicated:

	As of March 31, 2018				
	Payment due by period				
	Total	Within 1 year	1-3 years	3-5 years	More than 5 years
	(₹ in million)				
Long-term borrowings:					
Secured	4,693.94	-	4,693.94	-	-

	As of March 31, 2018				
	Payment due by period				
	Total	Within 1 year	1-3 years	3-5 years	More than 5 years
	(₹ in million)				
Unsecured	200.00	-	-	-	200.00
Non-current long-term borrowings	4,893.94	-	4,693.94	-	200.00
Current maturities of long-term borrowings:		-	-	-	-
Secured	10,740.05	10,740.05	-	-	-
Unsecured	200.00	200.00	-	-	-
Total current maturities of long-term borrowings	10,940.05	10,940.05	-	-	-
Short-term borrowings:	-	-	-	-	-
Secured	0.40	0.40	-	-	-
Total short-term borrowings	0.40	0.40	-	-	-
Total borrowings	15,834.39	10,940.45	4,693.94	-	200.00

Apart from the above, we do not have any material contractual obligations or commitments.

Securitization Arrangements

As at March 31, 2018, 2017 and 2016, the outstanding value of loans securitized was ₹6,846.03 million, ₹0.00 million and ₹0.00 million, respectively.

Contingent Liabilities

The following table sets forth certain information relating to our contingent liabilities (as per AS29, issued by the ICAI) which have not been provided for, as of March 31, 2018:

Particulars	As at March 31, 2018
Claims made by Service Tax department (₹ in million)	48.67
Credit enhancements provided towards securitization transactions (₹ in million)	1,832.33
Total (₹ in million)	1,881.00

Historical and Planned Capital Expenditures

The table below sets for our capital expenditure incurred for the periods indicated:

Particulars	For the year ended March 31,		
	2018	2017	2016
	(₹ in million)		
Capital expenditure (representing purchase of fixed assets (including capital work in progress and capital advances))	51.80	28.82	104.07

Our historical capital expenditure for the years ended March 31, 2018 and March 31, 2017 was incurred mainly for the purchase of assets for our new branches, replacement of our old assets, purchase of computer hardware and purchase and development of software. Our historical capital expenditure for the year ended March 31, 2016 was incurred mainly for leasehold improvements, furniture purchases for our newly-built head office and purchase of software.

We currently expect to incur capital expenditure amounting to ₹150.00 million in the year ending March 31, 2019 mainly towards new branch infrastructure, systems developments and upgrades.

Our actual capital expenditures may differ from the amounts set out above due to various factors, including our future cash flows, results of operations and financial condition, changes in the local economy in India, the availability of financing on terms acceptable to us, changes in the legislative and regulatory environment and other factors that are beyond our control.

Capital to Risk Weight Assets Ratios

The RBI monitors capital to risk assets ratios based on financial information. The following table sets forth our capital to risk weight assets ratios based on our restated financial position as of the periods indicated:

	As of March 31,		
	2018	2017	2016
CRAR (%)	37.16%	49.01%	(17.70)%
CRAR - Tier I capital (%)	37.16%	48.57%	(17.70)%
CRAR - Tier II capital (%)	0.00%	0.44%	0.00%

Related Party Transactions

We have engaged in the past, and may engage in the future, in transactions with related parties. For details of our related party transactions in accordance with Accounting Standard – 18 on Related Party Disclosures, see “*Related Party Transactions*” on page 177.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risks during the normal course of business such as credit risk, interest rate risk, liquidity risk, operational risk, cash management risk, asset risk and inflation risk.

Credit Risk

Credit risk is the risk of loss that may occur from defaults by our Borrowers under our loan agreements. In order to address credit risk, we have stringent credit assessment policies for client selection. Measures such as verifying client details, online documentation and the usage of credit bureau data to get information on past credit behavior also supplement the efforts for containing credit risk. We also follow a systematic methodology in the opening of new branches, which takes into account factors such as the demand for credit in the area; income and market potential; and socio-economic and law and order risks in the proposed area. Further, our client due diligence procedures encompass various layers of checks, designed to assess the quality of the proposed group and to confirm that they meet our criteria. For further details, see “*Our Business —Client Selection Policies and Processes - Client Due Diligence Processes*”.

Interest Rate Risk

We are subject to interest rate risk, principally because we lend to clients at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. We assess and manage our interest rate risk by managing our assets and liabilities. Our Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately. For details, see “*Risk Factors – Our business is vulnerable to interest rate risk, and volatility in interest rates could have a material adverse effect on our net interest income, net interest margin and our financial performance.*” on page 26.

Liquidity Risk

Liquidity risk arises due to the unavailability of adequate funds at an appropriate cost or tenure. Our resource mobilization department sources funds from multiple sources, including from banks, financial institutions and capital markets. Our resource mobilization department is responsible for diversifying fundraising sources, managing interest rate risks and maintaining a strong relationship with banks, financial institutions, mutual funds, insurance companies, other domestic and foreign financial institutions and rating agencies. For details, see “*Risk Factors – There can be no assurance that we will be able to access capital as and when we need it for growth.*” on page 20.

Operational Risk

Operational risks arise from inadequate or failed internal processes, people or systems, or from external events. We control our operational risk by maintaining a comprehensive system of internal controls supported by an on-the-ground internal audit team which conducts check at the client and branch levels concurrently with checks and balances instituted at the corporate level. Our dedicated operation risk management team identifies and monitors all people and process related risks and works on curing them in collaboration with the training department to strengthen people competencies and enhance process controls. This includes a feedback mechanism for continuous improvement. In addition, we have leveraged technology to enhance data integrity and swifter reporting to help in providing actionable intelligence to contain fraud by taking measures such as verifying client details and documentation online and using credit bureau data to get information on potential frauds. Our team also manages compliance with requirements set forth by regulatory bodies and our internal standards. For details, see “*Risk Factors –Any failure or material weakness of our internal control system could cause significant operational errors, which would materially and adversely affect our profitability and reputation.*” on page 24.

Cash Management Risk

Our branches collect and deposit a large amount of cash through a high volume of transactions taking place in our branch network. To address the cash management risks, we have developed advanced cash management checks that we employ at multiple levels to track and tally accounts. We ensure that cash collected up to a certain time is deposited at local bank branches on the same day. Cash that is to be deposited is accounted for at the branch level and at a central level to avoid discrepancies. Moreover, we conduct regular internal audits to ensure the highest levels of compliance with our cash management systems. For details, see “*Risk Factors – We handle cash in a high volume of transactions occurring through a dispersed network of branches; as a result, we are exposed to operational risks, including fraud, petty theft and embezzlement. Further, our employees may be the target of violent crime, such as thefts and robberies, which may adversely affect our business, operations and our ability to recruit and retain employees.*” on page 27.

Inflation Risk

Inflation rates in India have been range-bound in recent years. However, significant geo-political events may increase inflation levels in the future. A high-inflation environment may result in an increase in overall interest rates. High rates of inflation in the Indian economy could also lead to a higher operating cost, which could impact the results of our operations. High inflation rates may also adversely affect growth in the Indian economy and have indirect consequences on household economics and income generation potential of our clients, which could affect their repayment capacities.

Known Trends or Uncertainties

Our business has been subject, and we expect it to continue to be subject, to significant economic changes arising from the trends identified above in “*Significant Factors Affecting Our Results of Operations*” and the uncertainties described in “*Risk Factors*” on page 17. To our knowledge, except as discussed in this Draft Red Herring Prospectus, there are no known trends or uncertainties that have or had or are expected to have a material adverse impact on revenues or income of our Company from continuing operations.

Future Relationship between Cost and Revenue

Other than as described in “*Risk Factors*”, “*Our Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” on pages 17, 118 and 303, respectively, to our knowledge there are no known factors that may adversely affect our business prospects, results of operations and financial condition.

New Products or Business Segments

Other than as disclosed in this chapter and in “*Our Business*” on page 118, there are no new products or business segments that have or are expected to have a material impact on our business prospects, results of operations or financial condition.

Seasonality of Business

Our business is subject to seasonality as we typically see higher borrowings by our Clients during the third and fourth quarter of each financial year. We also typically have higher drawdowns under our facilities in the third and fourth quarter of each financial year.

Transition to Ind AS

The Ministry of Corporate Affairs, in its press release dated January 18, 2016, issued a roadmap for implementation of Ind AS for scheduled commercial banks, insurers, insurance companies and NBFCs. This roadmap requires these institutions to prepare Ind AS based financial statements for the accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018.

There is no certainty as to the impact on our financial reporting. See “*Risk Factors— We may be adversely impacted by the transition to IND AS for periods beginning from April 1, 2018*” on page 39.

Material developments subsequent to March 31, 2018

Subsequent to March 31, 2018, our Company has allotted and issued Equity Shares as follows: 23,480,099 Equity Shares were allotted to our Corporate Promoter, Kangchenjunga upon conversion of Class A CCPS, Class A1 CCPS and Class B CCPS, 510,483 Equity Shares were allotted to Kedaara AIF -1 upon conversion of Class A CCPS, Class A1 CCPS and Class B CCPS, and 283,771 Equity Shares were allotted to our Individual Promoter, Padmaja Gangireddy upon conversion of the Promoter OCRPS and convertible share warrants. Further, 2,031,988 Equity Shares were allotted to Padmaja Gangireddy, 72,402 Equity Shares were allotted to Abdul Feroz Khan, 9,748 Equity Shares were allotted to Venkata Nageswararao, 9,185 Equity Shares were allotted to Raju Danttu, and 4,247 Equity Shares were allotted to Abanti Mitra pursuant to a private placement undertaken by our Company. For further details, see “*Capital Structure – Share Capital History of our Company*” on page 69.

Further, in May 2018, our credit rating was upgraded to BBB+ (Stable) by ICRA.

FINANCIAL INDEBTEDNESS

Our Company avails loans in the ordinary course of business for the purposes of providing microfinance services. For the purpose of the Offer, our Company has obtained the necessary consents from certain lenders, as required under the relevant loan documentations for undertaking activities, such as change in its capital structure, change in its shareholding pattern, change or amendment to the constitutional documents of our Company, etc. For further information regarding non-receipt of lender consents, please see, “*Risk Factors*” on page 17.

Pursuant to a resolution dated June 14, 2018 passed by our Shareholders, our Board is authorised to borrow any sum or sums of moneys from time to time, provided the total amount of monies including money already borrowed by our Company (excluding temporary loans obtained from bankers of our Company in the ordinary course of business) shall not at any time exceed the limit of ₹80,000 million, irrespective of the fact that such aggregate amount of borrowings outstanding may exceed the aggregate of the paid up capital of our Company and its free reserves, not set apart for any specific purpose. Further, pursuant to a resolution dated June 14, 2018 passed by our Shareholders, our Board is authorised to make offer, invite, subscribe to, and allot, unsubordinated or subordinated, listed or unlisted, secured or unsecured, NCDs on a private placement basis during a period of one year from passing of the resolution, on such terms and conditions as the Board or any committee thereof may decide, in its absolute discretion, provided the total amount of NCDs allotted shall not exceed ₹20,000 million.

Set forth below is a brief summary of our aggregate borrowings as of May 31, 2018*:

Category of borrowing	Sanctioned Amount	Outstanding amount (in ₹ million) as on May 31, 2018
A. Fund based borrowings		
Term Loan		
Secured	24,237.20	16,286.57
Unsecured	200.00	200.00
Cash Credits		
Secured	50.00	-
Unsecured	-	-
NCDs		
Secured	7,125.00	4,958.33
Sub-debt	200.00	200.00
Working Capital facilities		
Secured	-	-
Unsecured	-	-
Commercial Papers	-	-
B. Non- Fund based borrowings		
Bank Guarantees	-	-
Total	31,812.20	21,644.90

* As certified by RPVS & Associates, through their certificate dated June 25, 2018

Principal terms of the borrowings availed by us:

- Interest:** In terms of the loans availed by us, the interest rate is typically the base rate of a specified lender and spread per annum, subject to a minimum interest rate. The spread varies among different loans.

Our Company has also issued rated, secured and redeemable NCDs to various subscribers in compliance with the SEBI Debt Listing Regulations. For such borrowings, we enter into debenture trust deeds (“**DTDs**”) and in terms of such DTDs, a specified interest or coupon rate is to be paid per annum.

The fixed interest rate for the term loans availed by us typically ranges from 10.50% to 14.00% per annum, and the coupon rate for the rated, secured and redeemable NCDs issued by us typically ranges from 12.30% to 14.00% per annum.

- Tenor:** The tenor of the term loans availed by us typically ranges from 12 months to 42 months. The tenor of some of our term loans include a moratorium period from the date of first disbursement as stipulated under relevant financing documents.

The tenor of the rated, secured and redeemable NCDs issued by us typically ranges from 36 months to 72 months (calculated from the date of deemed allotment). Further, the tenor of the cash credit limits is a maximum of 12 months.

- Security:** In terms of our borrowings where security needs to be created, we are typically required to:
 - Create security by way of hypothecation on our Company’s present and future book-debts;
 - Create a *pari passu* or first charge on hypothecation of loan receivables under the financing activity, including all benefits and rights incidental thereto;

- (c) Create security by way of mortgage of certain immovable properties of our Company;
- (d) Maintain an asset cover for the loan by way of charge over the loan assets/ book debts at a minimum prescribed limit;
- (e) Provide cash collaterals;
- (f) Provide post-dated and undated cheques; and
- (g) Execute a demand promissory note for a specified amount in the form approved by the relevant lender.

Additionally, in terms of certain borrowings, our Individual Promoter are also required to create a pledge on their Equity Shares. For more details, see “*Capital Structure*” on page 69.

The details above are indicative and there may be additional requirements for creation of security under the various borrowing arrangements entered into by us.

4. **Re-payment:** The cash credit facilities are typically repayable on demand. While certain term loans are repayable on demand, the repayment period for most term loans typically range from 12 months to 42 months. The term loans are required to be repaid in such instalments as set out in relevant financing documents. Further, in terms of the rated, secured and redeemable NCDs, the redemption period typically ranges from 36 months to 72 months. With respect to certain rated, secured and redeemable NCDs, the trustees also have a right to call for early redemption of the rated, secured and redeemable NCDs by exercising the put option on behalf of the debenture holders.
5. **Prepayment:** The loans availed by our Company typically have prepayment provisions which allows for prepayment of the outstanding loan amount at any given point in time, subject such prepayment penalties as may be decided by the lender at the time of such prepayment. The prepayment penalty typically ranges from 2.00% to 5.00% of the amount being prepaid. Some of our term loans do not permit prepayment during the tenor of such term loans.
6. **Penalty:** The loans availed by our Company does contain provisions prescribing penalties for delayed payment or default in the repayment obligations of our Company, which typically range from 1.00% to 2.00% of the amounts involved.
7. **Restrictive Covenants:** The loans availed by Our Company contain certain restrictive covenants, including:
 - (i) Change in capital structure or shareholding pattern of our Company without prior approval of the lender;
 - (ii) Creation of any further charge on the fixed assets of our Company without prior approval of the lender;
 - (iii) Any scheme of amalgamation, merger, consolidation, re-organisation, reconstruction, restructuring, scheme of arrangement or compromise between our Company and its creditors or shareholders without prior approval of the lender;
 - (iv) Change in ownership, management or control of our Company without prior approval of the lender;
 - (v) Dilution of the promoter’s shareholding in the Company without the prior approval of the lender;
 - (vi) If our Company causes any material change to the nature or conduct of business, ceases to carry on its business or gives notice of its intention to do so without prior approval of the lender; and
 - (vii) Change or amendment to the constitutional documents without the prior approval of the lender.
8. **Events of Default:** Borrowing arrangements entered into by our Company contain standard events of default, including:
 - (a) Violation of any term of the relevant agreement or any other borrowing agreement entered into by our Company with the lender;
 - (b) Any change in the financial ratios of our Company beyond the prescribed limits as mentioned under various borrowing agreements;
 - (c) Non creation of the required security as required under the loan agreement entered into between our Company and lender within the stipulated time;
 - (d) Non-payment of instalment/ interest within stipulated time;

- (e) Any default in relation to any other loan or financing facility availed by the Company and its holding/ subsidiary/ associate/ affiliate company or any other lender;
- (f) Inability of the Company to pay its debts or default in any payment for any other loan availed;
- (g) Declaring dividend over and above the percentage indicated in the cash flow statements without the approval of the lender;
- (h) Diversion of funds for purposes other than the sanctioned purpose;
- (i) Occurrence of any event, which in the lender's opinion could be expected to have a material adverse effect on the ability of our Company or our Promoters to perform their obligations under the financial documents; and
- (j) Down-grading of credit ratings below specified limits, as stipulated by the lender.

The details above are indicative and there may be additional terms that may amount to an event of default under the various borrowing arrangements entered into by us.

Additionally, our Company is required to ensure that the aforementioned events of default and other events of default, as specified under the various binding documents and agreements entered into by our Company for the purpose of availing of loans are not triggered.

We undertake certain securitization of loan portfolio. For details, please see “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” on page 303.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated in this chapter, there are no outstanding (i) criminal proceedings, (ii) actions taken by statutory or regulatory authorities, (iii) tax proceedings, and (iv) material litigation, in each case, involving our Company, our Promoters, our Directors, our Subsidiary, or our Group Companies (together, “**Relevant Parties**”).

For the purpose of material litigation in (iv) above, our Board has considered and adopted the following policy on materiality with regard to outstanding litigation pursuant to a resolution dated June 14, 2018:

- (a) *Criminal, tax proceedings and actions by statutory authorities/regulatory authorities: All criminal and tax proceedings, and actions by statutory/regulatory authorities involving the Relevant Parties shall be deemed to be material;*
- (b) *Pre-litigation notices: Notices received by the Relevant Parties, from third parties (excluding statutory/regulatory/tax authorities or notices threatening criminal action) shall, not be evaluated for materiality until such time that the Relevant Parties are impleaded as defendants in litigation proceedings before any judicial forum; and*
- (c) *De minimis monetary threshold for civil litigation: Pending litigation involving the Relevant Parties, other than criminal proceedings, statutory and regulatory actions and taxation matters, shall be considered material if the monetary amount of the claim by or against the entity or person in any such proceeding exceeds 1% of the PAT of the Company as per the last Restated Consolidated Financial Statements.*

For the purposes of disclosure in this Draft Red Herring Prospectus, it is clarified that the de minimis threshold for all outstanding civil litigation involving the Relevant Parties is ₹17.03 Million. However, in the event of pending civil litigation wherein a monetary liability is not quantifiable, such litigation shall be considered as material only in the event that the outcome of such litigation has a bearing on the operations, performance, prospects or reputation of the Company

Further, except as stated in this chapter, there are no (i) outstanding dues to material creditors of our Company as determined to be material by our Board of Directors as per the materiality policy, in accordance with SEBI ICDR Regulations; and (ii) outstanding dues to small scale undertaking and other creditors

Litigation involving our Company

I. *Litigation against our Company*

A. *Criminal Proceedings*

An original petition bearing number 745/2010 has been filed by Eddandi Devai before the Motor Accident Claims Tribunal at Nizamabad (“**Tribunal**”) against our Company and Gujjala Rajeshwar, a former client of our Company. Further, another original petition, bearing number 753/2010, has been filed by Chukka Bagirtha and Chukka Yerranna before the Tribunal against our Company and Gujjala Rajeshwar. Both petitions have been filed alleging the death of the respective kin of the petitioners in an accident involving a vehicle owned by Gujjala Rajeshwar, which had been hypothecated in favour of our Company as security for a loan. Subsequently, a complaint was lodged at the Nandipet police station, and a FIR bearing number 55/2010 was registered in furtherance of the complaint. Pursuant to separate orders dated January 5, 2016, the Tribunal directed both our Company and the owner of the tractor to pay ₹0.51 million along with costs and interest to the petitioners in each petition as compensation. Pursuant to the orders, the petitioners, in each petition, filed separate applications for execution of decree. Aggrieved, our Company has filed appeals bearing numbers MA CMA 173/2018 and MA CMA 388/2018, and several interlocutory appeals, before the High Court of Judicature at Hyderabad (“**High Court**”) praying for a stay and setting aside of the order of the Tribunal. Our Company has also sought condonation of delay in preferring an appeal by filing interlocutory appeals bearing number 2/2018 before the High Court. The matters are currently pending.

B. *Material Outstanding Civil Litigation*

An original application bearing number 738/2016 (“**Original Application**”) has been filed by the Punjab National Bank (“**PNB**”) against our Company, our Individual Promoter, i.e. Padmaja Gangireddy and one of our Directors, i.e. Abanti Mitra before the Debts Recovery Tribunal, Hyderabad (“**DRT**”). Pursuant to the Original Application, PNB has sought the repayment for ₹271.39 million with interest (“**Claimed Amount**”) from our Company and has alleged that it did not receive the Claimed Amount as part of the Settlement Agreement. However, under the Settlement Agreement, in addition to amount paid to other lenders of our Company, PNB had previously received a consideration of ₹564.69 million along with ₹70.00 million towards adjustment towards sale consideration of the OCCRPS as full and final settlement of the claims of PNB against our Company. For further details in relation to the Settlement Agreement, see “*History and Certain Corporate Matters – Other Agreements*” on page 150. Aggrieved, our Company filed an interlocutory application bearing number 253/2017 before the Debts Recovery Tribunal-2, Hyderabad

submitting the receipt of the Claimed Amount by PNB, and praying for the dismissal of the Original Application. The matters are currently pending.

C. *Outstanding actions initiated by regulatory and statutory authorities*

- (a.) Pursuant to a letter dated September 1, 2009, our Company had sought an exemption from the Government of Andhra Pradesh from the payment of Employee State Insurance (“**ESI**”) contributions (“**Exemption Application**”). On inspection of our premises and records, our Company received a notice dated February 11, 2010 from the Deputy Director, ESI Corporation (“**ESIC**”) directing the payment of ESI contributions aggregating to ₹25.61 million by our Company. Our Company by a letter dated March 12, 2010 contended that Exemption Application was pending before the Government of Andhra Pradesh. Subsequently, the ESIC initiated criminal prosecution against our Company bearing PC Case number 10/2010 before the Employees Court, Industrial Tribunal, Hyderabad (“**Tribunal**”). Aggrieved, our Company filed a petition bearing CP number 3003/2010 before the High Court of Judicature at Hyderabad (“**High Court**”) pursuant to which the High Court granted interim stay. Subsequently, pursuant to an order dated August 19, 2010, the Deputy Director, ESIC directed our Company to pay an amount aggregating to ₹24.75 million for the delay and default in payment of ESI contributions. Additionally, the Exemption Application was rejected by the Government of Andhra Pradesh by an order dated October 23, 2010. Thereafter the ESIC, pursuant to a revised order dated July 15, 2011, reduced the amount of the contributions to ₹5.34 million. Our Company paid the contribution along with interest. Further, by an order dated April 18, 2012 (“**Order**”), the ESIC directed damages aggregating to ₹3.47 million. Aggrieved by the Order, our Company has filed a petition bearing EIC number 14/2012 before the Employees Insurance Court, Hyderabad and a petition bearing IA number 100/2012 before the Tribunal. Pursuant to its order dated April 25, 2012, the Tribunal has granted a stay on the Order. The matters are currently pending.
- (b.) Our Company received summons by way of letter dated December 26, 2016 from the Regional Provident Fund Commissioner, EPFO, Guntur (“**RPFC**”) for the alleged failure by our Company on payment of employee provident fund contributions, pension fund contributions and employees deposit linked insurance fund and related administrative charges. Pursuant to its order dated October 6, 2017 (“**RPFC Order**”), the RPFC imposed a penalty of ₹0.42 million on our Company towards damages. Aggrieved by the RPFC Order, our Company filed an appeal bearing EPFA number 6/2018 before the Central Government Industrial Tribunal cum Labour Court at Hyderabad (“**Labour Court**”), with an application for waiver through deposit conditions. Pursuant to its order dated February 20, 2018, the Labour Court stayed the RPFC Order and directed the RPFC against taking any further coercive actions against our Company. The matter is currently pending.
- (c.) Our Company received a show cause notice dated March 2, 2010 from the Agency Divisional Officer and Sub Divisional Magistrate, Bhadrachalam, Khammam District (“**ADO**”) seeking an explanation against the alleged violation of the provisions of the Andhra Pradesh (Scheduled Areas) Money Lenders Regulations Act, 1860 and Andhra Pradesh (Scheduled Areas) Land Transfer Regulations Act, 1959 (collectively, “**Regulations**”). The ADO alleged that our Company established a branch at Bhadrachalam and was charging a higher rate of interest and penalties without obtaining a valid license, and hence was operating in violation of the Regulations. By way of a letter dated March 16, 2010, our Company submitted that it was not in violation of the Regulations. Subsequently, pursuant to an order dated April 30, 2010 (“**ADO Order**”), the ADO directed the Tahsildar, Bhadrachalam Mandal, Khammam District (“**Tahsildar**”) to stop the business of the Company by seizing our business premises as well as our documents and taking steps to lodge prosecution under the Regulations. On May 1, 2010, a panchnama was issued to recover the records of our Company. Aggrieved, our Company filed a writ petition bearing WP number 11218/2010 before the High Court of Judicature at Hyderabad (“**High Court**”) against the ADO, the Tahsildar, Agent to the Government and District Collector (Khammam District) and the state of Andhra Pradesh to allow our Company to carry on business, suspend the Order. Pursuant to its order dated May 12, 2010, the High Court granted interim suspension of the ADO Order. The matter is currently pending.
- (d.) Pursuant to a circular dated July 26, 2010 (“**Circular**”) issued by the Project Officer, Itda Utnoor, Adilabad District (“**Project Officer**”), stringent action was sought to be initiated against, *inter alia*, micro finance companies, including our Company, in Adilabad District in order to prevent their money lending business as per the Andhra Pradesh Prevention of Money Lending Business (in Agency Areas) Act, 1960. Acting on the directions of the Circular, certain Executive Magistrates, Tahsildars and other government authorities of Utnoor, Adilabad District, have filed criminal cases against our Company. Aggrieved, our Company has filed writ petitions bearing numbers 23366/2010 and 20295/2010 (“**Writ Petitions**”), and certain miscellaneous petitions at the High Court of Judicature at Hyderabad (“**High Court**”) against the District Collector, Adilabad District, the Project Officer, the Superintendent of Police, Adilabad District, amongst others (collectively, “**Respondents**”), praying for a writ of mandamus declaring the action of the Project Officer to be arbitrary, illegal and unconstitutional, and directing the Respondents to forbear from interfering with the micro finance business of our Company. Pursuant to order dated September 21, 2010, the High Court granted

suspension of the operation of the impugned Circular issued by the Project Officer, subject to the condition that our Company would not charge any penal interest from its borrowers. The matter is currently pending. Further, petition bearing writ petition number 20295/2010 is pending.

II. ***Litigation by our Company***

A. ***Criminal Proceedings***

- (a.) There are 688 cases filed by our Company pending before various forums for alleged violation of Section 138 of the Negotiable Instruments Act, 1881 for recovery of dishonour of cheques issued by the clients/debtors of our Company which involves an aggregate sum of ₹14.09 million.
- (b.) There are 102 criminal proceedings initiated by our Company that are pending before various forums at different stages. These proceedings, *inter alia*, relate to instances of theft and fraud in relation to cash embezzlement aggregating to ₹52.32 million (excluding recovery of certain portions).

B. ***Material Outstanding Civil Litigation***

Our Company filed a writ petition bearing number 25999/2010 (“**Writ Petition**”) before the High Court of Judicature at Hyderabad (“**High Court**”) challenging the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Ordinance dated October 15, 2010 (“**AP Ordinance**”). The High Court on October 22, 2010 issued interim order directing our Company to apply for registration as per the provisions of the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Rules, 2010 within one week, and to continue with business pending registration on the condition that our Company ensures due adherence to the AP Ordinance. Subsequently, the High Court on October 29, 2010 modified the order as on October 22, 2010 to the extent that the State of Andhra Pradesh granted provisional registration to our Company, with fifteen days extension to submit relevant forms, and a one week extension to file returns (“**Interim Orders**”). The High Court by way of an order dated February 11, 2013, disposed the Writ Petition. Aggrieved, our Company filed a special leave petition bearing number 14772/2013 before the Supreme Court of India against the State of Andhra Pradesh and others, praying for interim relief. Further, pursuant to an order dated April 23, 2013, the Supreme Court of India ordered continuation of the Interim Orders, pending further orders and directed that no coercive steps should be taken against our Company as long as it complies with the Interim Orders. The matter is currently pending.

Litigation involving our Subsidiary

I. ***Litigation against our Subsidiary***

A. ***Criminal Proceedings***

Nil

B. ***Material Outstanding Civil Litigation***

Nil

C. ***Outstanding actions initiated by regulatory and statutory authorities***

Nil

II. ***Litigation by our Subsidiary***

A. ***Criminal Proceedings***

Nil

B. ***Material Outstanding Civil Litigation***

Nil

Litigation involving our Group Companies

I. ***Litigation against our Group Companies***

A. ***Criminal Proceedings***

Nil

B. Material Outstanding Civil Litigation

Nil

C. Outstanding actions initiated by regulatory and statutory authorities

Nil

II. Litigation by our Group Companies

A. Criminal Proceedings

(a.) There are 97 cases filed by Criss Financial pending before various forums across the country for alleged violation of Section 138 of the Negotiable Instruments Act, 1881 for recovery of dishonour of cheques issued by the clients/ debtors of our Company which involves an aggregate sum of ₹1.87 million.

(b.) There are three criminal proceedings initiated by Criss Financial pending before various forums and at different stages. These proceedings, inter alia, relate to instances of theft and fraud in relation to cash embezzlement aggregating to ₹0.15 million.

B. Material Outstanding Civil Litigation

Nil

Litigation involving our Promoters

I. Litigation against our Promoters

A. Criminal Proceedings

(a.) The Tahsildar, Utnoor Mandal, Adilabad District filed an FIR bearing criminal number 88/2010 (“**FIR**”), against our Individual Promoter, Padmaja Gangireddy and one of our former regional managers, Gandla Venkateswara Rao along with a report dated August 28, 2010 alleging that our Company was lending money to residents of Utnoor Mandal, charging a higher rate of interest against loans availed and engaging in the business of money lending without obtaining valid license, in contravention with the Andhra Pradesh (Scheduled Areas) Money Lenders Regulations Act, 1860. Padmaja Reddy and Gandla Venkateswara Rao filed a writ petition bearing WP number 28459/2010 before the High Court of Judicature at Hyderabad (“**High Court**”) (“**Writ Petition**”) to stay all proceedings in connection with FIR and quash the same as illegal, arbitrary and unconstitutional and to grant relief. Padmaja Gangireddy and Gandla Venkateswara Rao also filed a petition bearing WPMP number 36299/2010 (“**Miscellaneous Petition**”) to grant stay on all further proceedings in connection with the FIR including their arrest, until the disposal of the Writ Petition. By way of an order dated November 16, 2010, the High Court granted interim stay with respect to the proceedings under the FIR. The matter is currently pending.

(b.) Shaikh Bajibaba (“**Complainant**”) has filed an FIR bearing number 26/2015 (“**FIR**”), against Shaikh Khaja, an employee at ING Vyasa Bank, alleging misappropriation and criminal breach of trust, pertaining to mortgaging of the Complainant’s gold ornaments. The Inspector of Police, Ponnur Town Police Station, implicated our Individual Promoter, Padmaja Gangireddy, as a co-accused in the remand report filed by him in relation with the FIR. The charge sheet is yet to be filed in this matter. The matter is currently pending.

B. Material Outstanding Civil Litigation

Please see “– Litigation against our Company - B. Material Outstanding Civil Litigation” on page 330.

C. Outstanding actions initiated by regulatory and statutory authorities

Nil

II. Litigation by our Promoters

A. Criminal Proceedings

(a.) An FIR bearing number 193/2010 (“**FIR**”) was filed by Byakonda at the Punganur Police Station, Chittoor District, alleging collection of high rate of interest on loan availed from our Company and detaining by Company staff on non-repayment of the said loan. Our Individual Promoter, Padmaja Gangireddy filed a writ petition bearing number 27924/2010 (“**Writ Petition**”) before the High Court of Judicature of Andhra Pradesh at Hyderabad (“**High Court**”) against the State of Andhra Pradesh, represented by the Sub Inspector

of Police (Punganur Police Station, Chittoor District) (“**Sub Inspector**”) and Byakonda to issue a writ of certiorari in connection with the FIR. The High Court granted an interim stay by an order dated November 9, 2010 and directed the Sub Inspector to not take any coercive steps pursuant to the FIR. On September 29, 2015, a charge sheet bearing CC number 3/2015 (“**Criminal Case**”) was filed in the Court of Judicial Magistrate of First Class, Punganur, by the Sub Inspector against Padmaja Gangireddy and others. Subsequently, the High Court in view of the Criminal Case, dismissed the writ petition by an order dated June 21, 2016, and directed continuation of the interim order for a period of ten days. Subsequently, Padmaja Gangireddy filed a petition against the Sub Inspector and Byakonda, bearing criminal petition number 9360/2016 (“**Criminal Petition**”) and miscellaneous petition and prayed before the High Court to quash proceedings in connection with the Criminal Case. The High Court granted an interim stay by way of an order dated June 29, 2016. The matter is currently pending.

- (b.) An FIR bearing number 203/2010 (“**FIR**”) was filed by Vaddee Ammulu at the Yemmiganur Police Station, Kurnool District, alleging wrongful restraint and criminal intimidation by a former credit Assistant of our Company, Pullaiah, for non-repayment of loan availed from our Company. Our Individual Promoter, Padmaja Gangireddy was impleaded in the FIR by way of a memo dated October 19, 2010 in crime number 203/2010, filed by the Sub Inspector of Police (Yemmiganur Police Station, Kurnool District) (“**Sub Inspector**”) before the Court of Judicial Magistrate of First Class, Yemmiganur. Aggrieved, Padmaja Gangireddy filed a writ petition bearing number 27697/2010 before the High Court of Judicature of Andhra Pradesh at Hyderabad (“**High Court**”) against the State of Andhra Pradesh, the Sub Inspector and Vaddee Ammulu to issue a writ of certiorari in connection with the FIR. The High Court granted an interim stay and directed the Sub Inspector to not take any coercive steps pursuant to the FIR until further orders. Subsequently, the High Court by way of an order dated July 12, 2013, dismissed the Writ Petition. Consequently, Padmaja Gangireddy filed a petition bearing criminal petition number 7894/2013 (“**Criminal Petition**”) against Sub Inspector of and Vaddee Ammulu to quash proceedings in crime number 203/2010. The High Court extended the interim stay by way of an order dated September 12, 2013. The matter is currently pending.

B. Material Outstanding Civil Litigation

Nil

Litigation involving our Directors

I. Litigation against our Directors

A. Criminal Proceedings

Please see “– *Litigation against our Promoters – A. Criminal Proceedings*” on page 333 for criminal proceedings initiated by our Managing Director.

B. Material Outstanding Civil Litigation

Please see “– *Litigation against our Company - B. Material Outstanding Civil Litigation*” on page 330 for material outstanding civil litigation against our Managing Director and Abanti Mitra, our Independent Director.

C. Outstanding actions initiated by regulatory and statutory authorities

Nil

II. Litigation by our Directors

A. Criminal Proceedings

Please see “– *Litigation against our Promoter – A. Criminal Proceedings*” on page 333 for criminal proceedings initiated by our Managing Director.

B. Material Outstanding Civil Litigation

Nil

Tax Proceedings

Except as disclosed, there are no outstanding tax proceedings involving our Company, Directors, Promoters, Subsidiary or Group Companies.

Nature of case	Number of cases	Amount involved (in ₹ million)
Company		
Direct Tax	7	299.81
Indirect Tax	5	99.20
Directors		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
Promoters		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
Subsidiary		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil
Group Companies		
Direct Tax	Nil	Nil
Indirect Tax	Nil	Nil

Outstanding dues to Creditors

As of March 31, 2018, we had nine creditors. The aggregate amount outstanding to such creditors on a consolidated basis as of March 31, 2018 was ₹13.43 million.

For identification of material creditors, any creditor of the Company shall be considered to be material for the purpose of disclosure in this Draft Red Herring Prospectus, if amount due by the Company exceeds ₹10 million, based on size of the balance sheet of our Company as per the last Restated Consolidated Financial Statements of the Company for a full financial year included in this Draft Red Herring Prospectus. Based on the materiality policy and the Restated Consolidated Financial Statements, there are no material creditors as on March 31, 2018.

The material dues owed to small scale undertakings and other creditors as at March 31, 2018, is set out below:

Material Creditors	Number of creditors	Amount involved (in ₹ million)
Small scale undertakings	Nil	Nil
Other Creditors	9	13.43

The details pertaining to net outstanding dues towards our creditors are available on the website of our Company at <http://www.spandanaindia.com/pdfs/ListofCreditors.pdf>. It is clarified that other than details pertaining to net outstanding dues towards our creditors, no information available on our website form a part of this Draft Red Herring Prospectus.

Material Developments

Except as disclosed in “*Management’s Discussion And Analysis of Financial Condition and Results of Operations*” on page 303, since the date of the last financial information disclosed in this Draft Red Herring Prospectus, there have not arisen any circumstances which materially and adversely affect, or are likely to affect, our profitability taken as a whole or the value of our consolidated assets or our ability to pay our liabilities within the next 12 months.

GOVERNMENT AND OTHER APPROVALS

Our Company is required to obtain necessary consents, licenses, permissions, registrations and approvals from the Government, various governmental agencies, including various authorities in the States of India, where we have our presence, and other statutory and/ or regulatory authorities required for carrying out our present business activities or to undertake the Offer. Except as mentioned below, no further material approvals are required for carrying on our present business activities or to undertake the Offer. Our Company undertakes to obtain all material approvals and licenses and permissions required to operate our present business activities. Unless otherwise stated, these approvals or licenses are valid as of the date of this Draft Red Herring Prospectus and in case of licenses and approvals which have expired; we have either made an application for renewal or are in the process of making an application for renewal. For further details, in connection with the applicable regulatory and legal framework within which we operate, see “*Regulations and Policies*” on page 135.

The objects clause of the Memorandum of Association enables our Company to undertake its present business activities.

A. Approvals in relation to our Company

The approvals required to be obtained by our Company include the following:

I. Approvals in relation to the Offer

For details, see “*Other Regulatory and Statutory Disclosures*” on page 338.

II. Incorporation details of our Company

- (i) Certificate of incorporation dated March 10, 2003 issued by the RoC to our Company, in its former name, being Spandana Sphoorty Innovative Financial Services Limited.
- (ii) Certificate of commencement of business dated November 11, 2003 issued by the RoC, in its former name, being Spandana Sphoorty Innovative Financial Services Limited.
- (iii) Fresh certificate of incorporation dated January 3, 2008 issued by the RoC to our Company consequent upon change of name of our Company to Spandana Sphoorty Financial Limited.
- (iv) Our Company has been allotted the corporate identity number U65929TG2003PLC040648.

III. Business related approvals

(a) Regulatory Approvals

- (i) The RBI granted a certificate of registration dated October 16, 2004, allotting registration number N-09.00414 pursuant to which our Company was registered as an NBFC under section 45 IA of the RBI Act under its old name, Spandana Sphoorty Innovative Financial Services Limited.
- (ii) Consequent upon change of name of our Company to Spandana Sphoorty Financial Limited, the RBI granted no objection to the change of the name of the Company pursuant to a letter dated December 26, 2007.
- (iii) The RBI granted a certificate of registration dated January 11, 2008, bearing registration number N-09.00414, consequent to change in name of our Company to Spandana Sphoorty Financial Limited, pursuant to which our Company was registered as an NBFC under section 45 IA of the RBI Act under its new name.
- (iv) The RBI has issued a fresh certificate of registration dated April 13, 2015, bearing registration number N-09.00414 for conversion of our Company to NBFC – Microfinance Institution (MFI), under section 45 IC, under its name, “Spandana Sphoorty Financial Limited”.
- (v) The Insurance Regulatory and Development Authority of India has issued certificate of registration dated April 17, 2018, bearing registration number CA0553, to act as a corporate agent under the Insurance Act, 1938 and the Registration of Corporate Agents – Regulations, 2015.

(b) Approval from Taxation Authorities

- The permanent account number of our Company is AAICS6213N.
- The tax deduction account number of our Company is HYDS10183F.

- Goods and services tax registration numbers of our Company, as per the state where are business operations are spread, are as follows:

State	Registration number
Andhra Pradesh	37AAICS6213N1ZX
Bihar	10AAICS6213N1ZD
Chhattisgarh	22AAICS6213N1Z8
Goa	30AAICS6213N1ZB
Gujarat	24AAICS6213N1Z4
Jharkhand	20AAICS6213N1ZC
Karnataka	29AAICS6213N1ZU
Kerala	32AAICS6213N1Z7
Madhya Pradesh	23AAICS6213N1Z6
Maharashtra	27AAICS6213N1ZY
Orissa	21AAICS6213N1ZA
Rajasthan	08AAICS6213N1ZY
Tamil Nadu	33AAICS6213N1Z5
Telangana	36AAICS6213N1ZZ* and 36AAICS6213N2ZY**
Uttar Pradesh	09AAICS6213N1ZW
West Bengal	19AAICS6213N1ZV

* For purchase of goods

** For Input Distribution Scheme

- Our Company has several branches in various states falling under the respective professional tax legislations. Accordingly, our Company has obtained various registrations in its normal course and has either made an application to the appropriate authorities for renewal of such registration or is in the process of making such applications.

(c) Other Approvals

Our Company has obtained registrations in the normal course of business for its branches across various states in India under the employees' state insurance, employee provident fund and relevant shops and establishment legislations. Certain licenses may have lapsed under their normal course. Our Company has either made an application to the appropriate authorities for fresh registrations or for renewal of existing registrations, or is in the process of making such applications.

IV. Intellectual Property Rights

Our Company has made the following applications in relation to registration of trademarks:

Trademark	Class	Application number	Date of Application	Authority
SPANDANA – word with logo	36	2308752	May 9, 2018	The Registrar of Trade Marks, Chennai
SSFL	36	3859433	June 14, 2018	The Registrar of Trade Marks, Chennai
SPANDANA SPHOORTY	36	3859432	June 14, 2018	The Registrar of Trade Marks, Chennai

B. Approvals in relation to our Subsidiary

- Certificate of incorporation dated October 13, 2017 issued by the RoC to our Subsidiary, Caspian Financial Services Limited.
- Our Subsidiary has been allotted the corporate identity number U65999TG2017PLC120042.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

Our Board and shareholders have approved the Offer pursuant to the resolutions dated June 14, 2018 passed at the Board meeting and at the EGM, respectively under Section 62(1)(c) of the Companies Act, 2013.

For details on the authorisation of the Selling Shareholders in relation to the Offer, see “*The Offer*” and “*Capital Structure*” on pages 59 and 69, respectively.

The Selling Shareholders, severally and not jointly, confirm that their respective proportion of the Offered Shares, have been held by them for a period of at least one year prior to the filing of this Draft Red Herring Prospectus with SEBI or have been issued or received in accordance with regulation 26(6) of the SEBI ICDR Regulations, and are eligible for being offered for sale in the Offer as required under regulation 26(6) of the SEBI ICDR Regulations.

Except for 6,917,898 Equity Shares held by the Individual Promoter Selling Shareholder, which shall remain under pledge until five working days prior to the filing of the Red Herring Prospectus with the RoC, the Selling Shareholders have, severally and not jointly, confirmed that their respective proportion of Offered Shares are free from any lien, charge, and encumbrance. For more details, see “*Capital Structure*” on page 69.

Our Company has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated [●] and [●], respectively.

In terms of the Non-Banking Financial Companies (Approval of Acquisition or Transfer of Control) Directions, 2015, our Company intends to seek RBI approval for change in shareholding of our Company beyond 26% of our paid-up capital pursuant to the Offer.

Prohibition by SEBI or other Governmental Authorities

Our Company, our Promoters, natural persons in control of our Corporate Promoter (i.e. the directors of Kangchenjunga), members of the Promoter Group and our Directors have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or any other governmental authority. Each of the Selling Shareholders, severally and not jointly, specifically confirm that they have not been prohibited or debarred from accessing the capital markets under any order or direction passed by SEBI or any other governmental authority in India.

The companies with which our Promoters and Directors are or were associated as promoter, directors or persons in control have not been prohibited from accessing the capital markets under any order or direction passed by SEBI or any other regulatory or governmental authority.

Except for our Directors, Bharat Dhirajlal Shah and Jagadish Capoor, who are also directors on the board of directors of HDFC Securities Limited, Ramachandra Kasargod Kamath, who is also a director on the board of directors of Centrum Capital Limited, Darius Dinshaw Pandole, who is also a director on the board of directors of JM Financial Asset Management Limited and Deepak Calian Vaidya, who is also a director on the board of directors of UTI Capital Private Limited, none of our Directors are associated with entities which are engaged in securities market related business and are registered with SEBI. Some of our Directors are also directors on the board of directors of certain listed companies. For details, see “*Our Management*” on page 152.

Ramachandra Kasargod Kamath is a director of Centrum Capital Limited, which is a Category I Merchant Banker registered with SEBI. SEBI initiated enquiry proceedings against Centrum Capital Limited, vide show cause notice dated August 19, 2013, for alleged violation of the provisions of Regulation 24 (1) of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Subsequently, a settlement order was passed by SEBI on July 15, 2015, by way of which the enquiry proceedings were dismissed and Centrum Capital Limited made payment of settlement charges of ₹1.98 million.

Kartikeya Dhruv Kaji is associated with Kedaara Capital Fund II LLP, Kedaara AIF – 1 and Kedaara Capital Alternative Investment Fund II, which are SEBI registered entities. SEBI has not initiated any action against these entities, as on date.

Sunish Sharma is associated with Kedaara Capital Fund II LLP, Kedaara AIF – 1 and Kedaara Capital Alternative Investment Fund II, which are SEBI registered entities. SEBI has not initiated any action against these entities, as on date.

Except as disclosed above, there has been no action taken by SEBI against our Directors or any of the entities in which our Directors are involved as promoter or directors.

Prohibition by RBI

Our Company, our Promoters, relatives of the Individual Promoter, our Directors and our Group Companies have not been identified as a Wilful Defaulter. Each Selling Shareholder, severally and not jointly, specifically confirms that it has not been identified as Wilful Defaulters.

Eligibility for the Offer

Our Company is eligible for the Offer in accordance with the eligibility criteria provided in Regulation 26(1) of the SEBI ICDR Regulations, and as calculated from the Restated Financial Statements prepared in accordance with the Companies Act and restated in accordance with the SEBI ICDR Regulations:

- our Company has net tangible assets of at least ₹30.00 million in each of the preceding three full years (of 12 months each) of which not more than 50.00% are held in monetary assets;
- our Company has a minimum average pre-tax operating profit of ₹150.00 million calculated on a restated basis, during the three most profitable years out of the immediately preceding five years;
- our Company has a net worth of at least ₹10.00 million in each of the preceding three full years (of 12 months each); and
- the aggregate of the Offer and all previous issues made in Fiscal 2019 is not expected to exceed five times the pre-Offer net worth as per our audited balance sheet for the year ended March 31, 2018.

Our Company's net worth, net tangible assets, pre-tax operating profit, monetary assets and monetary assets as a percentage of the net tangible assets derived from the Restated Consolidated Financial Statements and the Restated Standalone Financial Statements included in this Draft Red Herring Prospectus for the Fiscals ended 2018, 2017 and 2016 are set forth below:

(₹ in million, except percentage values)

Particulars	Fiscal					
	2018		2017		2016	
	Consolidated	Standalone	Consolidated	Standalone	Consolidated	Standalone
Net tangible assets, as restated (Note 1) - a	27,176.63	27,176.86	15,671.68	15,671.68	12,959.66	12,959.66
Monetary assets, as restated (Note 2) – b	2,137.28	2,117.28	2,923.78	2,923.78	374.14	374.14
Monetary assets, as restated as a % of net tangible assets, as restated – b/ a%	7.86	7.79	18.66	18.66	2.89	2.89
Average pre-tax operating profit of three most profitable years out of the immediately preceding five years (Average of Fiscals 2018, 2016 and 2015)(Note 3)						1,940.88
Net worth (Note 4)	9,840.62	9,840.87	5,386.92	5,386.92	1,964.38	1,964.38

Figures as at March 31, 2017 and March 31, 2016 are based on restated standalone summary statements as the Company was required to present consolidated financial statements for the first time in respect of Financial Year ended March 31, 2018

1. Net tangible assets have been computed as: Sum of total assets less intangible assets
2. Monetary assets have been computed as: Sum of cash and cash equivalents, other bank balances and term deposits placed with non-banking financial institutions (representing margin money deposits placed to avail term loans from banks and financial institutions and deposits placed as cash collateral towards securitization transactions)
3. Pre-tax operating profit has been computed as: Deducting total expenses from total income before tax and exceptional items
4. Net worth has been computed as: Sum of the paid-up capital, the total reserves and surplus

Fiscal 2018 (in terms of the Restated Consolidated Financial Statement), and Fiscals 2016 and 2015 (in terms of Restated Standalone Financial Statements) were the three most profitable years out of the immediately preceding five Fiscals. Restated Consolidated Financial Statements have been considered only for Fiscal 2018 as our Subsidiary, Caspian Financial, was incorporated during Fiscal 2018 by our Company.

Further, in accordance with Regulation 26(4) of the SEBI ICDR Regulations, our Company shall ensure that the number of prospective Allottees to whom the Equity Shares will be Allotted will be not less than 1,000 failing which the entire application monies shall be refunded by our Company and the Selling Shareholders, forthwith. In case of delay, if any, in refund within such timeline as prescribed under applicable laws, our Company shall be liable to pay interest on the application money at the rate of 15% per annum for the period of delay. For the avoidance of doubt, subject to applicable law, a Selling Shareholder shall not be responsible to pay interest or expenses for any delay, except to the extent such delay has been caused solely and

directly attributable to an act or omission of such Selling Shareholder and to the extent of their respective portion of the Offered Shares.

Our Company is in compliance with conditions prescribed in Regulation 4 of the SEBI ICDR Regulations to the extent applicable.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS, BEING AXIS CAPITAL LIMITED, ICICI SECURITIES LIMITED, IIFL HOLDINGS LIMITED AND JM FINANCIAL LIMITED AND THE BOOK RUNNING LEAD MANAGERS, BEING INDUSIND BANK LIMITED AND YES SECURITIES (INDIA) LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, AND EACH SELLING SHAREHOLDER WILL BE RESPONSIBLE ONLY FOR THE STATEMENTS SPECIFICALLY CONFIRMED OR UNDERTAKEN BY IT IN THE DRAFT RED HERRING PROSPECTUS IN RELATION TO ITSELF FOR ITS PORTION OF THE OFFERED SHARES, THE GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS, AND THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDERS DISCHARGE THEIR RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS AND BOOK RUNNING LEAD MANAGERS HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JUNE 25, 2018 WHICH READS AS FOLLOWS:

WE, AXIS CAPITAL LIMITED, ICICI SECURITIES LIMITED, IIFL HOLDINGS LIMITED, JM FINANCIAL LIMITED, INDUSIND BANK LIMITED AND YES SECURITIES (INDIA) LIMITED, WHO HAVE BEEN APPOINTED BY THE COMPANY AND THE SELLING SHAREHOLDERS TO MANAGE THE OFFER, STATE AND CONFIRM AS FOLLOWS:

- 1. WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL DOCUMENTS IN CONNECTION WITH THE FINALIZATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID OFFER;**
- 2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE COMPANY AND THE SELLING SHAREHOLDERS, WE CONFIRM THAT:**
 - (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA (“SEBI”) IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**
 - (B) ALL THE LEGAL REQUIREMENTS RELATING TO THE OFFER AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ ISSUED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
 - (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO INVESTMENT IN THE PROPOSED OFFER AND SUCH DISCLOSURES ARE IN**

ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT 1956 (AS AMENDED AND REPLACED BY THE COMPANIES ACT, 2013 TO THE EXTENT IN FORCE), THE COMPANIES ACT 2013, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE “SEBI ICDR REGULATIONS”) AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID. - COMPLIED WITH AND NOTED FOR COMPLIANCE.
4. WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. - NOTED FOR COMPLIANCE.
5. WE CERTIFY THAT WRITTEN CONSENTS FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED/ SOLD/ TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING OF THE DRAFT RED HERRING PROSPECTUS WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS. - COMPLIED WITH AND NOTED FOR COMPLIANCE.
6. WE CERTIFY THAT REGULATION 33 OF THE SEBI ICDR REGULATIONS, WHICH RELATES TO EQUITY SHARES INELIGIBLE FOR COMPUTATION OF PROMOTER’S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS. - COMPLIED WITH AND NOTED FOR COMPLIANCE.
7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SEBI ICDR REGULATIONS SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER’S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE OFFER. WE UNDERTAKE THAT AUDITORS’ CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER’S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC OFFER. - NOT APPLICABLE.
8. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT OFFER FALL WITHIN THE ‘MAIN OBJECTS’ LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE COMPANY AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION. - COMPLIED WITH.
9. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONIES RECEIVED PURSUANT TO THE OFFER ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB SECTION (3) OF SECTION 40 OF THE COMPANIES ACT, 2013 AND THAT SUCH MONIES SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE OFFER, THE COMPANY AND THE SELLING SHAREHOLDERS SPECIFICALLY CONTAINS THIS CONDITION. - NOTED FOR COMPLIANCE.
10. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. - NOT APPLICABLE. UNDER SECTION 29 OF THE COMPANIES ACT, 2013, EQUITY SHARES IN THE OFFER HAVE TO BE ISSUED IN DEMATERIALISED FORM ONLY.
11. WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SEBI ICDR REGULATIONS HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION. - COMPLIED WITH.

12. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
- (A) AN UNDERTAKING FROM THE COMPANY THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE COMPANY; AND
- (B) AN UNDERTAKING FROM THE COMPANY THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA FROM TIME TO TIME.
13. WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SEBI ICDR REGULATIONS WHILE MAKING THE OFFER. – NOTED FOR COMPLIANCE.
14. WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OF THE COMPANY, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER’S EXPERIENCE, ETC. – COMPLIED WITH.
15. WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SEBI ICDR REGULATIONS, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY. – COMPLIED WITH.
16. WE ENCLOSE STATEMENT ON ‘PRICE INFORMATION OF PAST ISSUES HANDLED BY THE GLOBAL CO-ORDINATORS AND BOOK RUNNING LEAD MANAGERS, AND THE BOOK RUNNING LEAD MANAGERS (WHO ARE RESPONSIBLE FOR PRICING THE OFFER)’, AS PER FORMAT SPECIFIED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA THROUGH CIRCULAR. – COMPLIED WITH.
17. WE CERTIFY THAT PROFITS FROM RELATED PARTY TRANSACTIONS HAVE ARISEN FROM LEGITIMATE BUSINESS TRANSACTIONS. – COMPLIED WITH TO THE EXTENT OF THE RELATED PARTY TRANSACTIONS OF THE COMPANY, REPORTED IN ACCORDANCE WITH ACCOUNTING STANDARD 18, IN THE FINANCIAL STATEMENTS OF THE COMPANY INCLUDED IN THE DRAFT RED HERRING PROSPECTUS, AS CERTIFIED BY RPVS & ASSOCIATES, CHARTERED ACCOUNTANTS PURSUANT TO THEIR CERTIFICATE DATED JUNE 25, 2018.
18. WE CERTIFY THAT THE ENTITY IS ELIGIBLE UNDER 106Y (1) (A) OR (B) (AS THE CASE MAY BE) TO LIST ON THE INSTITUTIONAL TRADING PLATFORM, UNDER CHAPTER XC OF THESE REGULATIONS. (IF APPLICABLE). – NOT APPLICABLE.

The filing of this Draft Red Herring Prospectus does not, however, absolve any person who has authorised the issue of this Draft Red Herring Prospectus from any liabilities under Section 34 or Section 36 of the Companies Act, 2013, or from the requirement of obtaining such statutory and/ or other clearances as may be required for the purpose of the Offer. SEBI further reserves the right to take up at any point of time, with the GCBRLMs and the BRLMs, any irregularities or lapses in this Draft Red Herring Prospectus.

All legal requirements pertaining to the Offer will be complied with at the time of filing of the Red Herring Prospectus with the RoC in terms of Section 32 of the Companies Act, 2013. All legal requirements pertaining to the Offer will be complied with at the time of registration of the Prospectus with the RoC in terms of Sections 26, 32, 33(1) and 33(2) of the Companies Act, 2013.

Caution - Disclaimer from our Company, our Directors, the Selling Shareholders, the GCBRLMs and the BRLMs

Our Company, our Directors, the Selling Shareholders, the GCBRLMs and the BRLMs accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisements or any other material issued by or at our Company’s instance and anyone placing reliance on any other source of information, including our Company’s website www.spandanaindia.com, or the respective websites of our Promoter, Promoter Group or any affiliate of our Company or the Selling Shareholders would be doing so at his or her own risk.

It is clarified that the Selling Shareholders are providing information in this Draft Red Herring Prospectus only in relation to themselves and their respective portion of the Offered Shares and the Selling Shareholders and their directors, affiliates, associates and officers accept and/or undertake no responsibility or liability for any other statement or information contained in this Draft Red Herring Prospectus.

The GCBRLMs and the BRLMs accept no responsibility, save to the limited extent as provided in the Offer Agreement and the Underwriting Agreement.

All information shall be made available by our Company, the Selling Shareholders (in respect of themselves and their respective portion of the Offered Shares) and the GCBRLMs and the BRLMs to the Bidders and the public at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever, including at road show presentations, in research or sales reports, at the Bidding Centres or elsewhere.

None among our Company, the Selling Shareholders or any member of the Syndicate shall be liable for any failure in uploading the Bids due to faults in any software/ hardware system or otherwise.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares and will not issue, sell, pledge, or transfer the Equity Shares to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares.

The GCBRLMs and the BRLMs and their respective associates and affiliates in their capacity as principals or agents may engage in transactions with, and perform services for, our Company, our Promoter, Promoter Group and the Selling Shareholders, their respective directors and officers, group companies, affiliates or associates or third parties in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with our Company, the Promoter, Promoter Group and the Selling Shareholders and their respective directors, officers, agents, group companies, affiliates or associates or third parties, for which they have received, and may in the future receive, compensation.

Disclaimer in respect of Jurisdiction

This Offer is being made in India to persons resident in India (who are competent to contract under the Indian Contract Act, 1872, as amended, including Indian nationals resident in India, HUFs, companies, other corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with the SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in equity shares, multilateral and bilateral development financial institutions, state industrial development corporations, insurance companies registered with IRDA, provident funds (subject to applicable law) and pension funds, National Investment Fund, insurance funds set up and managed by army, navy or air force of Union of India, insurance funds set up and managed by the Department of Posts, GoI, systemically important NBFCs registered with the RBI) and permitted Non-Residents including FPIs and Eligible NRIs, AIFs, FVCIs, and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to purchase the Equity Shares. This Draft Red Herring Prospectus does not constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby, in any jurisdiction other than in India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Offer will be subject to the jurisdiction of appropriate court(s) in Hyderabad only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus will be filed with the SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Red Herring Prospectus nor any offer or sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company or the Selling Shareholders since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares offered in the Offer have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Accordingly, the Equity Shares are being offered and sold (i) within the United States only to “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act, “Rule 144A”) in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A and (ii) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act. Prospective purchasers are hereby notified that the seller of the Equity Shares may be relying on the exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction except in compliance with the applicable laws of such jurisdiction.

Bidders are advised to ensure that any Bid from them does not exceed investment limits or maximum number of Equity Shares that can be held by them under applicable law. Further, each Bidder where required must agree in the Allotment Advice that such Bidder will not sell or transfer any Equity Shares or any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than in accordance with applicable laws.

Disclaimer Clause of RBI

The Company has a valid certificate of registration dated October 16, 2004 issued by the RBI under section 45IA of the Reserve Bank of India Act, 1934. Further, the Company holds a modified certificate of registration dated April 13, 2015 as a NBFC – MFI. The RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of our Company or for the correctness of any of the statements or representation made or opinions expressed by our Company and for discharge of liability of our Company.

Disclaimer Clause of BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to BSE. The disclaimer clause as intimated by BSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Disclaimer Clause of NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to NSE. The disclaimer clause as intimated by NSE to our Company, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Filing

A copy of this Draft Red Herring Prospectus has been filed with SEBI at the Securities and Exchange Board of India, Plot No. C4-A, “G” Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, India.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 32 of the Companies Act, 2013 would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 26 of the Companies Act, 2013 would be delivered for registration with RoC at the office of the Registrar of Companies, Andhra Pradesh and Telangana situated at 2nd Floor, Corporate Bhawan, GSI Post, Tattianaram Nagole, Bandlaguda, Hyderabad 500 068, Telangana, India.

Listing

The Equity Shares issued through the Red Herring Prospectus are proposed to be listed on the BSE and the NSE. Applications shall be made to the Stock Exchanges for obtaining permission to deal in and for listing and trading of the Equity Shares. [●] will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company will forthwith repay, all monies received from the applicants in pursuance of the Red Herring Prospectus, as required by applicable law. If such money is not repaid within the prescribed time, then our Company, and every officer in default shall be liable to repay the money, with interest, as prescribed under applicable law.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within six Working Days from the Bid/ Offer Closing Date or within such period as may be prescribed by SEBI. Each of the Selling Shareholders, severally and not jointly, specifically confirm that it shall provide reasonable support and extend reasonable cooperation as required or necessary and requested by our Company to facilitate this process.

If our Company does not Allot Equity Shares pursuant to the Offer within six Working Days from the Bid/ Offer Closing Date or within such timeline as prescribed by SEBI, it shall repay, without interest, all monies received from Bidders, failing which interest shall be due to be paid to the Bidders at the rate of 15% per annum for the delayed period. For the avoidance of doubt, subject to applicable law, a Selling Shareholder shall not be responsible to pay interest or expenses for any delay, except to the extent such delay has been caused solely and directly attributable to an act or omission of such Selling Shareholder and to the extent of their respective portion of the Offered Shares.

Price information of past issues handled by the GCBRLMs

A. Axis Capital

1. Price information of past issues handled by Axis Capital

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Sandhar Technologies Limited	5,124.80	332.00	02-Apr-18	346.10	+19.59%, [+4.96%]	-	-
2.	Hindustan Aeronautics Limited	41,131.33	1,215.00 [!]	28-Mar-18	1,152.00	-6.96%, [4.98%]	-	-
3.	Bandhan Bank Limited	44,730.19	375.00	27-Mar-18	499.00	+31.81%, [3.79%]	-	-
4.	Aster DM Healthcare Limited	9801.00	190.00	26-Feb-18	183.00	-13.66%, [-3.77%]	-5.39%, [+1.00%]	-
5.	Khadim India Limited	5,430.57	750.00	14-Nov-17	730.00	-10.40%, [+0.06%]	-6.47%, [+3.47%]	+10.21%, [+6.09%]
6.	The New India Assurance Company Limited	18,933.96	800 ^{\$}	13-Nov-17	750.00	-27.91%, [+0.15%]	-7.81%, [+3.08%]	-13.06%, [+5.69%]
7.	Mahindra Logistics Limited	8,288.84	429 [^]	10-Nov-17	429.00	+2.49%, [0.00%]	+9.48%, [+1.50%]	+21.00%, [+3.84%]
8.	Reliance Nippon Life Asset Management Limited	15,422.40	252	06-Nov-17	295.90	+3.61%, [-3.19%]	+8.12%, [+2.05%]	-4.21, [+1.59%]
9.	General Insurance Corporation of India	111,758.43	912 [@]	25-Oct-17	850.00	-12.92%, [+0.52%]	-13.95%, [+6.52%]	-22.02%, [2.81%]
10.	Indian Energy Exchange Limited	10,007.26	1650	23-Oct-17	1,500.00	-8.15%, [+1.39%]	-1.95%, [+7.67%]	-0.71%, [+3.72%]

Source: www.nseindia.com

* Offer Price was ₹632.00 per equity share to Eligible Employees

@ Offer Price was ₹855.00 per equity share to Retail Individual Bidders and Eligible Employees

^ Offer Price was ₹387.00 per equity share to Eligible Employees

\$ Offer Price was ₹770.00 per equity share to Retail Individual Bidders and Eligible Employees

! Offer Price was ₹1,190.00 per equity share to Retail Individual Bidders and Eligible Employees

Notes:

a. Issue Size derived from Prospectus/final post issue reports, as available.

b. The CNX NIFTY is considered as the Benchmark Index.

c. Price on NSE is considered for all of the above calculations.

d. In case 30th/90th/180th day is not a trading day, closing price on NSE of the next trading day has been considered.

e. Since 30 calendar days, 90 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available.

2. Summary statement of disclosure

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2018-2019*	1	5,124.80	-	-	-	-	-	1	-	-	-	-	-	-
2017-2018	18	415,433.38	-	1	9	1	3	5	-	2	5	3	2	1
2016-2017	10	111,377.80	-	-	1	4	2	3	-	-	-	7	1	2

* The information is as on the date of the document

The information for each of the financial years is based on issues listed during such financial year.

Note: Since 30 calendar days and 180 calendar days, as applicable, from listing date has not elapsed for few of the above issues, data for same is not available

B. ICICI Securities

1. Price information of past issues handled by ICICI Securities

Sr. No.	Issue Name	Issue Size (₹ Mn)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Housing and Urban Development Corporation Limited	12,095.70	60.00 ⁽¹⁾	19-May-17	73.00	+13.17%, [+2.44%]	+34.67%, [+4.98%]	+35.67%, [+8.05%]
2.	AU Small Finance Bank Limited	19,125.14	358.00	10-Jul-17	530.00	+58.76%, [+2.12%]	+65.20%, [+2.23%]	+95.38%, [+8.06%]
3.	Security and Intelligence Services (India) Limited	7,795.80	815.00	10-Aug-17	879.80	-3.29%, [+1.17%]	+3.14%, [+5.40%]	+39.12%, [+8.62%]
4.	Matrimony.Com Limited	4,974.79	985.00 ⁽²⁾	21-Sep-17	985.00	-12.28%, [+0.62%]	-7.64%, [+3.37%]	-16.55%, [-0.27%]
5.	ICICI Lombard General Insurance Company Limited	57,009.39	661.00	27-Sep-17	651.10	+3.62%, [+6.25%]	+18.97%, [+8.17%]	+15.36%, [+4.06%]
6.	SBI Life Insurance Company Limited	83,887.29	700.00 ⁽³⁾	03-Oct-17	735.00	-7.56%, [+5.89%]	-0.07%, [+5.84%]	-2.30%, [+3.57%]
7.	Newgen Software Technologies Limited	4,246.20	245.00	29-Jan-18	254.10	-0.20%, [-5.18%]	+2.51%, [-3.51%]	-
8.	Galaxy Surfactants Limited	9,370.90	1,480.00	8-Feb-18	1,525.00	+1.14%, [-3.31%]	-0.85%, [+1.33%]	-
9.	Aster DM Healthcare Limited	9,801.4	190.00	26-Feb-18	183.00	-13.66%, [-3.77%]	-5.29%, [+1.00%]	-
10.	Sandhar Technologies Limited	5,124.80	332.00	02-Apr-18	346.10	+19.59%, [+4.96%]	-	-

(1) Discount of Rs.2 per equity share offered to retail investors and to Eligible Employees. All calculations are based on Issue Price of Rs. 60.00 per equity share.

(2) Discount of Rs. 98 per equity share offered to retail investors and to Eligible Employees. All calculations are based on Issue Price of Rs. 985.00 per equity share.

(3) Discount of Rs. 68 per equity share offered to Eligible Employees. All calculations are based on Issue Price of Rs. 700.00 per equity share.

Notes:

1. All data sourced from www.nseindia.com
2. Benchmark index considered is NIFTY
3. 30th, 90th, 180th calendar day from listed day have been taken as listing day plus 29, 89 and 179 calendar days, except wherever 30th, 90th, 180th calendar day is a holiday, in which case we have considered the closing data of the next trading day

2. Summary statement of disclosure

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2018-19	1	5,124.80	-	-	-	-	-	1	-	-	-	-	-	-
2017-18	9	208,306.61	-	-	5	1	-	3	-	-	2	1	2	1
2016-17	12	160,855.45	-	-	3	4	4	1	-	1	1	7	2	1

C. IIFL Holdings

1. Price information of past issues handled by IIFL Holdings

Sr. No.	Issue Name	Issue Size (₹) Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	Security and Intelligence Services (India) Limited	7,795.80	815.00	August 10, 2017	879.80	-3.3%, [+0.3%]	+3.1%, [+4.0%]	+45.5%, [+6.0%]
2.	Dixon Technologies (India) Limited	5,992.79	1,766.00	September 18, 2017	2,725.00	+50.8%, [+1.2%]	+80.9%, [+2.5%]	+95.2%, [+1.1%]
3.	Capacit'e Infraprojects Limited	4,000.00	250.00	September 25, 2017	399.00	+34.9%, [+3.3%]	+60.3%, [+5.3%]	+18.1%, [+0.3%]
4.	ICICI Lombard General Insurance Company Limited	57,009.39	661.00	September 27, 2017	651.00	+3.3%, [+4.6%]	+19.0%, [+6.7%]	+15.4%, [+2.6%]
5.	Indian Energy Exchange Limited	10,007.26	1,650.00	October 23, 2017	1,500.00	-5.6%, [+1.9%]	-1.8%, [+7.4%]	-0.7%, [+4.1%]
6.	Reliance Nippon Life Asset Management Limited	15,422.40	252.00	November 06, 2017	295.90	+1.2%, [-3.9%]	+5.9%, [+2.9%]	-4.2%, [+1.6%]
7.	HDFC Standard Life Insurance Company Limited	86,950.07	290.00	November 17, 2017	310.00	+31.5%, [+1.2%]	+49.0%, [+3.2%]	+71.6%, [+5.2%]
8.	Shalby Limited	5,048.00	248.00	December 15, 2017	239.70	-4.2%, [+4.2%]	-11.7%, [+1.1%]	-29.3%, [+5.9%]

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
9.	Future Supply Chain Solutions Limited	6,496.95	664.00	December 18, 2017	664.00	+4.1%, [+4.4%]	+6.9%, [-1.3%]	-5.2%, [+4.7%]
10.	ICICI Securities Limited	35,148.49	520.00	April 04, 2018	435.00	-28.9%, [+3.6%]	NA	NA

Source: www.nseindia.com

Note: Benchmark Index taken as CNX NIFTY. Price on NSE is considered for all of the above calculations. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 30, 90 and 180 calendar days, except wherever 30th / 90th / 180th calendar day from listing day is a holiday, the closing data of the previous trading day has been considered. % change taken against the Issue Price in case of the Issuer. % change taken against closing CNX NIFTY Index a day prior to the listing date. NA means Not Applicable.

2. Summary statement of disclosure

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2016-17	5	92,062.31	-	-	1	2	1	1	-	-	-	3	1	1
2017-18	9	1,98,722.66	-	-	3	1	2	3	-	1	3	2	1	2
2018-19	1	35,148.49	-	1	-	-	-	-	-	-	-	-	-	-

Source: www.nseindia.com

Note: Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date. In case any of the days falls on a non-trading day, the closing price on the previous trading day has been considered.

D. JM Financial

1. Price information of past issues handled by JM Financial

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
1.	IndoStar Capital Finance Limited	18,440.00	572.00	May 21, 2018	600.00	-0.96% [+1.84%]	NA	NA
2.	Bandhan Bank Limited	44,730.19	375.00	March 27, 2018	499.00	+31.81% [+3.79%]	+42.96% [+6.26%]	NA
3.	Aster DM Healthcare Limited	9,801.00	190.00	February 26, 2018	183.00	-13.66% [-3.77%]	-4.97% [+0.21%]	NA
4.	Galaxy Surfactants Limited	9,370.88	1,480.00	February 8, 2018	1,525.00	+1.14% [-3.31%]	-0.85% [+1.33%]	NA
5.	Reliance Nippon Life Asset Management Limited	15,422.40	252.00	November 6, 2017	295.90	+3.61% [-3.19%]	+5.91% [+2.95%]	-4.21% [+1.59%]
6.	Prataap Snacks Limited	4,815.98	938.00 ⁽¹⁾	October 5, 2017	1,270.00	+25.12% [+5.70%]	+31.82% [+5.60%]	+40.99% [+3.27%]

Sr. No.	Issue Name	Issue Size (₹ Mn.)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (₹)	+/- % change in closing price, [+/- % change in closing benchmark]- 30th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180th calendar days from listing
7.	SBI Life Insurance Company Limited	83,887.29	700.00 ⁽²⁾	October 3, 2017	735.00	-7.56% [+5.89%]	-0.66% [+6.81%]	-3.11% [+2.58%]
8.	ICICI Lombard General Insurance Company Limited	57,009.40	661.00	September 27, 2017	651.10	+3.62% [+6.25%]	+17.60% [+7.78%]	+12.13% [+2.69%]
9.	Cochin Shipyard Limited	14,429.30	432.00 ⁽³⁾	August 11, 2017	440.15	+27.06% [+2.31%]	+30.96% [+6.10%]	+20.01% [+8.11%]
10.	GTPL Hathway Limited	4,848.00	170.00	July 4, 2017	170.00	-10.71% [+4.87%]	-19.09% [+1.82%]	-2.94% [+9.54%]

Source: www.nseindia.com; for price information and prospectus/ basis of allotment for issue details

Notes:

1. A discount of Rs. 90 per equity share had been offered to eligible employees.
2. A discount of Rs. 68 per equity share had been offered to eligible employees.
3. A discount of Rs. 21 per equity share had been offered to eligible employees and retail individual bidders.
4. Opening price information as disclosed on the website of NSE.
5. Change in closing price over the issue/offer price as disclosed on NSE.
6. Change in closing price over the closing price as on the listing date for benchmark index viz. NIFTY 50.
7. In case of reporting dates falling on a trading holiday, values for the trading day immediately preceding the trading holiday have been considered.
8. 30th calendar day has been taken as listing date plus 29 calendar days; 90th calendar day has been taken as listing date plus 89 calendar days; 180th calendar day has been taken as listing date plus 179 calendar days.
9. Restricted to last 10 issues.

2. Summary statement of disclosure

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30th calendar days from listing			No. of IPOs trading at premium - 30th calendar days from listing			No. of IPOs trading at discount - 180th calendar days from listing			No. of IPOs trading at premium - 180th calendar days from listing		
			Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2018-2019*	1	18,440.00	-	-	1	-	-	-	-	-	-	-	-	-
2017-2018	10	251,600.44	-	-	4	-	3	3	-	1	3	-	1	2
2016-2017	7	137,049.21	-	-	2	1	1	3	-	-	1	2	2	2

* The information is as on the date of the document

Price information of past issues handled by the BRLMs

A. IndusInd Bank

IndusInd Bank has not handled any initial public offerings in the last three years.

B. Yes Securities

1. Price information of past issues handled

Sr. No.	Issue Name	Issue Size (₹ Mn)	Issue Price (₹)	Listing Date	Opening Price on Listing Date (in Rs.)	+/- % change in closing price, [+/- % change in closing benchmark]- 30 th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 90 th calendar days from listing	+/- % change in closing price, [+/- % change in closing benchmark]- 180 th calendar days from listing
1	Lemon Tree Hotels Limited	10,386.85	56.00	April 9, 2018	61.60	+30.18% - change in closing price; +3.49% - change in closing benchmark	-	-
2	Bharat Dynamics Limited	9,609.44	428.00	March 23, 2018	370.00	-4.65% - change in closing price; +5.87% - change in closing benchmark	-10.69% - change in closing price; +7.43% - change in closing benchmark	-
3	Aster DM Healthcare Limited	9,801.37	190.00	February 26, 2018	183.00	-10.63% - change in closing price; -4.43% - change in closing benchmark	-5.39% - change in closing price; +1.00% - change in closing benchmark	-
4	Future Supply Chain Solutions Limited	6,496.95	664.00	December 18, 2017	664.00	+4.09% - change in closing price; +3.85% - change in closing benchmark	+6.27% - change in closing price; -2.83% - change in closing benchmark	-1.29% - change in closing price; +3.96% - change in closing benchmark
5	The New India Assurance Company Limited	96,000.00	800.00	November 13, 2017	750.00	-29.83% - change in closing price; -0.31% - change in closing benchmark	-7.81% - change in closing price; +3.08% - change in closing benchmark	-11.69% - change in closing price; +5.69% - change in closing benchmark
6	Reliance Nippon Life Asset Management Company Limited	15,422.40	252.00	November 06, 2017	295.90	+1.21% - change in closing price; -3.90% - change in closing benchmark	+8.12% - change in closing price; +2.05% - change in closing benchmark	-1.65% - change in closing price; +2.52% - change in closing benchmark
7	Dixon Technologies (India) Limited	5,992.79	1,766	September 18, 2017	2,725.00	+50.78% - change in closing price; +0.57% - change in closing benchmark	+98.26% - change in closing price; +2.32% - change in closing benchmark	+92.73% - change in closing price; -0.58% - change in closing benchmark
8	Security and Intelligence Services (India) Limited	7,795.80	815.00	August 10, 2017	879.80	-1.88% - change in closing price; +1.89% - change in closing benchmark	+3.14% - change in closing price; +4.92% - change in closing benchmark	+45.54% - change in closing price; +6.90% - change in closing benchmark
9	GTPL Hathway Limited	4,848.00	170.00	July 4, 2017	170.00	-13.32% - change in closing price; +4.16% - change in closing benchmark	-18.88% - change in closing price; +2.56% - change in closing benchmark	-3.68% - change in closing price; +8.55% - change in closing benchmark
10	Central Depository Services (India) Limited	5,239.91	149.00	June 30, 2017	250.00	+127.92% - change in closing price; +5.84% - change in closing benchmark	+128.62% - change in closing price; +2.61% - change in closing benchmark	+139.03% - change in closing price; +10.19% - change in closing benchmark

Notes:

1. Benchmark Index taken as CNX NIFTY
2. Price on NSE is considered for all of the above calculations

3. % change taken against the Issue Price in case of the Issuer. % change taken against closing CNX NIFTY Index on the day of the listing date.
4. The 30th, 90th and 180th calendar day from listed day have been taken as listing day plus 30, 90 and 180 calendar days. If either of the 30th, 90th or 180th calendar days is a trading holiday, the next trading day has been considered for the computation.

2. Summary statement of price information of past issues

Financial Year	Total no. of IPOs	Total amount of funds raised (₹ Mn.)	No. of IPOs trading at discount - 30 th calendar days from listing			No. of IPOs trading at premium - 30 th calendar days from listing			No. of IPOs trading at discount - 180 th calendar days from listing			No. of IPOs trading at premium - 180 th calendar days from listing		
			Over 50 %	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%	Over 50%	Between 25-50%	Less than 25%
2018-2019	1	10,386.85	-	-	-	1	-	-	-	-	-	-	-	-
2017-2018	9	161,206.66	-	1	4	2	-	2	-	-	4	2	1	-
2016-2017	2	15,125.00	-	-	1	1	-	-	-	-	-	1	-	1

Notes:

1. Data for number of IPOs trading at premium/discount taken at closing price on NSE on the respective date.
2. The information for the financial year is based on issue listed during such financial year.

Track record of past issues handled by the GCBRLMs and the BRLMs

For details regarding the track record of the GCBRLMs and the BRLMs, as specified in Circular reference CIR/MIRSD/1/2012 dated January 10, 2012 issued by SEBI, please see the websites of the GCBRLMs and the BRLMs, as set forth in the table below:

S.No.	Name of the GCBRLM/ BRLM	Website
GCBRLMs		
1.	Axis Capital Limited	www.axiscapital.co.in
2.	ICICI Securities Limited	www.icicisecurities.com
3.	IIFL Holdings Limited	www.iiflcap.com
4.	JM Financial Limited	www.jmfl.com
BRLMs		
1.	IndusInd Bank Limited	www.indusind.com
2.	Yes Securities (India) Limited	www.yesinvest.in

Impersonation

Attention of the Bidders is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act 2013, which is reproduced below:

“Any person who –

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities, or
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or
- (c) otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,

shall be liable for action under section 447.”

The liability prescribed under Section 447 of the Companies Act 2013 includes imprisonment for a term of not less than six months extending up to 10 years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount.

Consents

Consents in writing of: (a) the Selling Shareholders, our Directors, our Company Secretary and Compliance Officer, our Chief Financial Officer, legal counsels, Bankers to our Company, the GCBRLMs and the BRLMs, independent chartered accountants, ICRA, the Registrar to the Offer have been obtained; and (b) lenders (as applicable), the Syndicate Members, the Banker(s) to the Offer/ Escrow Collection Bank(s)/ Refund Bank(s)/ Monitoring Agency to act in their respective capacities have been obtained/ will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under the Companies Act, 2013 and such consents have not be withdrawn as of the date of this Draft Red Herring Prospectus.

Expert to the Offer

Our Company has received written consent dated June 25, 2018, from the Statutory Auditors namely, S.R. Batliboi & Co. LLP, to include their name as required under Section 26(1) of the Companies Act, 2013 read with SEBI ICDR Regulations in this Draft Red Herring Prospectus and as an “expert” as defined under section 2(38) of the Companies Act, 2013 to the extent and in their capacity as a Statutory Auditor and in respect of their (i) examination reports, each dated May 15, 2018 on our Restated Consolidated Financial Statements and our Restated Standalone Financial Statements; and (ii) their report dated June 15, 2018 on the statement of tax benefits, included in this Draft Red Herring Prospectus and such consent has not been withdrawn as on the date of this Draft Red Herring Prospectus. However, the term “expert” shall not be construed to mean an “expert” as defined under the U.S. Securities Act.

Offer Expenses

The total expenses of the Offer are estimated to be approximately ₹[●] million. The expenses of this Offer include, among others, underwriting fees, brokerage and selling commission, printing and stationery expenses, fees payable to the GCBRLMs and the BRLMs, Registrar to the Offer and legal counsel, advertising and marketing expenses and listing fees. For further details, of Offer expenses, see “*Objects of the Offer – Offer Expenses*” on page 85.

All fees and expenses in relation to the Offer shall be shared between our Company and the Selling Shareholders in the proportion as mutually agreed between the Company and the Selling Shareholders, in accordance with applicable law. However, for ease of operations, expenses of the Selling Shareholders may, at the outset, be borne by our Company on behalf of the Selling Shareholders, and each Selling Shareholder agrees that it will reimburse our Company all such expenses, upon successful completion of the Offer in the proportion as mutually agreed between the Company and the Selling Shareholders, in accordance with applicable law. However, in the event that the Offer is withdrawn or not completed for any reason whatsoever, all Offer related costs and expenses will be borne by the Company.

Fees Payable to the Syndicate

The total fees payable to the Syndicate (including underwriting commission and selling commission and reimbursement of their out-of-pocket expenses) will be as per the Syndicate Agreement, copies of which will be made available for inspection at the Registered Office from 10:00 am to 4:00 pm on Working Days from the date of filing of the Red Herring Prospectus until the Bid/ Offer Closing Date.

For details of the Offer expenses, see “*Objects of the Offer*” on page 89.

Commission payable to SCSBs, Registered Brokers, RTAs and CDPs

For details of the commission payable to SCSBs, Registered Brokers, RTAs and CDPs see “*Objects of the Offer*” on page 89.

Fees Payable to the Registrar to the Offer

The fees payable to the Registrar to the Offer will be as per the Registrar Agreement, a copy of which will be made available for inspection at the Registered Office from 10:00 am to 4:00 pm on Working Days from the date of filing of the Red Herring Prospectus until the Bid/ Offer Closing Date.

The Registrar to the Offer will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Offer to enable it to send refund orders or Allotment advice by registered post/ speed post/ under certificate of posting.

Grading of the Offer

No credit agency registered with SEBI has been appointed in respect of obtaining grading for the Offer.

Credit Rating

As this is an offer of Equity Shares, credit rating is not required.

Particulars regarding public or rights issues by our Company during the last five years

Our Company has not made any public or rights issues during the five years preceding the date of this Draft Red Herring Prospectus.

Previous issues of Equity Shares otherwise than for cash

Except as disclosed in the “*Capital Structure*” on page 69, our Company has not issued any securities for consideration otherwise than for cash.

Commission and Brokerage paid on previous issues of the Equity Shares

Since this is the initial public issue of the Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company’s inception.

Previous capital issue during the previous three years by listed Group Companies and Subsidiary of our Company

None of our Group Companies and Subsidiary have undertaken a capital issue in the last three years preceding the date of this Draft Red Herring Prospectus.

Performance vis-à-vis objects – Public/ rights issue of our Company and/ or listed Group Companies and Subsidiary of our Company

None of our Group Companies and Subsidiary of our Company have undertaken any public or rights issue in the last ten years preceding the date of this Draft Red Herring Prospectus.

Outstanding debentures or bonds or other instruments

Other than as mentioned in “*Financial Indebtedness*” and “*Financial Information*” on pages 327 and 187, respectively, our Company does not have any outstanding debentures or bonds as of the date of filing this Draft Red Herring Prospectus.

Outstanding Preference Shares

Our Company does not have any outstanding preference shares as on date of this Draft Red Herring Prospectus.

Partly Paid-up Shares

Our Company does not have any partly paid-up Equity Shares or Preference Shares as on the date of this Draft Red Herring Prospectus.

Stock Market Data of the Equity Shares

This being an initial public offer of our Company, the Equity Shares are not listed on any stock exchange and accordingly, no stock market data is available for the Equity Shares.

Mechanism for Redressal of Investor Grievances

The Registrar Agreement provides for the retention of records with the Registrar to the Offer for a period of at least eight years from the date of listing and commencement of trading of the Equity Shares on the Stock Exchanges, subject to agreement with the Company and the Selling Shareholders for storage of such records for longer period, to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Offer with a copy to the relevant Designated Intermediary with whom the Bid cum Application Form was submitted. The Bidder should provide complete details such as name of the sole/ first Bidder, ASBA Form number, the Bidder's, DP ID, Client ID, PAN, date of the ASBA Form, address of the Bidder, number of Equity Shares applied for, the name and address of the Designated Intermediary where the ASBA Form was submitted by the ASBA Bidder and the ASBA Account number in which the amount equivalent to the Bid Amount is blocked. Further, the Bidder shall also enclose the Acknowledgement Slip from the Designated Intermediaries in addition to the documents/ information mentioned hereinabove. The Registrar to the Offer shall obtain the required information from the SCSBs for addressing any clarifications or grievances of ASBA Bidders. Our Company, the GCBRLMs, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission or any acts of SCSBs, Syndicate Members, RTA, CDPs including any defaults in complying with its obligations under applicable SEBI ICDR Regulations.

All grievances of the Anchor Investors may be addressed to the Registrar to the Offer, giving full details such as name of the sole/ first Bidder, Anchor Investor Form number, DP ID, Client ID, PAN, date of the Anchor Investor Form, address of the Anchor Investor, number of Equity Shares applied for, Bid Amount paid on submission of the Anchor Investor Form and the name and address of the GCBRLMs and the BRLM where the Anchor Investor Form was submitted by the Anchor Investor.

Further, with respect to the Bid cum Application Forms submitted with the Registered Brokers, the investor shall also enclose the acknowledgment from the Registered Broker in addition to the documents/ information mentioned hereinabove.

Our Company, the Selling Shareholders, the GCBRLM, the BRLMs and the Registrar to the Offer accept no responsibility for errors, omissions, commission of any acts of the Designated Intermediaries including any defaults in complying with their obligations under the SEBI ICDR Regulations.

Disposal of Investor Grievances by our Company

Our Company estimates that the average time required by our Company or the Registrar to the Offer or the SCSB in case of ASBA Bidders, for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has constituted a Stakeholders' Relationship Committee comprising Abanti Mitra, Bharat Dhirajlal Shah and Kartikeya Dhruv Kaji as members, which is responsible for redressal of grievances of the security holders of our Company. For details, see "*Our Management*" on page 152.

The Selling Shareholders have authorised our Compliance Officer and the Registrar to the Offer to redress any complaints received from Bidders in respect of their Offered Shares.

Our Company has also appointed Rakesh Jhinharia, our Company Secretary and Compliance Officer of our Company for the Offer and she may be contacted in case of any pre-Offer or post-Offer related problems at the following address:

Rakesh Jhinharia

Plot No: 31 and 32,
Ramky Selenium Towers
Tower A, Ground Floor
Financial District, Nanakramguda
Hyderabad 500 032
Telangana, India
Tel: +91 40 4812 6666
Fax: +91 40 4438 6640
E-mail: secretarial@spandanaindia.com

Our Company does not have any company under same management within the meaning of section 370(1B) of the Companies Act.

Disposal of investor grievances by our listed Group Companies under the same management

As of the date of this Draft Red Herring Prospectus, none of our Group Companies and the companies under the same management as that of our Company are listed on any stock exchange. Accordingly, the requirement to disclose details of investor grievances by our listed Group Companies or listed companies under the same management as our Company does not apply.

Changes in Auditors

There has been no change in our statutory auditors during the last three years.

Capitalisation of Reserves or Profits

Our Company has not capitalised its reserves or profits at any time during the last five years.

Revaluation of Assets

Our Company has not revalued its assets at any time in the last five years.

SECTION VII: OFFER INFORMATION

TERMS OF THE OFFER

The Equity Shares being issued and transferred pursuant to the Offer shall be subject to the provisions of the Companies Act, 2013, the SEBI ICDR Regulations, the SCRA, the SCRR, the Memorandum and Articles of Association, the SEBI Listing Regulations, the terms of the Red Herring Prospectus, the Prospectus, the Abridged Prospectus, Bid cum Application Form, the Revision Form, the CAN, the Allotment Advice and other terms and conditions as may be incorporated in the other documents/ certificates that may be executed in respect of the Offer. The Equity Shares shall also be subject to applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the RBI, RoC and/ or other authorities, as in force on the date of the Offer and to the extent applicable or such other conditions as may be prescribed by the SEBI, the RBI, the Government of India, the Stock Exchanges, the RoC and/ or any other authorities while granting its approval for the Offer.

Offer

The Offer comprises of a Fresh Issue by our Company and an Offer for Sale by the Selling Shareholders.

Ranking of the Equity Shares

The Equity Shares being issued and transferred pursuant to the Offer shall be subject to the provisions of the Companies Act, 2013, the MoA and AoA, the SEBI Listing Regulations and shall rank *pari-passu* in all respects with the existing Equity Shares including in respect of the rights to receive dividend. The Allottees upon Allotment of Equity Shares under the Offer, will be entitled to dividend and other corporate benefits, if any, declared by our Company after the date of Allotment in accordance with applicable law. For further details, see “*Main Provisions of Articles of Association*” on page 400.

Mode of Payment of Dividend

Our Company shall pay dividends, if declared, to our Shareholders in accordance with the provisions of Companies Act, 2013, the Memorandum of Association and Articles of Association, the SEBI Listing Regulations and other applicable laws and any guidelines or directives received from the GoI in this regard. All dividends, if any, declared by our Company after the date of Allotment (pursuant to the transfer of Equity Shares from the Offer for Sale), will be payable to the Bidders who have been Allotted Equity Shares in the Offer for the entire year, in accordance with applicable law. For further details, in relation to dividends, see “*Dividend Policy*” and “*Main Provisions of Articles of Association*” on pages 178 and 400, respectively.

Face Value and Offer Price

The face value of each Equity Share is ₹10 and at any given point of time there shall only be one denomination of Equity Shares.

The Offer Price is ₹[●] per Equity Share. The Anchor Investor Offer Price is ₹[●] per Equity Share.

The Price Band and the minimum Bid Lot size for the Offer will be decided by our Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs and advertised in all editions of the English national daily newspaper [●], all editions of the Hindi national daily newspaper [●] and the [●] editions of Telugu daily newspaper [●], Telugu being the regional language of Telangana, where our Registered Office is located), each with wide circulation, at least five Working Days prior to the Bid/ Offer Opening Date and shall be made available to the Stock Exchanges for the purpose of uploading the same on their websites. The Price Band, along with the relevant financial ratios calculated at the Floor Price and at the Cap Price, shall be pre-filled in the Bid cum Application Forms available on the websites of the Stock Exchanges.

At any given point of time there shall be only one denomination of Equity Shares.

Compliance with SEBI ICDR Regulations

Our Company shall comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the Articles of Association, our Equity Shareholders shall have the following rights:

- Right to receive dividends, if declared;
- Right to attend general meetings and exercise voting rights, unless prohibited by law;

- Right to vote on a poll either in person or by proxy or e-voting in accordance with the provisions of the Companies Act;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation, subject to any statutory and preferential claim being satisfied;
- Right of free transferability of Equity Shares, subject to applicable laws including any RBI rules and regulations; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the SEBI Listing Regulations and the Memorandum and Articles of Association of our Company.

For a detailed description of the main provisions of the Articles of Association of our Company relating to voting rights, dividend, forfeiture and lien, transfer, transmission, consolidation and/ or splitting, see “*Main Provisions of Articles of Association*” on page 400.

Market Lot and Trading Lot

Pursuant to Section 29 of the Companies Act, 2013 the Equity Shares shall be allotted only in dematerialised form. As per the SEBI ICDR Regulations, the trading of the Equity Shares shall only be in dematerialised form. In this context, two agreements have been signed amongst our Company, the respective Depositories and the Registrar to the Offer:

- Agreement dated September 15, 2009 amongst NSDL, our Company and the Registrar to the Offer; and
- Agreement dated May 18, 2018 amongst CDSL, our Company and the Registrar to the Offer.

Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Offer will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [●] Equity Shares. For details, please see “*Basis for Allotment*” on page 389.

Period of operation of subscription list

See the sub-section titled “*Offer Structure – Bid/ Offer Programme*” on page 361.

Joint Holders

Subject to our AoA, where two or more persons are registered as the holders of the Equity Shares, they shall be entitled to hold such Equity Shares as joint tenants with benefits of survivorship.

Jurisdiction

Exclusive jurisdiction for the purpose of the Offer is with the competent courts/ authorities in Hyderabad.

Nomination facility to Bidders

In accordance with Section 72 of the Companies Act, 2013 read with the Companies (Share Capital and Debentures), Rules, 2014, the sole Bidder, or the First Bidder along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest to the exclusion of other persons, unless the nomination is varied or cancelled in the prescribed manner. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to equity share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/ transfer/ alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered Office or to the registrar and transfer agents of our Company.

Any person who becomes a nominee by virtue of the provisions of Section 72 of the Companies Act, 2013 shall upon the production of such evidence as may be required by the Board, elect either:

- (a) to register himself or herself as the holder of the Equity Shares; or
- (b) to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, our Board may thereafter withhold

payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Offer will be made only in dematerialized mode there is no need to make a separate nomination with our Company. Nominations registered with respective Depository Participant of the applicant would prevail. If the investor wants to change the nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

In the event our Company does not receive (i) a minimum subscription of 90% of the Fresh Issue, and (ii) a subscription in the Offer equivalent to atleast the minimum number of securities as specified under Rule 19(2)(b) of the SCRR, including through devolvement of Underwriters, as applicable, within 60 days from the Bid Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond the prescribed time, our Company shall be liable to pay interest prescribed under the Companies Act, 2013, the SEBI ICDR Regulations and other applicable law. For avoidance of doubt, subject to applicable law, a Selling Shareholder shall not be responsible to pay interest or expenses for any delay, except to the extent such delay has been caused solely and directly attributable to an act or omission of such Selling Shareholder and to the extent of their respective portion of the Offered Shares.

The requirement for minimum subscription is not applicable to the Offer for Sale. In case of under-subscription in the Offer, after meeting the minimum subscription requirement of 90% of the Fresh Issue, the balance subscription in the Offer will be met in the following order of priority: (i) through the sale of all Offered Shares being offered by the Selling Shareholders in the Offer for Sale in proportion to their shareholding in our Company as on the date of this Draft Red Herring Prospectus; and (ii) through the issuance of balance part of the Fresh Issue.

Under subscription, if any, in any category except the QIB portion, would be met with spill-over from the other categories at the discretion of our Company and the Selling Shareholders, in consultation with the GCBRLMs, the BRLMs and the Designated Stock Exchange.

Further, our Company shall ensure that the number of prospective Allottees to whom the Equity Shares will be Allotted shall not be less than 1,000 in compliance with Regulation 26(4) of SEBI ICDR Regulations.

Arrangements for Disposal of Odd Lots

There are no arrangements required for disposal of odd lots since the Equity Shares will be traded only in dematerialized form and the market lot for the Equity Shares is one Equity Share.

Restrictions on Transfer and Transmission of Equity Shares

Except for the lock-in of the pre-Offer capital of our Company, lock –in of the minimum Promoter’s Contribution and the Anchor Investor lock-in as provided in “*Capital Structure*” on page 69 and except as provided in the Articles of Association there are no restrictions on transfer of Equity Shares. For details, see “*Main Provisions of Articles of Association*” on page 400.

Period of operation of subscription list

See “*Offer Structure – Bid/ Offer Programme*” on page 361.

OFFER STRUCTURE

Initial public offer of up to [●] Equity Shares for cash at price of ₹[●] million (including a premium of ₹[●] per Equity Share) aggregating up to [●] comprising of the Fresh Issue of up to [●] Equity Shares aggregating up to ₹4,000.00 million by our Company and Offer of Sale of up to 13,146,595 Equity Shares aggregating up to ₹[●] million, consisting of 8,817,567 Equity Shares aggregating up to ₹[●] million by the Corporate Promoter Selling Shareholder, up to 1,423,114 Equity Shares aggregating up to ₹[●] million by the Individual Promoter Selling Shareholder, up to 1,177,000 Equity Shares aggregating up to ₹[●] million by Vijaya Siva Rami Reddy Vendidandi, up to 1,158,142 Equity Shares aggregating up to ₹[●] million by Valiant, up to 196,284 Equity Shares aggregating up to ₹[●] million by Helion II, up to 191,704 Equity Shares aggregating up to ₹[●] million by Kedaara AIF – 1 and up to 182,784 Equity Shares aggregating up to ₹[●] million by Helion. The Offer will constitute [●]% of the post-Offer paid-up Equity Share capital of our Company.

The Offer is being made through the Book Building Process.

Particulars	QIBs ⁽¹⁾	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares available for Allotment/ allocation ⁽²⁾	Not more than [●] Equity Shares	Not less than [●] Equity Shares available for allocation or Offer less allocation to QIB Bidders and Retail Individual Bidders	Not less than [●] Equity Shares available for allocation or Offer less allocation to QIB Bidders and Non-Institutional Bidders
Percentage of Offer Size available for Allotment/ allocation	Not more than 50% of the Offer Size being available for allocation to QIBs. However, up to 5% of the Net QIB Portion will be available for allocation proportionately to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available for allocation to QIBs	Not less than 15% of the Offer or the Offer less allocation to QIBs and Retail Individual Bidders	Not less than 35% of the Offer or Offer less allocation to QIBs and Non-Institutional Bidders
Basis of Allotment if respective category is oversubscribed*	Proportionate as follows (excluding the Anchor Investor Portion): (a) up to [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds only; and (b) up to [●] Equity Shares shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above. Up to [●] Equity Shares may be allocated on a discretionary basis to Anchor Investors of which one-third shall be available for allocation to Mutual Funds only	Proportionate	Proportionate, subject to minimum Bid Lot. For details see, “Offer Procedure – Part B – Section 7: Allotment Procedure and Basis of Allotment – Allotment to RIIs” on page 389
Mode of Bid	Through ASBA Process only (except in case of Anchor Investors)		
Minimum Bid	Such number of Equity Shares such that the Bid Amount exceeds ₹200,000	Such number of Equity Shares such that the Bid Amount exceeds ₹200,000	[●] Equity Shares
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares not exceeding the size of the Offer, subject to applicable limits	Such number of Equity Shares in multiples of [●] Equity Shares not exceeding the size of the Offer, subject to applicable limited	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed ₹200,000
Mode of Allotment	Compulsorily in dematerialized form		
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter		
Allotment Lot	A minimum of [●] Equity Shares and in multiples of one Equity Share thereafter		
Trading Lot	One Equity Share		
Who can apply ^{(3) (4)}	Public financial institutions as specified in Section 2(72) of the Companies Act 2013, scheduled commercial banks, multilateral and	Resident Indian individuals, Eligible NRIs, HUFs (in the name of Karta), companies, corporate bodies, scientific institutions, societies and	Resident Indian individuals, Eligible NRIs and HUFs (in the name of Karta)

Particulars	QIBs ⁽¹⁾	Non-Institutional Bidders	Retail Individual Bidders
	bilateral development financial institutions, mutual funds registered with SEBI, FPIs other than Category III Foreign Portfolio Investors, VCFs, AIFs, FVCIs, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of ₹250 million, pension fund with minimum corpus of ₹250 million National Investment Fund set up by the Government, insurance funds set up and managed by army, navy or air force of the Union of India, insurance funds set up and managed by the Department of Posts, India and Systemically Important NBFCs	trusts, Category III Foreign Portfolio Investors registered with SEBI	
Terms of Payment	Full Bid Amount shall be blocked by the SCSBs in the bank account of the ASBA Bidder that is specified in the ASBA Form at the time of submission of the ASBA Form ⁽⁴⁾		

- (1) Our Company and the Selling Shareholders may, in consultation with the GCBRLMs and the BRLMs, allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price Anchor Investor Allocation Price. In the event of under-subscription or non-Allotment in the Anchor Investor Portion, the balance Equity Shares in the Anchor Investor Portion shall be added to the Net QIB Portion. For details, see “Offer Structure” on page 359
- (2) Subject to valid Bids being received at or above the Offer Price. This is an Offer in terms of Rule 19(2)(b) of the SCRR. The Offer is being made through the Book Building Process wherein not more than 50% of the Offer shall be available for allocation on a proportionate basis to QIBs, provided that our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above Anchor Investor Allocation Price. 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the Net QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not less than 15% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.
- (3) In case of joint Bids, the Bid cum Application Form should contain only the name of the first Bidder whose name should also appear as the first holder of the beneficiary account held in joint names. The signature of only such first Bidder would be required in the Bid cum Application Form and such first Bidder would be deemed to have signed on behalf of the joint holders
- (4) Full Bid Amount shall be payable by the Anchor Investors at the time of submission of the Anchor Investor Application Forms provided that any difference between the Anchor Investor Allocation Price and the Anchor Investor Offer Price shall be payable by the Anchor Investor Pay-In Date as indicated in the CAN. For details of terms of payment applicable to Anchor Investors, see “Offer Procedure – Part B - Section 7: Allotment Procedure and Basis of Allotment” from page 389

Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders, the Underwriters, their respective directors, officers, agents, affiliates and representatives that they are eligible under applicable law, rules, regulations, guidelines and approvals to acquire the Equity Shares.

Under subscription, if any, in any category except the QIB Portion, would be met with spill-over from the other categories at the discretion of our Company and the Selling Shareholders in consultation with the GCBRLMs, the BRLMs and the Designated Stock Exchange.

Subject to valid Bids being received at or above the Offer Price, under-subscription, if any, in the Non-Institutional Portion or the Retail Portion would be allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the GCBRLMs, the BRLMs and the Designated Stock Exchange, on a proportionate basis. For further details, see “Terms of the Offer” on page 356.

Withdrawal of the Offer

Our Company and the Selling Shareholders, severally and not jointly, in consultation with the GCBRLMs and the BRLMs, reserve the right not to proceed with the Offer after the Bid/ Offer Opening Date but before the Allotment. In such an event, our Company would issue a public notice in the newspapers in which the pre-Offer advertisements were published, within two days of the Bid/ Offer Closing Date or such other time as may be prescribed by SEBI, providing reasons for not proceeding with the Offer and inform the Stock Exchanges simultaneously. The GCBRLMs, the BRLMs, through the Registrar to the Offer, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one Working Day from the date of receipt of such notification and also inform the Bankers to the Offer to process refunds to the Anchor Investors, as the case may be. Our Company shall also inform the same to the Stock Exchanges on which Equity Shares are proposed to be listed. The notice of withdrawal will be issued in the same newspapers where the pre-Offer advertisements have appeared and the Stock Exchanges will also be informed promptly.

If our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, withdraw the Offer after the Bid/ Offer Closing Date and thereafter determines that it will proceed with an issue/ offer for sale of the Equity Shares, our Company shall file a fresh draft red herring prospectus with SEBI. Notwithstanding the foregoing, this Offer is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and within six working days of the Bid/Offer closing date and the final RoC approval of the Prospectus after it is filed and/ or submitted with the RoC and Stock Exchanges.

Bid/ Offer Programme

BID/ OFFER OPENS ON	[●] ⁽¹⁾
BID/ OFFER CLOSES ON	[●] ⁽²⁾

- (1) Our Company and the Selling Shareholders may, in consultation with the GCBRLMs and the BRLMs, consider participation by Anchor Investors. The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/ Offer Opening Date in accordance with the SEBI ICDR Regulations
- (2) Our Company and the Selling Shareholders may, in consultation with the GCBRLMs and the BRLMs, consider closing the Bid/ Offer Period for QIBs one day prior to the Bid/ Offer Closing Date in accordance with the SEBI ICDR Regulations

An indicative timetable in respect of the Offer is set out below:

Event	Indicative Date
Bid/ Offer Closing Date	[●]
Finalisation of Basis of Allotment with the Designated Stock Exchange	[●]
Initiation of refunds (if any, for Anchor Investors)/ unblocking of funds in ASBA Accounts	[●]
Credit of Equity Shares to demat accounts of Allottees	[●]
Commencement of trading of the Equity Shares on the Stock Exchanges	[●]

The above timetable is indicative other than the Bid/ Offer Opening Date and the Bid/ Offer Closing Date and does not constitute any obligation on our Company or the Selling Shareholders or the GCBRLMs and the BRLMs.

Whilst our Company shall ensure that all steps for the completion of the necessary formalities for the listing and the commencement of trading of the Equity Shares on the Stock Exchanges are taken within six Working Days of the Bid/ Offer Closing Date or such other period as may be prescribed, the timetable may change due to various factors, such as extension of the Bid/ Offer Period by our Company and the Selling Shareholders, revision of the Price Band or any delay in receiving the final listing and trading approval from the Stock Exchanges. The commencement of trading of the Equity Shares will be entirely at the discretion of the Stock Exchanges and in accordance with the applicable laws. Each of the Selling Shareholders, severally and not jointly, confirm that they shall extend reasonable co-operation required by our Company, the GCBRLMs and the BRLMs for the completion of the necessary formalities for listing and commencement of trading of their respective portions of Offered Shares at all Stock Exchanges within six Working Days from the Bid/ Offer Closing Date.

Except in relation to the Bids received from the Anchor Investors, Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. Indian Standard Time (“IST”) during the Bid/ Offer Period (except the Bid/ Offer Closing Date) at the Bidding Centres and the Designated Branches mentioned on the Bid cum Application Form.

On the Bid/ Offer Closing Date, the Bids and any revision in the Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. IST and shall be uploaded until (i) 4.00 p.m. IST in case of Bids by QIBs and Non-Institutional Bidders, and (ii) until 5.00 p.m. IST or such extended time as permitted by the Stock Exchanges, in case of Bids by Retail Individual Bidders after taking into account the total number of applications received up to the closure of timings and reported by the GCBRLMs and the BRLMs to the Stock Exchanges.

It is clarified that Bids not uploaded on the electronic bidding system of the Stock Exchanges or in respect of which the full Bid Amount is not blocked by SCSBs would be rejected.

Due to limitation of time available for uploading the Bids on the Bid/ Offer Closing Date, Bidders are advised to submit their Bids one day prior to the Bid/ Offer Closing Date and, in any case, no later than 1.00 p.m. IST on the Bid/ Offer Closing Date. Any time mentioned in this Draft Red Herring Prospectus is IST. Bidders are cautioned that, in the event a large number of Bids are received on the Bid/ Offer Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under this Offer. Bids will be accepted only on Working Days. None among our Company, the Selling Shareholders or any member of the Syndicate is liable for any failure in uploading the Bids due to faults in any software/ hardware system or otherwise.

In case of any discrepancy in the data entered in the electronic book vis-a-vis the data contained in the physical Bid cum Application Form, for a particular Bidder, the details as per the Bid file received from the Stock Exchanges may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book vis-a-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Offer shall ask for rectified data. Bidders may please note that as per letters dated July 3, 2006 and July 6, 2006, issued by the BSE

and NSE respectively, Bids and any revisions in Bids shall not be accepted on Saturdays and public holidays as declared by the Stock Exchanges.

Our Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs, reserve the right to revise the Price Band during the Bid/ Offer Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in the Price Band shall not exceed 20% on either side i.e. the Floor Price can move up or down to the extent of 20% of the Floor Price and the Cap Price will be revised accordingly.

In case of such revision in the Price Band, the Bid/ Offer Period shall be extended for at least three additional Working Days after such revision, subject to the Bid/ Offer Period not exceeding 10 Working Days. Any revision in Price Band, and the revised Bid/ Offer Period, if applicable, shall be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the change on the websites of the GCBRLMs and the BRLMs and the terminals of the other Syndicate Members and intimated to the SCSBs, Registered Brokers, CRTAs, and CDPs. However, in case of Revision of price Band Bid lot shall remain the same.

OFFER PROCEDURE

All Bidders should review the General Information Document for Investing in Public Issues prepared and issued in accordance with the circular (CIR/ CFD/ DIL/ 12/ 2013) dated October 23, 2013 notified by the SEBI (the “General Information Document”) included below under “Part B – General Information Document”, which highlights the key rules, processes and procedures applicable to public issues in general in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations. The General Information Document has been updated to reflect the enactments and regulations and amendments thereof, to the extent applicable to the Offer. The General Information Document is also available on the websites of the Stock Exchanges the GCBRLMs and the BRLMs. Please refer to the relevant provisions of the General Information Document, which are applicable to the Offer.

All Designated Intermediaries in relation to the Offer should ensure compliance with the SEBI circular (CIR/CFD/POLICYCELL/11/2015) dated November 10, 2015, as amended and modified by the SEBI circular (SEBI/HO/CFD/DIL/CIR/P/2016/26) dated January 21, 2016, in relation to clarifications on streamlining the process of public issue of equity shares and convertibles.

Our Company, the Selling Shareholders and the Syndicate do not accept any responsibility for the completeness and accuracy of the information stated in this chapter and are not liable for any amendment, modification or change in applicable laws, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that their Bids are submitted in accordance with applicable laws and do not exceed the investment limits or maximum number of the Equity Shares that can be held by them under applicable law or as specified in this Draft Red Herring Prospectus.

PART A

Book Building Procedure

The Offer is being made through the Book Building Process in accordance with Regulation 26(1) of the SEBI ICDR Regulations, wherein Net Offer, of not more than 50% of the Offer shall be available for allocation to QIBs on a proportionate basis, provided that our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs, may allocate up to 60% of the QIB Portion to Anchor Investors on a discretionary basis in accordance with the SEBI ICDR Regulations, of which one-third shall be reserved for domestic Mutual Funds, subject to valid Bids being received from them at or above the Anchor Investor Allocation Price. In case of under-subscription or non-allocation in the Anchor Investor Portion, the remaining Equity Shares will be added back to the QIB Portion (other than the Anchor Investor Portion). 5% of the Net QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIB Bidders (other than Anchor Investors), including Mutual Funds, subject to valid Bids being received at or above the Offer Price. Further, not less than 15% of the Net Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Offer shall be available for allocation to Retail Individual Bidders in accordance with the SEBI ICDR Regulations, subject to valid Bids being received at or above the Offer Price.

Under-subscription, if any, in any category except in the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories, at the discretion of our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs and the Designated Stock Exchange and subject to applicable laws.

The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

Investors should note that the Equity Shares will be Allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders’ depository account, including DP ID, Client ID and PAN, shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form.

Bid cum Application Form

Copies of the ASBA Form and the abridged prospectus will be available with the Designated Intermediaries at the relevant Bidding Centres and our Registered Office. An electronic copy of the ASBA Form will also be available for download on the websites of the NSE (www.nseindia.com) and the BSE (www.bseindia.com), at least one day prior to the Bid/ Offer Opening Date.

Copies of the Anchor Investor Application Form will be available at the offices of the GCBRLMs and the BRLMs.

All Bidders (other than Anchor Investors) shall mandatorily participate in the Offer only through the ASBA process. Anchor Investors are not permitted to participate in the Offer through the ASBA process.

ASBA Bidders must provide bank account details and authorisation to block funds in their respective ASBA Accounts in the relevant space provided in the ASBA Form and the ASBA Forms that do not contain such details are liable to be rejected.

ASBA Bidders shall ensure that the Bids are made on ASBA Forms bearing the stamp of the Designated Intermediary, submitted at the Bidding Centres only (except in case of electronic ASBA Forms) and the ASBA Forms not bearing such specified stamp are liable to be rejected. Bidders must ensure that the ASBA Account has sufficient credit balance such that an amount equivalent to the full Bid Amount can be blocked by the SCSB at the time of submitting the Bid.

The prescribed colour of the Bid cum Application Form for the various categories is as follows:

Category	Colour of Bid cum Application Form*
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FPIs or FVCIs, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis	Blue
Anchor Investors**	White

* Other than electronic Bid cum Application Form

** Will be available at the GCBRLMs and the BRLMs' offices.

Designated Intermediaries (other than SCSBs) shall submit/ deliver the ASBA Forms to the respective SCSBs where the Bidder has a ASBA account and shall not submit it to any non-SCSB bank or any Escrow Collection Bank.

Who can Bid?

In addition to the category of Bidders set forth under “- Part B - General Information Document for Investing in Public Issues – Category of Investors Eligible to Participate in an Issue” on page 373, the following persons are also eligible to invest in the Equity Shares under all applicable laws, regulations and guidelines:

- Scientific and/ or industrial research organisations authorised in India to invest in the Equity Shares; and
- Any other persons eligible to Bid in the Offer under the laws, rules, regulations, guidelines and policies applicable to them.

Participation by the Promoters, the Promoter Group, the GCBRLMs, the BRLMs, the Syndicate Members and Persons Related to the Promoters/ the Promoter Group/ the BRLMs

The GCBRLMs, the BRLMs and the Syndicate Members shall not be allowed to purchase Equity Shares in the Offer in any manner, except towards fulfilling their underwriting obligations. However, the associates and affiliates of the GCBRLMs, the BRLMs and the Syndicate Members may Bid for Equity Shares in the Offer, either in the QIB Portion or in the Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis and such subscription may be on their own account or on behalf of their clients. All categories of investors, including associates or affiliates of the GCBRLMs, the BRLMs and Syndicate Members, shall be treated equally for the purpose of allocation to be made on a proportionate basis.

The GCBRLMs, the BRLMs and any persons related to the GCBRLMs and the BRLMs (other than Mutual Funds sponsored by entities related to the GCBRLMs and the BRLMs) and the Promoters and the Promoter Group cannot apply in the Offer in the Anchor Investor Portion.

Our Promoter and members of our Promoter Group will not participate in the Offer except to the extent of the Offered Shares.

Bids by Mutual Funds

With respect to Bids by Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to reject any Bid without assigning any reason thereof.

Bids made by asset management companies or custodians of Mutual Funds shall specifically state names of the concerned schemes for which such Bids are made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids, provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in case of index funds or sector or industry specific schemes. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by Eligible NRIs

Eligible NRIs may obtain copies of the Bid cum Application Form from the Designated Intermediaries. Eligible NRI Bidders bidding on a repatriation basis by using the Non-Resident Forms should authorise their respective SCSBs to block their Non-

Resident External (“NRE”) accounts or Foreign Currency Non-Resident (“FCNR”) Accounts, and eligible NRI Bidders Bidding on a non-repatriation basis by using Resident Forms should authorise their respective SCSBs to block their Non-Resident Ordinary (“NRO”) accounts for the full Bid Amount, at the time of the submission of the Bid cum Application Form.

Eligible NRIs Bidding on non-repatriation basis are advised to use the Bid cum Application Form for residents (White in colour). Eligible NRIs Bidding on a repatriation basis are advised to use the Bid cum Application Form meant for Non-Residents (Blue in colour).

Bids by FPIs

In terms of the SEBI FPI Regulations, the issue of Equity Shares to a single FPI or an investor group (which means the same set of ultimate beneficial owner(s) investing through multiple entities) must be below 10% of our post-Offer Equity Share capital. Further, in terms of applicable FEMA regulations, the total holding by each FPI shall be below 10% of the total paid-up Equity Share capital of our Company and the total holdings of all FPIs put together shall not exceed 24% of the paid-up Equity Share capital of our Company (on a fully diluted basis). In case the total holding of an FPI increases beyond 10% of the total paid-up equity capital of the Company, on a fully diluted basis or 10% or more of the paid-up value of any series of debentures or preference shares or share warrants issued that may be issued by the Company, the total investment made by the FPI will be re-classified as FDI subject to the conditions as specified by SEBI and the RBI in this regard and the Company and the investor will be required to comply with applicable reporting requirements. Such aggregate limit for FPI investment in a company can be increased up to the applicable sectoral cap by passing a board resolution, followed by a special resolution by the shareholders, subject to prior intimation to the RBI. The aggregate limit of 24% may be increased up to the sectoral cap by way of a resolution passed by the Board of Directors followed by a special resolution passed by the Shareholders of our Company and subject to prior intimation to the RBI. In terms of the FEMA Regulations, for calculating the aggregate holding of FPIs in a company, holding of all registered FPIs shall be included.

The existing individual and aggregate investment limits for FPI in our Company is 10% and 49% of the total paid-up Equity Share capital of our Company, respectively.

FPIs are permitted to participate in the Offer subject to compliance with conditions and restrictions which may be specified by the Government from time to time.

As per the circular issued by SEBI on November 24, 2014, these investment restrictions shall also apply to subscribers of offshore derivative instruments. Two or more subscribers of offshore derivative instruments having a common beneficial owner shall be considered together as a single subscriber of the offshore derivative instrument. In the event an investor has investments as a FPI and as a subscriber of ODIs, these investment restrictions shall apply on the aggregate of the FPI and offshore derivative instrument investments held in the underlying company.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 22 of the SEBI FPI Regulations and circulars issued in this regard, an FPI, other than Category III Foreign Portfolio Investors and unregulated broad-based funds, which are classified as Category II Foreign Portfolio Investors by virtue of their investment manager being appropriately regulated, may issue, subscribe or otherwise deal in offshore derivative instruments (as defined under the SEBI FPI Regulations as any instrument, by whatever name called, which is issued overseas by a FPI against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only if (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; (ii) such offshore derivative instruments are issued after compliance with ‘know your client’ norms; and (iii) such offshore derivative instruments shall not be issued to or transferred to persons who are resident Indians or NRIs and to entities beneficially owned by resident Indians or NRIs.

An FPI is also required to ensure that any transfer of offshore derivative instrument is made by, or on behalf of it subject to the following conditions:

- (a) such offshore derivative instruments are transferred to persons in accordance with the SEBI FPI Regulations; and
- (b) prior consent of the FPI is obtained for such transfer, except when the persons to whom the offshore derivative instruments are to be transferred are pre-approved by the FPI.

Bids by SEBI registered VCFs, AIFs and FVCIs

The SEBI FVCI Regulations and the SEBI AIF Regulations prescribe, *inter-alia*, the investment restrictions applicable to the VCFs, FVCIs and AIFs registered with SEBI.

The holding by any individual VCF or FVCI registered with the SEBI in one venture capital undertaking should not exceed 25% of the corpus of the VCF or FVCI. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to initial public offerings.

The category I and category II AIFs cannot invest more than 25% of the corpus in one investee company. A category III AIF cannot invest more than 10% of the corpus in one investee company. A venture capital fund registered as a category I AIF, as defined in the SEBI AIF Regulations, cannot invest more than 1/3rd of its corpus by way of subscription to an initial public offering of a venture capital undertaking. Additionally, the VCFs which have not re-registered as an AIF under the SEBI AIF Regulations shall continue to be regulated by the SEBI VCF Regulations until the existing fund or scheme managed by the fund is wound up and such funds shall not launch any new scheme after the notification of the SEBI AIF Regulations. Our Company, the Selling Shareholders, the Global Co-ordinators and Book Running Lead Managers and the Book Running Lead Managers will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

There is no reservation for Eligible NRIs, FPIs and FVCIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

All non-resident investors should note that refunds (in case of Anchor Investors), dividends and other distributions, if any, will be payable in Indian Rupees only, and net of bank charges and commission.

Bids by Limited Liability Partnerships

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid cum Application Form. Failing this, our Company reserves the right to reject any Bid without assigning any reason thereof.

Bids by Banking Companies

In case of Bids made by banking companies registered with the RBI, certified copies of (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company's investment committee are required to be attached to the Bid cum Application Form, failing which our Company reserves the right to reject any Bid without assigning any reason thereof.

The investment limit for banking companies in a financial services company, not being a subsidiary, as per the Banking Regulation Act, 1949, as amended ("**Banking Regulation Act**"), and the Master Direction – Reserve Bank of India (Financial Services provided by Banks) Directions, 2016, dated May 26, 2016, as amended, individually shall not exceed 10% of the bank's paid-up share capital and reserves as per the last audited balance sheet or a subsequent balance sheet, whichever is lower. The aggregate equity investments made in all subsidiaries and other entities engaged in financial services and non-financial services, including overseas investments shall not exceed 20% of the bank's paid-up share capital and reserves. A banking company would require a prior approval of the RBI to make investments in a subsidiary and a financial services company that is not a subsidiary (with certain exceptions prescribed).

Bids by SCSBs

SCSBs participating in the Offer are required to comply with the terms of the SEBI circulars dated September 13, 2012 and January 2, 2013. Such SCSBs are required to ensure that for making applications on their own account using ASBA, they should have a separate account in their own name with any other SEBI registered SCSB. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for such applications.

Bids by Insurance Companies

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be attached to the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2016 ("**IRDA Investment Regulations**"), are broadly set forth below:

The maximum exposure limit, in the case of an investment in equity shares, cannot exceed the lower of an amount of 10% of the investment assets of a life insurer or general insurer, and the amount calculated under (a), (b) and (c) below, as the case may be.

- (a) *Limit for the investee company:* The lower of: (i) 10%* of the outstanding equity shares (face value); and (ii) 10% of such funds and reserves as specified under the IRDA Investment Regulations, in case of a life insurer, or 10% of the approved investments and other investments as permitted under the Insurance Act and the IRDA Investment Regulations, in case of a general insurer (including reinsurer or a health insurer), as the case may be;
- (b) *Limit for the entire group of the investee company:* Not more than: (i) 15% of such funds and reserves as specified under the IRDA Investment Regulations, in case of a life insurer, or 15% of the approved investments and other investments as permitted under the Insurance Act and the IRDA Investment Regulations, in case of a general insurer

(including reinsurer or a health insurer); or (ii) 15% of the investment assets in all companies belonging to the group, whichever is lower; and

- (c) *Limit for the industry sector to which the investee company belongs:* Not more than: (i) 15% of the such funds and reserves as specified under the IRDA Investment Regulations, in case of a life insurer, or 15% of the approved investments and other investments as permitted under the Insurance Act and the IRDA Investment Regulations, in case of a general insurer (including a re-insurer or a health insurer); or (ii) 15% of the investment asset, whichever is lower.

* *The above limit of 10% shall stand substituted as 15% of outstanding equity shares (face value) for insurance companies with investment assets of ₹2,500,000 million or more and 12% of outstanding equity shares (face value) for insurers with investment assets of ₹500,000 million or more but less than ₹2,500,000 million.*

Insurance companies participating in this Offer shall comply with all applicable regulations, guidelines and circulars issued by the IRDA from time to time.

Bids by Provident Funds/ Pension Funds

In case of Bids made by provident funds/ pension funds with minimum corpus of ₹250 million, subject to applicable laws, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be attached to the Bid cum Application Form. Failing this, our Company and the Selling Shareholders reserve the right to reject any Bid, without assigning any reason thereof.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, eligible FPIs, AIFs, Mutual Funds, insurance companies, insurance funds set up by the army, navy or air force of India, insurance funds set up by the Department of Posts, Government of India or the National Investment Fund and provident funds with a minimum corpus of ₹250 million (subject to applicable laws) and pension funds with a minimum corpus of ₹250 million (subject to applicable laws), Systemically Important NBFCs (as defined under in RBI regulations) a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/ or bye laws must be lodged along with the Bid cum Application Form, as the case may be. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

Our Company and the Selling Shareholders, in consultation with the GCBRLMs and the BRLMs in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form.

In accordance with existing regulations, OCBs cannot participate in the Offer.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders, the GCBRLMs, the BRLMs and the Syndicate Members are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the applicable investment limits or maximum number of the Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

General Instructions

Do's:

1. Check if you are eligible to apply as per the terms of the Red Herring Prospectus and under applicable law, rules, regulations, guidelines and approvals;
2. Ensure that you have Bid within the Price Band;
3. Read all the instructions carefully and complete the Bid cum Application Form in the prescribed form;
4. Ensure that the details about the PAN, DP ID and Client ID are correct and the Bidder's depository account is active, as Allotment of the Equity Shares will be in the dematerialised form only;
5. Ensure that your Bid cum Application Form bearing the stamp of a Designated Intermediary is submitted to the Designated Intermediary at the Bidding Center within the prescribed time;

6. If you are an ASBA Bidder, the first applicant is not the ASBA Account holder, ensure that the Bid cum Application Form is signed by the ASBA Account holder. Ensure that you have mentioned the correct ASBA Account number in the Bid cum Application Form;
7. Ensure that the signature of the First Bidder in case of joint Bids, is included in the Bid cum Application Forms;
8. Ensure that the name(s) given in the Bid cum Application Form is/ are exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case of joint Bids, the Bid cum Application Form should contain the name of only the First Bidder whose name should also appear as the first holder of the beneficiary account held in joint names;
9. Ensure that you request for and receive a stamped acknowledgement of the Bid cum Application Form for all your Bid options from the concerned Designated Intermediary;
10. Ensure that you have funds equal to the Bid Amount in the ASBA Account maintained with the SCSB before submitting the Bid cum Application Form under the ASBA process to any of the Designated Intermediaries;
11. Ensure that you submit revised Bids to the same Designated Intermediary, through whom the original Bid was placed and obtain a revised Acknowledgement Slip;
12. Except for (i) Bids on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of circular dated June 30, 2008 of SEBI, may be exempt from specifying their PAN for transacting in the securities market, (ii) submitted by investors who are exempt from the requirement of obtaining/ specifying their PAN for transacting in the securities market, and (iii) Bids by persons resident in the state of Sikkim, who, in terms circular dated July 20, 2006 of the SEBI, may be exempted from specifying their PAN for transacting in the securities market, all Bidders should mention their PAN allotted under the Income Tax Act. The exemption for the Central or the State Government and officials appointed by the courts, for investors who are exempt from the requirement of obtaining/ specifying their PAN for transacting in the securities market and for investors residing in the State of Sikkim is subject to (a) the Demographic Details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in "active status"; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same. All other applications in which PAN is not mentioned will be rejected;
13. Ensure that the Demographic Details are updated, true and correct in all respects;
14. Ensure that thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal;
15. Ensure that the category and the investor status is indicated;
16. Ensure that in case of Bids under power of attorney or by limited companies, corporates, trusts, etc., relevant documents are submitted;
17. Ensure that Bids submitted by any person resident outside India should be in compliance with applicable foreign and Indian laws;
18. Bidders should note that in case the DP ID, Client ID and PAN mentioned in their Bid cum Application Form and that the name of the Bidder, the DP ID, Client ID and the PAN entered into the online IPO system of the Stock Exchanges by the relevant Designated Intermediary, as applicable, matches with the DP ID, Client ID and PAN available in the Depository database;
19. Ensure that you have correctly signed the authorisation/ undertaking box in the Bid cum Application Form, or have otherwise provided an authorisation to the SCSB via electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the Bid cum Application Form, as the case may be, at the time of submission of the Bid;
20. Ensure that while Bidding through a Designated Intermediary, the ASBA Form is submitted to a Designated Intermediary in a Bidding Centre and that the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has named at least one branch at that location for the Designated Intermediary to deposit ASBA Forms (a list of such branches is available on the website of SEBI at [http:// www.sebi.gov.in](http://www.sebi.gov.in));
21. Ensure that the Bid cum Application Forms are delivered by the Bidders within the time prescribed as per the Bid cum Application Form and the Red Herring Prospectus; and
22. Ensure that you have mentioned the correct ASBA Account number in the Bid cum Application Form.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Don'ts:

1. Do not Bid for lower than the minimum Bid size;
2. Do not Bid/ revise Bid Amount to less than the Floor Price or higher than the Cap Price (including any revisions thereof);
3. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders);
4. Do not pay the Bid Amount in cheques, demand drafts, by cash, money order, by postal order or by stock invest;
5. Do not send Bid cum Application Forms by post; instead submit the same to the Designated Intermediary only;
6. If you are a QIB or Non-Institutional Bidder, do not Bid at Cut-off Price;
7. Do not withdraw or lower the size of your Bid (in terms of number of Equity Shares Bid for, or Bid Amount) at any stage, if you are a QIB or a Non-Institutional Bidder;
8. Do not instruct your respective SCSBs to release the funds blocked in the ASBA Account under the ASBA process;
9. Do not Bid for a Bid Amount exceeding ₹200,000 (for Bids by Retail Individual Bidders);
10. Do not fill up the Bid cum Application Form such that the Equity Shares Bid for exceeds the Offer size and/ or investment limit or maximum number of the Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of the Red Herring Prospectus;
11. Do not submit Bid for an amount more than funds available in your ASBA Account;
12. Do not submit Bids on plain paper or on incomplete or illegible Bid cum Application Forms or on Bid cum Application Forms in a colour prescribed for another category of Bidder;
13. Do not submit a Bid in case you are not eligible to acquire Equity Shares under applicable law or your relevant constitutional documents or otherwise;
14. Do not Bid if you are not competent to contract under the Indian Contract Act, 1872 (other than minors having valid depository accounts as per Demographic Details provided by the depository);
15. Do not submit more than five Bid cum Application Forms per ASBA Account;
16. Anchor Investors should not bid through the ASBA process;
17. Do not Bid on another Bid cum Application Form and the Anchor Investor Application Form, as the case may be, after you have submitted a Bid to any of the Designated Intermediaries;
18. Do not Bid on another Bid cum Application Form after you have submitted a Bid to a Designated Intermediary;
19. Do not send ASBA Forms by post. Instead submit the same to only a Designated Intermediary;
20. Do not Bid on a physical ASBA Form that does not have the stamp of a Designated Intermediary;
21. Do not submit the GIR number instead of the PAN; and
22. Do not submit incorrect details of the DP ID, Client ID and PAN or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer.

The Bid cum Application Form is liable to be rejected if the above instructions, as applicable, are not complied with.

Payment into Escrow Account for Anchor Investors

Our Company and the Selling Shareholders in consultation with the GCBRLMs and the BRLMs will decide the list of Anchor Investors to whom the CAN will be sent, pursuant to which the details of the Equity Shares allocated to them in their respective names will be notified to such Anchor Investors. Anchor Investors are not permitted to Bid in the Offer through the ASBA process. Instead, Anchor Investors should transfer the Bid Amount (through direct credit, RTGS, NACH or NEFT). For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:

- (b) In case of resident Anchor Investors: “[●]”
- (c) In case of Non-Resident Anchor Investors: “[●]”

Pre-Offer Advertisement

Subject to Section 30 of the Companies Act 2013, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Offer advertisement, in the form prescribed by the SEBI ICDR Regulations, in all editions of [●], all editions of [●] and [●] editions of [●] (which are English, Hindi and Telugu daily newspapers, Telugu being the regional language of Telangana where the Registered Office is located), each with wide circulation. Our Company shall, in the pre-Offer advertisement state the Bid/ Offer Opening Date, the Bid/ Offer Closing Date and the QIB Bid/ Offer Closing Date. This advertisement, subject to the provisions of Section 30 of the Companies Act 2013, shall be in the format prescribed in Part A of Schedule XIII of the SEBI ICDR Regulations.

The above information is given for the benefit of the Bidders/applicants. Our Company, the Selling Shareholders the GCBRLMs and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders/applicants are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the prescribed limits under applicable laws or regulations.

Signing of the Underwriting Agreement and the RoC Filing

- (a) Our Company, the Selling Shareholders and the Syndicate intend to enter into an Underwriting Agreement on or immediately after the finalisation of the Offer Price.
- (b) After signing the Underwriting Agreement, an updated Red Herring Prospectus will be filed with the RoC in accordance with the applicable law, which then would be termed as the ‘Prospectus’. The Prospectus will contain details of the Offer Price, the Anchor Investor Offer Price, Offer size, and underwriting arrangements and will be complete in all material respects.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act 2013, which is reproduced below:

“Any person who:

- (a) *makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- (d) *makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (e) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under Section 447.”*

The liability prescribed under Section 447 of the Companies Act 2013 includes imprisonment for a term which shall not be less than six months extending up to 10 years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount.

Undertakings by our Company

Our Company undertakes the following:

- if our Company or the Selling Shareholders do not proceed with the Offer after the Bid/ Offer Closing Date, the reason thereof shall be given as a public notice in the newspapers to be issued by our Company within two days of the Bid/ Offer Closing Date. The public notice shall be issued in the same newspapers in which the pre-Offer advertisements were published. The Stock Exchanges shall also be informed promptly;
- if our Company and the Selling Shareholders withdraw the Offer after the Bid/ Offer Closing Date, our Company shall be required to file a fresh offer document with the RoC/ SEBI, in the event our Company and/ or any of the Selling Shareholders subsequently decide to proceed with the Offer;
- the complaints received in respect of the Offer shall be attended to by our Company expeditiously and satisfactorily;

- all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within six Working Days of the Bid/ Offer Closing Date or any other period as may be prescribed, will be taken;
- the funds required for making refunds (to the extent applicable) as per the mode(s) disclosed shall be made available to the Registrar to the Offer by our Company;
- if Allotment is not made within the prescribed time period under applicable laws, the entire subscription amount received will be refunded/ unblocked within the time prescribed under applicable laws. If there is delay beyond the prescribed time, our Company shall pay interest prescribed under the Companies Act 2013, the SEBI ICDR Regulations and other applicable laws for the delayed period;
- where refunds (to the extent applicable) are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within the time prescribed under applicable law, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that details of all monies utilised out of the Fresh Issue shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which monies have been utilised. Further, details of all unutilised monies out of the Fresh Issue, if any, shall be disclosed under an appropriate separate head in the balance sheet, indicating the form in which such amounts have been invested;
- that we shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time;
- intimation of the credit of securities/ refund orders to Eligible NRIs shall be despatched within specified time;
- except for allotment of Equity Shares pursuant to exercise of options under the ESOP Scheme, no further issue of the Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded/ unblocked in ASBA Account on account of non-listing, under-subscription, etc.; and

Undertakings by the Selling Shareholders

Each of the Selling Shareholders, severally and not jointly, specifically confirm and undertake the following in respect of themselves and their respective portions of the Offered Shares:

- its respective portion of the Offered Shares have been held by it for a period of at least one year prior to the date of filing of this Draft Red Herring Prospectus with SEBI, such period determined in accordance with Regulation 26(6) of the SEBI ICDR Regulations;
- it is the legal and beneficial owner of its portion of the Offered Shares, and that such Offered Shares shall be transferred in the Offer, free from liens, charges and encumbrances;
- it shall not have recourse to the proceeds from the Offer for Sale, until the final approval for trading of the Equity Shares is received from the Stock Exchanges;
- it will deposit its portion of the Offered Shares in an escrow account opened with the Share Escrow Agent prior to filing of the Red Herring Prospectus with the RoC; and
- will not offer any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise, to any person for making a Bid in the Offer, and shall not make any payment, whether direct or indirect, whether in the nature of discounts, commission, allowance or otherwise, to any person who makes a Bid in the Offer.

Only the statements and undertakings in relation to each of the Selling Shareholders and their respective portions of the Offered Shares which are specifically “confirmed” or “undertaken” by such Selling Shareholder in this Draft Red Herring Prospectus, shall be deemed to be “statements and undertakings specifically confirmed or undertaken” by the Selling Shareholders. All other statements and/or undertakings in this Draft Red Herring Prospectus shall be statements and undertakings made by our Company even if the same relates to the Selling Shareholders.

Utilisation of Offer Proceeds

Our Company and each of the Selling Shareholders severally and not jointly, specifically confirm and declare that all monies received out of the Offer shall be credited/ transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Companies Act 2013.

PART B

General Information Document for Investing in Public Issues

This General Information Document highlights the key rules, processes and procedures applicable to public issues in accordance with the provisions of the Companies Act, the SCRA, the SCRR and the SEBI ICDR Regulations. Bidders/ Applicants should not construe the contents of this General Information Document as legal advice and should consult their own legal counsel and other advisors in relation to the legal matters concerning the issue. For taking an investment decision, the Bidders/ Applicants should rely on their own examination of the issuer and the issue, and should carefully read the Red Herring Prospectus/ Prospectus before investing in the issue.

SECTION 1: PURPOSE OF THE GENERAL INFORMATION DOCUMENT (GID)

This document is applicable to the public issues undertaken through the Book-Building Process as well as to the Fixed Price issues. The purpose of the “General Information Document for Investing in Public Issues” is to provide general guidance to potential Bidders/ Applicants in IPOs and FPOs, on the processes and procedures governing IPOs and FPOs, undertaken in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“SEBI ICDR Regulations”).

Bidders/ Applicants should note that investment in equity and equity related securities involves risk and Bidder/ Applicant should not invest any funds in the Issue unless they can afford to take the risk of losing their investment. The specific terms relating to securities and/ or for subscribing to securities in an Issue and the relevant information about the Issuer undertaking the Issue are set out in the Red Herring Prospectus (“RHP”)/ Prospectus filed by the Issuer with the Registrar of Companies (“RoC”). Bidders/ Applicants should carefully read the entire RHP/ Prospectus and the Bid cum Application Form/ Application Form and the Abridged Prospectus of the Issuer in which they are proposing to invest through the Issue. In case of any difference in interpretation or conflict and/ or overlap between the disclosure included in this document and the RHP/ Prospectus, the disclosures in the RHP/ Prospectus shall prevail. The RHP/ Prospectus of the Issuer is available on the websites of stock exchanges, on the website(s) of the BRLM(s) to the Issue and on the website of Securities and Exchange Board of India (“SEBI”) at www.sebi.gov.in.

For the definitions of capitalised terms and abbreviations used herein Bidders/ Applicants may see “Glossary and Abbreviations”.

SECTION 2: BRIEF INTRODUCTION TO IPOs/ FPOs

2.1 Initial public offer (IPO)

An IPO means an offer of specified securities by an unlisted Issuer to the public for subscription and may include an Offer for Sale of specified securities to the public by any existing holder of such securities in an unlisted Issuer.

For undertaking an IPO, an Issuer is *inter-alia* required to comply with the eligibility requirements of in terms of either Regulation 26(1) or Regulation 26(2) of the SEBI ICDR Regulations, 2009. For details of compliance with the eligibility requirements by the Issuer, Bidders/ Applicants may refer to the RHP/ Prospectus.

2.2 Further public offer (FPO)

An FPO means an offer of specified securities by a listed Issuer to the public for subscription and may include Offer for Sale of specified securities to the public by any existing holder of such securities in a listed Issuer.

For undertaking an FPO, the Issuer is *inter-alia* required to comply with the eligibility requirements in terms of Regulation 26/ Regulation 27 of the SEBI ICDR Regulations, 2009. For details of compliance with the eligibility requirements by the Issuer, Bidders/ Applicants may refer to the RHP/ Prospectus.

2.3 Other Eligibility Requirements:

In addition to the eligibility requirements specified in paragraphs 2.1 and 2.2, an Issuer proposing to undertake an IPO or an FPO is required to comply with various other requirements as specified in the SEBI ICDR Regulations, 2009, the Companies Act, 2013, the Companies Act, 1956 (to the extent applicable), the Securities Contracts (Regulation) Rules, 1957 (“SCRR”), industry-specific regulations, if any, and other applicable laws for the time being in force.

For details in relation to the above Bidders/ Applicants may refer to the RHP/ Prospectus.

2.4 Types of Public Offers – Fixed Price Offers and Book Built Offers

In accordance with the provisions of the SEBI ICDR Regulations, 2009, an Issuer can either determine the Issue Price through the Book Building Process (“**Book Built Issue**”) or undertake a Fixed Price Issue (“**Fixed Price Issue**”). An

Issuer may mention Floor Price or Price Band in the RHP (in case of a Book Built Issue) and a Price or Price Band in the Draft Prospectus (in case of a fixed price Issue) and determine the price at a later date before registering the Prospectus with the Registrar of Companies.

The cap on the Price Band should be less than or equal to 120% of the Floor Price. The Issuer shall announce the Price or the Floor Price or the Price Band through advertisement in all newspapers in which the pre-issue advertisement was given at least five Working Days before the Bid/ Issue Opening Date, in case of an IPO and at least one Working Day before the Bid/ Issue Opening Date, in case of an FPO.

The Floor Price or the Issue price cannot be lesser than the face value of the securities.

Bidders/ Applicants should refer to the RHP/ Prospectus or Issue advertisements to check whether the Issue is a Book Built Issue or a Fixed Price Issue.

2.5 ISSUE PERIOD

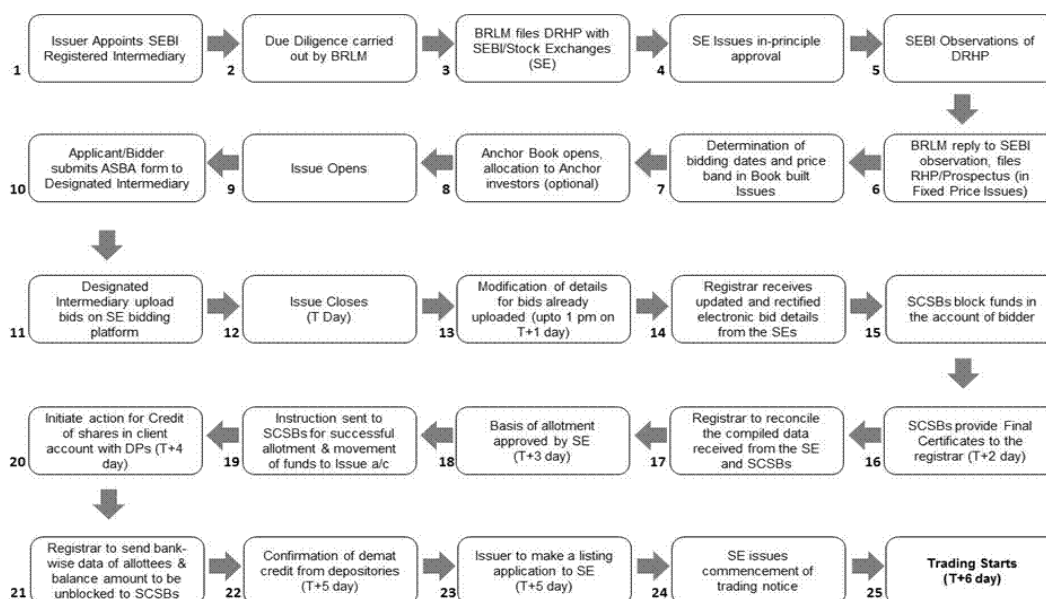
The Issue may be kept open for a minimum of three Working Days (for all category of Bidders/ Applicants) and not more than ten Working Days. Bidders/ Applicants are advised to refer to the Bid cum Application Form and Abridged Prospectus or RHP/ Prospectus for details of the Bid/ Issue Period. Details of Bid/ Issue Period are also available on the website of the Stock Exchange(s).

In case of a Book Built Issue, the Issuer may close the Bid/ Issue Period for QIBs one Working Day prior to the Bid/ Issue Closing Date if disclosures to that effect are made in the RHP. In case of revision of the Floor Price or Price Band in Book Built Issues the Bid/ Issue Period may be extended by at least three Working Days, subject to the total Bid/ Issue Period not exceeding 10 Working Days. For details of any revision of the Floor Price or Price Band, Bidders/ Applicants may check the announcements made by the Issuer on the websites of the Stock Exchanges, and the advertisement in the newspaper(s) issued in this regard.

2.6 FLOWCHART OF TIMELINES

A flow chart of process flow in Fixed Price and Book Built Issues is as follows. Bidders/ Applicants may note that this is not applicable for Fast Track FPOs:

- In case of Issue other than Book Built Issue (Fixed Price Issue) the process at the following of the below mentioned steps shall be read as:
 - i. Step 7: Determination of Issue Date and Price
 - ii. Step 10: Applicant submits ASBA Form with any of the Designated Intermediaries.



SECTION 3: CATEGORY OF INVESTORS ELIGIBLE TO PARTICIPATE IN AN ISSUE

Each Bidder/ Applicant should check whether it is eligible to apply under applicable law. Furthermore, certain categories of Bidders/ Applicants, such as NRIs, FIIs, FPIs and FVCIs may not be allowed to Bid/Apply in the Issue or to hold Equity Shares,

in excess of certain limits specified under applicable law. Bidders/ Applicants are requested to refer to the RHP/ Prospectus for more details.

Subject to the above, an illustrative list of Bidders/ Applicants is as follows:

- Indian nationals resident in India who are competent to contract under the Indian Contract Act, 1872, in single or joint names (not more than three);
- Bids/ Applications belonging to an account for the benefit of a minor (under guardianship);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder/ Applicant should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form/ Application Form as follows: “Name of sole or first Bidder/ Applicant: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids/ Applications by HUFs may be considered at par with Bids/ Applications from individuals;
- Companies, corporate bodies and societies registered under applicable law in India and authorised to invest in equity shares;
- Scientific and/ or industrial research organisations authorised in India to invest in the Equity Shares;
- QIBs;
- NRIs on a repatriation basis or on a non-repatriation basis, subject to applicable law;
- Indian Financial Institutions, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI ICDR Regulations, 2009 and other laws, as applicable);
- FPIs other than Category III foreign portfolio investors, Bidding under the QIBs category;
- FPIs which are Category III foreign portfolio investors, Bidding under the NIBs category;
- Trusts/ societies registered under the Societies Registration Act, 1860, or under any other law relating to trusts/ societies and who are authorised under their respective constitutions to hold and invest in equity shares;
- Limited liability partnerships registered under the Limited Liability Partnership Act, 2008;
- Any other person eligible to Bid/ Apply in the Issue, under the laws, rules, regulations, guidelines and policies applicable to them and under Indian laws; and
- As per the existing regulations, OCBs are not allowed to participate in an Issue.

SECTION 4: APPLYING IN THE ISSUE

Book Built Issue: Bidders/ Applicants should only use the specified ASBA Form (or in case of Anchor Investors, the Anchor Investor Application Form) either bearing the stamp of the Designated Intermediary, as available or downloaded from the websites of the Stock Exchanges. Bid cum Application Forms are available with the Designated Intermediaries at the Bidding Centres and at the registered office of the Issuer. Electronic Bid cum Application Forms will be available on the websites of the Stock Exchanges at least one day prior to the Bid/ Issue Opening Date. For further details, regarding availability of Bid cum Application Forms, Bidders/ Applicants may refer to the RHP/ Prospectus.

Fixed Price Issue: Applicants should only use the specified Bid cum Application Form bearing the stamp of the relevant Designated Intermediaries, as available or downloaded from the websites of the Stock Exchanges. Application Forms are available with the Designated Branches of the SCSBs and at the Registered and Corporate Office of the Issuer. For further details, regarding availability of Application Forms, Applicants may refer to the Prospectus.

Bidders/ Applicants should ensure that they apply in the appropriate category. The prescribed colour of the Bid cum Application Form for various categories of Bidders/ Applicants is as follows:

Category	Colour of the Bid cum Application Form
Resident Indian, Eligible NRIs applying on a non-repatriation basis	White
NRIs, FVCIs, FPIs, on a repatriation basis	Blue
Anchor Investors (where applicable) & Bidders Bidding/ applying in the reserved category	As specified by the Issuer

Securities issued in an IPO can only be in dematerialised form in accordance with Section 29 of the Companies Act, 2013. Bidders/ Applicants will not have the option of getting the Allotment of specified securities in physical form. However, they may get the specified securities rematerialised subsequent to Allotment.

4.1 INSTRUCTIONS FOR FILLING THE BID CUM APPLICATION FORM/ APPLICATION FORM

Bidders/ Applicants may note that forms not filled completely or correctly as per instructions provided in this GUID, the RHP and the Bid cum Application Form/ Application Form are liable to be rejected.

Instructions to fill each field of the Bid cum Application Form can be found on the reverse side of the Bid cum Application Form. Specific instructions for filling various fields of the Resident Bid cum Application Form and Non-Resident Bid cum Application Form and samples are provided below. The samples of the Bid cum Application Form for resident Bidders/ Applicants and the Bid cum Application Form for non-resident Bidders/ Applicants are reproduced below:

Application Form – For Residents

COMMON BID CUM APPLICATION FORM		XYZ LIMITED - INITIAL PUBLIC ISSUE - R		FOR RESIDENT INDIANS, INCLUDING RESIDENT QIBs AND ELIGIBLE NRIs APPLYING ON A NON-REPATRIATION BASIS	
Address : _____ Contact Details: _____ CIN No. _____		BOOK BUILT ISSUE ISIN : _____		Bid cum Application Form No. _____	
LOGO TO, THE BOARD OF DIRECTORS XYZ LIMITED					
SYNDICATE MEMBER'S STAMP & CODE		BROKER/SCSB/DP/RTA STAMP & CODE		1. NAME & CONTACT DETAILS OF SOLE / FIRST BIDDER	
SUB-BROKER'S / SUB-AGENT'S STAMP & CODE		ESCROW BANK/SCSB BRANCH STAMP & CODE		Mr. / Ms. _____	
BANK BRANCH SERIAL NO.		SCSB SERIAL NO.		Address _____	
				Email _____	
				Tel. No (with STD code) / Mobile _____	
				2. PAN OF SOLE / FIRST BIDDER _____	
3. BIDDER'S DEPOSITORY ACCOUNT DETAILS		4. BID OPTIONS (ONLY RETAIL INDIVIDUAL BIDDERS CAN BID AT "CUT-OFF")		5. CATEGORY	
☐ NSDL ☐ CDSL For NSDL enter 8 digit DP ID followed by 8 digit Client ID / For CDSL enter 16 digit Client ID		No. of Equity Shares Bid (In Figures) (Bid must be in multiple of Bid Lot as advertised) Bid Price _____ Retail Discount _____ Net Price _____ "Cut-off" (Please tick) Bid Options: _____ (OR) Option 2 _____ (OR) Option 3 _____		☐ Retail Individual Bidder ☐ Non-Institutional Bidder ☐ QIB	
6. INVESTOR STATUS		☐ Individual(s) - IND ☐ Hindu Undivided Family* - HUF ☐ Bodies Corporate - CO ☐ Banks & Financial Institutions - FI ☐ Mutual Funds - MF ☐ Non-Resident Indians - NRI ☐ National Investment Fund - NIF ☐ Insurance Funds - IF ☐ Insurance Companies - IC ☐ Venture Capital Funds - VCF ☐ Alternative Investment Funds - AIF ☐ Others (Please specify) - OTH			
7. PAYMENT DETAILS		PAYMENT OPTION : FULL PAYMENT ☐ PART PAYMENT ☐			
Amount paid (₹ in figures) _____ (₹ in words) _____					
ASBA Bank A/c No. _____					
Bank Name & Branch _____					
I/WE (ON BEHALF OF JOINT APPLICANTS, IF ANY) HEREBY CONFIRM THAT I/WE HAVE READ AND UNDERSTOOD THE TERMS AND CONDITIONS OF THIS BID CUM APPLICATION FORM AND THE ATTACHED PROSPECTUS AND THE GENERAL INFORMATION DOCUMENT FOR INVESTING IN PUBLIC ISSUES ("GID") AND HEREBY AGREE AND CONFIRM THE "BIDDERS UNDERTAKING" AS GIVEN OVERLEAF. I/WE (ON BEHALF OF JOINT APPLICANTS, IF ANY) HEREBY CONFIRM THAT I/WE HAVE READ THE INSTRUCTIONS FOR FILLING UP THE BID CUM APPLICATION FORM GIVEN OVERLEAF.					
8A. SIGNATURE OF SOLE / FIRST BIDDER		8B. SIGNATURE OF ASBA BANK ACCOUNT HOLDER(S) (AS PER BANK RECORDS)		BROKER / SCSB / DP / RTA STAMP (Acknowledging upload of Bid in Stock Exchange system)	
Date : _____		I/We authorize the SCSB to do all acts as are necessary to make the Application in the line			
		1) _____			
		2) _____			
		3) _____			
TEAR HERE					
LOGO		XYZ LIMITED INITIAL PUBLIC ISSUE - R		Acknowledgement Slip for Broker/SCSB/DP/RTA	
DPID / CLID		Amount paid (₹ in figures) _____ Bank & Branch _____		Stamp & Signature of SCSB Branch	
ASBA Bank A/c No. _____		Received from Mr./Ms. _____			
Telephone / Mobile _____		Email _____			
TEAR HERE					
XYZ LIMITED - INITIAL PUBLIC ISSUE - R		Option 1 Option 2 Option 3		Stamp & Signature of Broker / SCSB / DP / RTA	
No. of Equity Shares				Name of Sole / First Bidder	
Bid Price					
Amount Paid (₹)				Acknowledgement Slip for Bidder	
ASBA Bank A/c No. _____				Bid cum Application Form No. _____	
Bank & Branch _____					

Application Form – For Non – Residents

COMMON BID CUM APPLICATION FORM	XYZ LIMITED - INITIAL PUBLIC ISSUE - NR Address : _____ Contact Details: _____ CIN No _____	FOR NON-RESIDENTS, INCLUDING ELIGIBLE NRIS, FPIs OR FVCIS, ETC APPLYING ON A REPATRIATION BASIS
TO, THE BOARD OF DIRECTORS XYZ LIMITED	BOOK BUILT ISSUE ISIN : _____	Bid cum Application Form No. _____

SYNDICATE MEMBER'S STAMP & CODE	BROKER/SCSB/DP/RTA STAMP & CODE	1. NAME & CONTACT DETAILS OF SOLE / FIRST BIDDER
		Mr. / Ms. _____
		Address _____
		Email _____
		Tel. No (with STD code) / Mobile _____
SUB-BROKER'S / SUB-AGENT'S STAMP & CODE	ESCROW BANK/SCSB BRANCH STAMP & CODE	2. PAN OF SOLE / FIRST BIDDER

BANK BRANCH SERIAL NO.	SCSB SERIAL NO.	
3. BIDDER'S DEPOSITORY ACCOUNT DETAILS ☐ NSDL ☐ CDSL		4. INVESTOR STATUS
For NSDL enter 8 digit DP ID followed by 8 digit Client ID / For CDSL enter 16 digit Client ID		☐ NRI Non-Resident Indian(s) (Repatriation basis)
		☐ FII FI or Sub-account not a Corporate/Foreign Individual
		☐ FIISA FI Sub-account Corporate/Individual
		☐ FVCI Foreign Venture Capital Investor
		☐ FPI Foreign Portfolio Investors
		☐ OTH Others (Please Specify) _____
4. BID OPTIONS (ONLY RETAIL INDIVIDUAL BIDDERS CAN BID AT "CUT-OFF")		
Bid Options:	No. of Equity Shares Bid (In Figures) (Bids must be in multiples of Bid Lot as advertised)	Price per Equity Share (₹) / "Cut-off" (Price in multiples of ₹ 1/- only) (In Figures)
		Bid Price Retail Discount Net Price "Cut-off" (Please tick)
	8 7 6 5 4 3 2 1	3 2 1 3 2 1 3 2 1
Option 1		☐
(OR) Option 2		☐
(OR) Option 3		☐
5. CATEGORY		
☐ Retail Individual Bidder		
☐ Non-Institutional Bidder		
☐ QIB		
7. PAYMENT DETAILS		
Amount paid (₹ in figures) _____ (₹ in words) _____		
ASBA		
Bank A/c No. _____		
Bank Name & Branch _____		
I/WE (ON BEHALF OF JOINT APPLICANTS, IF ANY) HEREBY CONFIRM THAT I/WE HAVE READ AND UNDERSTOOD THE TERMS AND CONDITIONS OF THIS BID CUM APPLICATION FORM AND THE ATTACHED ANNEXED PROSPECTUS AND THE GENERAL INFORMATION DOCUMENT FOR INVESTING IN PUBLIC ISSUES (GIDPI) AND HEREBY AGREE AND CONFIRM THE "BIDDERS UNDERTAKING" AS GIVEN OVERLEAF. I/WE (ON BEHALF OF JOINT APPLICANTS, IF ANY) HEREBY CONFIRM THAT I/WE HAVE READ THE INSTRUCTIONS FOR FILLING UP THE BID CUM APPLICATION FORM GIVEN OVERLEAF.		
8A. SIGNATURE OF SOLE / FIRST BIDDER	8B. SIGNATURE OF ASBA BANK ACCOUNT HOLDER(S) (AS PER BANK RECORDS)	BROKER / SCSB / DP / RTA STAMP (Acknowledging upload of Bid in Stock Exchange system)
	I/We authorize the SCSB to do all acts as are necessary to make the Application in the line:	
	1) _____	
	2) _____	
	3) _____	
Date : _____		

XYZ LIMITED	Initial Public Issue - NR	Acknowledgement Slip for Broker/SCSB/DP/RTA	Bid cum Application Form No. _____
LOGO		PAN of Sole / First Bidder	
DPID / CLID _____		_____	
Amount paid (₹ in figures) _____ Bank & Branch _____		Stamp & Signature of SCSB Branch _____	
ASBA Bank A/c No. _____			
Received from Mr./Ms. _____			
Telephone / Mobile _____ Email _____			

XYZ LIMITED - INITIAL PUBLIC ISSUE - NR	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Option 1</td> <td style="width: 25%;">Option 2</td> <td style="width: 25%;">Option 3</td> </tr> <tr> <td>No. of Equity Shares</td> <td></td> <td></td> </tr> <tr> <td>Bid Price</td> <td></td> <td></td> </tr> <tr> <td>Amount Paid (₹)</td> <td></td> <td></td> </tr> <tr> <td>ASBA Bank A/c No.</td> <td colspan="2">_____</td> </tr> <tr> <td>Bank & Branch</td> <td colspan="2">_____</td> </tr> </table>	Option 1	Option 2	Option 3	No. of Equity Shares			Bid Price			Amount Paid (₹)			ASBA Bank A/c No.	_____		Bank & Branch	_____		Stamp & Signature of Broker / SCSB / DP / RTA _____	Name of Sole / First Bidder _____	
Option 1	Option 2	Option 3																				
No. of Equity Shares																						
Bid Price																						
Amount Paid (₹)																						
ASBA Bank A/c No.	_____																					
Bank & Branch	_____																					
Acknowledgement Slip for Bidder																						
				Bid cum Application Form No. _____																		

4.1.1 FIELD NUMBER 1: NAME AND CONTACT DETAILS OF THE SOLE/ FIRST BIDDER/ APPLICANT

- (a) Bidders/ Applicants should ensure that the name provided in this field is exactly the same as the name in which the Depository Account is held.
- (b) **Mandatory Fields:** Bidders/ Applicants should note that the name and address fields are compulsory and e-mail and/ or telephone number/ mobile number fields are optional. Bidders/ Applicants should note that the contact details mentioned in the Bid cum Application Form/ Application Form may be used to dispatch communications in case the communication sent to the address available with the Depositories are returned

undelivered or are not available. The contact details provided in the Bid cum Application Form may be used by the Issuer, the Designated Intermediaries and the Registrar to the Issue only for correspondence(s) related to an Issue and for no other purposes.

- (c) **Joint Bids/ Applications:** In the case of Joint Bids/ Applications, the Bids/ Applications should be made in the name of the Bidder/ Applicant whose name appears first in the Depository account. The name so entered should be the same as it appears in the Depository records. The signature of only such first Bidder/ Applicant would be required in the Bid cum Application Form/ Application Form and such first Bidder/ Applicant would be deemed to have signed on behalf of the joint holders. All communications may be addressed to such Bidder/Applicant and may be dispatched to his or her address as per the Demographic. Details received from the Depositories.
- (d) **Impersonation:** Attention of the Bidders/ Applicants is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

“Any person who:

- (a) *makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- (b) *makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (c) *otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,*

shall be liable for action under Section 447.”

The liability prescribed under Section 447 of the Companies Act, 2013 includes imprisonment for a term which shall not be less than six months extending up to 10 years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount.

- (e) **Nomination Facility to Bidder/ Applicant:** Nomination facility is available in accordance with the provisions of Section 72 of the Companies Act, 2013. In case of Allotment of the Equity Shares in dematerialised form, there is no need to make a separate nomination as the nomination registered with the Depository may prevail. For changing nominations, the Bidders/ Applicants should inform their respective DP.

4.1.2 **FIELD NUMBER 2: PAN OF SOLE/ FIRST BIDDER/ APPLICANT**

- (a) PAN (of the sole/ first Bidder/ Applicant) provided in the Bid cum Application Form/ Application Form should be exactly the same as the PAN of the person(s) in whose sole or first name the relevant beneficiary account is held as per the Depositories’ records.
- (b) PAN is the sole identification number for participants transacting in the securities market irrespective of the amount of transaction except for Bids/ Applications on behalf of the Central or State Government, Bids/ Applications by officials appointed by the courts, Bids/Applications by investors who are exempt from the requirement of obtaining/ specifying their PAN for transacting in the securities market and Bids/ Applications by Bidders/ Applicants residing in Sikkim (“PAN Exempted Bidders/ Applicants”). Consequently, all Bidders/ Applicants, other than the PAN Exempted Bidders/ Applicants, are required to disclose their PAN in the Bid cum Application Form/ Application Form, irrespective of the Bid/ Application Amount. Bids/ Applications by the Bidders/ Applicants whose PAN is not available as per the Demographic Details available in their Depository records, are liable to be rejected.
- (c) The exemption for the PAN Exempted Bidders/ Applicants is subject to (a) the Demographic Details received from the respective Depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in “active status”; and (b) in the case of residents of Sikkim, the address as per the Demographic Details evidencing the same.
- (d) Bid cum Application Forms which provide the GIR Number instead of PAN may be rejected.
- (e) Bids by Bidders/ Applicants whose demat accounts have been ‘suspended for credit’ are liable to be rejected pursuant to the circular issued by SEBI on July 29, 2010, bearing number CIR/ MRD/ DP/ 22/ 2010. Such accounts are classified as “Inactive demat accounts” and Demographic Details are not provided by depositories.

4.1.3 FIELD NUMBER 3: BIDDERS/ APPLICANTS DEPOSITORY ACCOUNT DETAILS

- (a) Bidders/ Applicants should ensure that DP ID and the Client ID are correctly filled in the Bid cum Application Form. The DP ID and Client ID provided in the Bid cum Application Form should match with the DP ID and Client ID available in the Depository database, **otherwise, the Bid cum Application Form is liable to be rejected.**
- (b) Bidders/ Applicants should ensure that the beneficiary account provided in the Bid cum Application Form is active.
- (c) Bidders/ Applicants should note that on the basis of the DP ID and Client ID as provided in the Bid cum Application Form, the Bidder/ Applicant may be deemed to have authorised the Depositories to provide to the Registrar to the Issue, any requested Demographic Details of the Bidder/ Applicant as available on the records of the depositories. These Demographic Details may be used, among other things, for unblocking of ASBA Account or for other correspondence(s) related to an Issue.
- (d) Bidders/ Applicants are advised to update any changes to their Demographic Details as available in the records of the Depository Participant to ensure accuracy of records. Any delay resulting from failure to update the Demographic Details would be at the Bidders'/ Applicants' sole risk.

4.1.4 FIELD NUMBER 4: BID OPTIONS

- (a) Price or Floor Price or Price Band, minimum Bid Lot and Discount (if applicable) may be disclosed in the Prospectus/ RHP by the Issuer. The Issuer is required to announce the Floor Price or Price Band, minimum Bid Lot and Discount (if applicable) by way of an advertisement in at least one English, one Hindi and one regional newspaper, with wide circulation, at least five Working Days before Bid/ Issue Opening Date in case of an IPO, and at least one Working Day before Bid/ Issue Opening Date in case of an FPO.
- (b) The Bidders/ Applicants may Bid at or above Floor Price or within the Price Band for IPOs/ FPOs undertaken through the Book Building Process. In the case of Alternate Book Building Process for an FPO, the Bidders/ Applicants may Bid at Floor Price or any price above the Floor Price (For further details Bidders/ Applicants may refer to (Section 5.6 (e))
- (c) **Cut-Off Price:** Retail Individual Bidders or Employees or Retail Individual Shareholders can Bid at the Cut-off Price indicating their agreement to Bid for and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process. Bidding at the Cut-off Price is prohibited for QIBs and NIBs and such Bids from QIBs and NIBs may be rejected.
- (d) **Minimum Application Value and Bid Lot:** The Issuer and the Selling Shareholders, in consultation with the BRLMs may decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹10,000 to ₹15,000. The minimum Bid Lot is accordingly determined by an Issuer on basis of such minimum application value.
- (e) **Allotment:** The Allotment of specified securities to each RIB shall not be less than the minimum Bid Lot, subject to availability of shares in the RIB category, and the remaining available shares, if any, shall be Allotted on a proportionate basis. For details of the Bid Lot, Bidders/ Applicants may refer to the RHP/ Prospectus or the advertisement regarding the Price Band published by the Issuer.

4.1.4.1 Maximum and Minimum Bid Size

- (a) The Bidder/ Applicant may Bid for the desired number of Equity Shares at a specific price. Bids by Retail Individual Bidders, Retail Individual Shareholders must be for such number of shares so as to ensure that the Bid Amount less Discount (as applicable), payable by the Bidder/ Applicant does not exceed ₹200,000 and Eligible Employees Bidding in the Employee Reservation portion can Bid for a Bid Amount not exceeding ₹500,000.
- (b) In case the Bid Amount exceeds ₹200,000 due to revision of the Bid or any other reason, the Bid may be considered for allocation under the Non-Institutional Category (with it not being eligible for Discount, if any), then such Bid may be rejected if it is at the Cut-off Price.
- (c) For NRIs, a Bid Amount of up to ₹200,000 may be considered under the Retail Category for the purposes of allocation and a Bid Amount exceeding ₹200,000 may be considered under the Non-Institutional Category for the purposes of allocation.
- (d) Bids by QIBs and NIBs must be for such minimum number of shares such that the Bid Amount exceeds ₹200,000 and in multiples of such number of Equity Shares thereafter, as may be disclosed in the Bid cum

Application Form and the RHP/ Prospectus, or as advertised by the Issuer, as the case may be. Non-Institutional Investors and QIBs are not allowed to Bid at Cut-off Price.

- (e) In case the Bid Amount reduces to ₹200,000 or less due to a revision of the Price Band, Bids by the Non-Institutional Investors who are eligible for allocation in the Retail Category would be considered for allocation under the Retail Category.
- (f) For Anchor Investors, if applicable, the Bid Amount shall be least ₹100 million. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors. Bids by various schemes of a Mutual Fund shall be aggregated to determine the Bid Amount. A Bid cannot be submitted for more than 60% of the QIB Portion under the Anchor Investor Portion. Anchor Investors cannot withdraw their Bids or lower the size of their Bids (in terms of quantity of Equity Shares or the Bid Amount) at any stage after the Anchor Investor Bid/ Issue Period and are required to pay the Bid Amount at the time of submission of the Bid. In case the Anchor Investor Issue Price is lower than the Issue Price, the balance amount shall be payable as per the pay-in-date mentioned in the revised CAN. In case the Issue Price is lower than the Anchor Investor Issue Price, the amount in excess of the Issue Price paid by the Anchor Investors shall not be refunded to them.
- (g) A Bid cannot be submitted for more than the Issue size.
- (h) The maximum Bid by any Bidder/ Applicant including QIB Bidder/ Applicant should not exceed the investment limits prescribed for them under the applicable laws.
- (i) The price and quantity options submitted by the Bidder/ Applicant in the Bid cum Application Form may be treated as optional bids from the Bidder/ Applicant and may not be cumulated. After determination of the Issue Price, the highest number of Equity Shares Bid for by a Bidder/ Applicant at or above the Issue Price may be considered for Allotment and the rest of the Bid(s), irrespective of the Bid Amount may automatically become invalid. This is not applicable in case of FPOs undertaken through Alternate Book Building Process (For details of Bidders/ Applicants may refer to (Section 5.6 (e)).

4.1.4.2 Multiple Bids

- (a) Bidder/ Applicant should submit only one Bid cum Application Form. Bidder/ Applicant shall have the option to make a maximum of three Bids at different price levels in the Bid cum Application Form and such options are not considered as multiple Bids.

Submission of a second Bid cum Application Form to either the same or to another Designated Intermediary and duplicate copies of Bid cum Application Forms bearing the same application number shall be treated as multiple Bids and are liable to be rejected.
- (b) Bidders/ Applicants are requested to note the following procedures may be followed by the Registrar to the Issue to detect multiple Bids:
 - i. All Bids may be checked for common PAN as per the records of the Depository. For Bidders/ Applicants other than Mutual Funds, Bids bearing the same PAN may be treated as multiple Bids by a Bidder/ Applicant and may be rejected.
 - ii. For Bids from Mutual Funds, submitted under the same PAN, as well as Bids on behalf of the PAN Exempted Bidders/ Applicants, the Bid cum Application Forms may be checked for common DP ID and Client ID. Such Bids which have the same DP ID and Client ID may be treated as multiple Bids and are liable to be rejected.
- (c) The following Bids may not be treated as multiple Bids:
 - i. Bids by Reserved Categories Bidding in their respective Reservation Portion as well as bids made by them in the Issue portion in public category.
 - ii. Separate Bids by Mutual Funds in respect of more than one scheme of the Mutual Fund provided that the Bids clearly indicate the scheme for which the Bid has been made.
 - iii. Bids by Mutual Funds submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs.
 - iv. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Category.

4.1.5 FIELD NUMBER 5: CATEGORY OF BIDDERS/ APPLICANTS

- (a) The categories of Bidders/ Applicants identified as per the SEBI ICDR Regulations, 2009 for the purpose of Bidding, allocation and Allotment in the Issue are RIIs, NIBs and QIBs.
- (b) Up to 60% of the QIB Category can be allocated by the Issuer, on a discretionary basis subject to the criteria of minimum and maximum number of Anchor Investors based on allocation size, to the Anchor Investors, in accordance with the SEBI ICDR Regulations, 2009, with one-third of the Anchor Investor Portion reserved for domestic Mutual Funds subject to valid Bids being received at or above the Issue Price. For details regarding allocation to Anchor Investors, Bidders/ Applicants may refer to the RHP/ Prospectus.
- (c) An Issuer can make reservation for certain categories of Bidders/ Applicants as permitted under the SEBI ICDR Regulations, 2009. For details of any reservations made in the Issue, Bidders/ Applicants may refer to the RHP/ Prospectus.
- (d) The SEBI ICDR Regulations, 2009, specify the allocation or Allotment that may be made to various categories of Bidders/ Applicants in an Issue depending upon compliance with the eligibility conditions. Details pertaining to allocation are disclosed on reverse side of the Revision Form. For Issue specific details in relation to allocation Bidder/ Applicant may refer to the RHP/ Prospectus.

4.1.6 FIELD NUMBER 6: INVESTOR STATUS

- (a) Each Bidder/ Applicant should check whether it is eligible to apply under applicable law and ensure that any prospective Allotment to it in the Issue is in compliance with the investment restrictions under applicable law.
- (b) Certain categories of Bidders/ Applicants, such as NRIs, FPIs and FVCIs may not be allowed to Bid in the Issue or hold Equity Shares exceeding certain limits specified under applicable law. Bidders/ Applicant are requested to refer to the RHP/ Prospectus for more details.
- (c) Bidders/ Applicants should check whether they are eligible to apply on non-repatriation basis or repatriation basis and should accordingly provide the investor status. Details regarding investor status are different in the Resident Bid cum Application Form and Non-Resident Bid cum Application Form.
- (d) Bidders/ Applicant should ensure that their investor status is updated in the Depository records.

4.1.7 FIELD NUMBER 7: PAYMENT DETAILS

- (a) The full Bid Amount (net of any Discount, as applicable) shall be blocked in the ASBA Account based on the authorisation provided in the ASBA Form. If the Discount is applicable in the Issue, the RIBs should indicate the full Bid Amount in the Bid cum Application Form and the funds shall be blocked for Bid Amount net of Discount. Only in cases where the RHP/ Prospectus indicates that part payment may be made, such an option can be exercised by the Bidder/ Applicant. In case of Bidders/ Applicant specifying more than one Bid Option in the Bid cum Application Form, the total Bid Amount may be calculated for the highest of three options at net price, i.e. Bid price less Discount offered, if any.
- (b) Bidders/ Applicant who Bid at Cut-off Price shall arrange to block the Bid Amount based on the Cap Price.
- (c) All Bidders/ Applicants (except Anchor Investors) have to participate in the Issue only through the ASBA mechanism.
- (d) Bid Amount cannot be paid in cash, through money order or through postal order.

4.1.7.1 Instructions for Anchor Investors:

- (a) Anchor Investors may submit their Bids with a Global Co-ordinator and Book Running Lead Manager or a Book Running Lead Manager.
- (b) Payments should be made either by RTGS, NECS, direct credit or NEFT.
- (c) The Banker to the Offer shall maintain the monies in the Escrow Account for and on behalf of the Anchor Investors until the Designated Date.

4.1.7.2 Payment instructions for ASBA Bidders/ Applicants:

- (a) Bidders/ Applicants may submit the ASBA Form either
 - i. in electronic mode through the internet banking facility offered by an SCSB authorising blocking of funds that are available in the ASBA account specified in the Bid cum Application Form, or
 - ii. in physical mode to any Designated Intermediary.
- (b) Bidders/ Applicants must specify the Bank Account number in the Bid cum Application Form. The Bid cum Application Form submitted by Bidder and which is accompanied by cash, money order, demand draft, postal order or any mode of payment other than blocked amounts in the ASBA Account maintained with an SCSB, will not be accepted.
- (c) Bidders/ Applicants should ensure that the Bid cum Application Form is also signed by the ASBA Account holder(s) if the Bidder is not the ASBA Account holder;
- (d) Bidders/ Applicants shall note that for the purpose of blocking funds under ASBA facility clearly demarcated funds shall be available in the account.
- (e) From one ASBA Account, a maximum of five ASBA Forms can be submitted.
- (f) Bidders/ Applicants should submit the Bid cum Application Form only at the Bidding Centres, i.e. to the respective member of the Syndicate at the Specified Locations, the SCSBs, the Registered Broker at the Broker Centres, the RTA at the Designated RTA Locations or CDP at the Designated CDP Locations.
- (g) Bidders/ Applicants bidding through a Designated Intermediary (other than an SCSB) should note that ASBA Forms submitted to them may not be accepted, if the SCSB where the ASBA Account, as specified in the ASBA Form, is maintained has not named at least one branch at that location for such Designated Intermediary to deposit ASBA Forms.
- (h) Bidders/ Applicants bidding directly through the SCSBs should ensure that the ASBA is submitted to a Designated Branch of a SCSB where the ASBA Account is maintained.
- (i) Upon receipt of the ASBA Form, the Designated Branch of the SCSB may verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Form.
- (j) If sufficient funds are available in the ASBA Account, the SCSB may block an amount equivalent to the Bid Amount mentioned in the ASBA Form and for application directly submitted to SCSB by investor, may enter each Bid option into the electronic bidding system as a separate Bid.
- (k) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB may not accept such Bids and such bids are liable to be rejected.
- (l) Upon submission of a completed ASBA Form each Bidder may be deemed to have agreed to block the entire Bid Amount and authorised the Designated Branch of the SCSB to block the Bid Amount specified in the ASBA Form in the ASBA Account maintained with the SCSBs.
- (m) The Bid Amount may remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted Equity Shares to the Public Issue Account, or until withdrawal or failure of the Issue, or until withdrawal or rejection of the Bid, as the case may be.
- (n) SCSBs bidding in the Issue must apply through an Account maintained with any other SCSB; else their Bids are liable to be rejected.

4.1.7.3 Unblocking of ASBA Account

- (a) Once the Basis of Allotment is approved by the Designated Stock Exchange, the Registrar to the Issue may provide the following details to the controlling branches of each SCSB, along with instructions to unblock the relevant bank accounts and for successful applications transfer the requisite money to the Public Issue Account designated for this purpose, within the specified timelines: (i) the number of Equity Shares to be Allotted against each Bid, (ii) the amount to be transferred from the relevant bank account to the Public Issue Account, for each Bid, (iii) the date by which funds referred to in (ii) above may be transferred to the Public Issue Account, and (iv) details of rejected Bids, if any, to enable the SCSBs to unblock the respective bank accounts.

- (b) On the basis of instructions from the Registrar to the Issue, the SCSBs may transfer the requisite amount against each successful Bidder to the Public Issue Account and may unblock the excess amount, if any, in the ASBA Account.
- (c) In the event of withdrawal or rejection of the ASBA Form and for unsuccessful Bids, the Registrar to the Issue may give instructions to the SCSB to unblock the Bid Amount in the relevant ASBA Account within six Working Days of the Bid/ Issue Closing Date.

4.1.7.4 **Discount** (if applicable)

- (a) The Discount is stated in absolute rupee terms.
- (b) Bidders/ Applicants applying under RIB category, Retail Individual Shareholder and employees are only eligible for discount. For Discounts offered in the Issue, Bidders/ Applicants may refer to the RHP/ Prospectus.
- (c) The Bidders/ Applicants entitled to the applicable Discount in the Issue may block the Bid Amount less Discount.

Bidder may note that in case the net amount blocked (post Discount) is more than two lakh Rupees, the Bidding system automatically considers such applications for allocation under Non-Institutional Category. These applications are neither eligible for Discount nor fall under RIB category.

4.1.8 **FIELD NUMBER 8: SIGNATURES AND OTHER AUTHORISATIONS**

- (a) Only the First Bidder is required to sign the Bid cum Application Form. Bidders/ Applicants should ensure that signatures are in one of the languages specified in the Eighth Schedule to the Constitution of India.
- (b) If the ASBA Account is held by a person or persons other than the Bidder, then the Signature of the ASBA Account holder(s) is also required.
- (c) The signature has to be correctly affixed in the authorisation/ undertaking box in the ASBA Form, or an authorisation has to be provided to the SCSB via the electronic mode, for blocking funds in the ASBA Account equivalent to the Bid Amount mentioned in the ASBA Form.
- (d) Bidders/ Applicants must note that Bid cum Application Form/ Application Form without signature of Bidder and/ or ASBA Account holder is liable to be rejected.

4.1.9 **ACKNOWLEDGEMENT AND FUTURE COMMUNICATION**

- (a) Bidders/ Applicants should ensure that they receive the Acknowledgement Slip duly signed and stamped by the Designated Intermediary, as applicable, for submission of the ASBA Form.
- (b) All communications in connection with Bids made in the Issue may be addressed to the Registrar to the Issue with a copy to the relevant Designated Intermediary to whom the Bid cum Application Form was submitted. The Bidder should give full details such as name of the sole or first Bidder/ Applicant, Bid cum Application Form number, Bidders'/ Applicants' DP ID, Client ID, PAN, date of the submission of Bid cum Application Form, address of the Bidder, number of the Equity Shares applied for and the name and address of the Designated Intermediary where the Bid cum Application Form was submitted by the Bidder.
- (c) Further, the investor shall also enclose a copy of the Acknowledgement Slip duly received from the Designated Intermediaries in addition to the information mentioned hereinabove.

For further details, Bidder may refer to the RHP/ Prospectus and the Bid cum Application Form.

4.2 **INSTRUCTIONS FOR FILING THE REVISION FORM**

- (a) During the Bid/ Issue Period, any Bidder (other than QIBs and NIBs, who can only revise their bid upwards) who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the Revision Form, which is a part of the Bid cum Application Form.
- (b) RIB may revise their bids or withdraw their Bids till the Bid/ Issue Closing Date.
- (c) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form.

- (d) The Bidder can make this revision any number of times during the Bid/ Issue Period. However, for any revision(s) in the Bid, the Bidders/ Applicants will have to use the services of the same Designated Intermediary through which such Bidder had placed the original Bid. Bidders/ Applicants are advised to retain copies of the blank Revision Form and the Bid(s) must be made only in such Revision Form or copies thereof.

A sample revision form is reproduced below:

COMMON BID REVISION FORM		XYZ LIMITED - INITIAL PUBLIC ISSUE - R		FOR RESIDENT INDIANS, INCLUDING RESIDENT QIBs, AND ELIGIBLE NRI, APPLYING ON A NON-REPATRIATION BASIS	
Address :		Contact Details:		CIN No.	
TO, THE BOARD OF DIRECTORS XYZ LIMITED		BOOK BUILT ISSUE		Bid cum Application Form No.	
ISIN :					

SYNDICATE MEMBER'S STAMP & CODE		BROKER/SCSB/DP/RTA STAMP & CODE		1. NAME & CONTACT DETAILS OF SOLE / FIRST BIDDER	
				Mr./Ms.	
				Address	
SUB-BROKER'S / SUB-AGENT'S STAMP & CODE		ESCROW BANK/SCSB BRANCH STAMP & CODE		Email	
				Tel. No (with STD code) / Mobile	
BANK BRANCH SERIAL NO.		SCSB SERIAL NO.		2. PAN OF SOLE / FIRST BIDDER	
					
3. BIDDER'S DEPOSITORY ACCOUNT DETAILS		☐ NSDL ☐ CDSL			
For NSDL enter 8 digit DP ID followed by 8 digit Client ID / For CDSL enter 16 digit Client ID					

PLEASE CHANGE MY BID												
4. FROM (AS PER LAST BID OR REVISION)												
Bid Options	No. of Equity Shares Bid (Bids must be in multiples of Bid Lot as advertised)								Price per Equity Share (₹) "Cut-off" (Price in multiples of ₹ 1/- only)			
	(In Figures)								(In Figures)			
	8	7	6	5	4	3	2	1	Bid Price	Retail Discount	Net Price	"Cut-off" (Please tick)
Option 1												☐
(OR) Option 2												☐
(OR) Option 3												☐
5. TO (Revised Bid) (Only Retail Individual Bidders can Bid at "Cut-off")												
Bid Options	No. of Equity Shares Bid (Bids must be in multiples of Bid Lot as advertised)								Price per Equity Share (₹) "Cut-off" (Price in multiples of ₹ 1/- only)			
	(In Figures)								(In Figures)			
	8	7	6	5	4	3	2	1	Bid Price	Retail Discount	Net Price	"Cut-off" (Please tick)
Option 1												☐
(OR) Option 2												☐
(OR) Option 3												☐

6. PAYMENT DETAILS									
Additional Amount Paid (₹ in figures)									
(₹ in words)									
PAYMENT OPTION : ☐ FULL PAYMENT ☐ PART PAYMENT									
ASBA Bank A/c No.									
Bank Name & Branch									

I/WE (ON BEHALF OF JOINT APPLICANTS, IF ANY) HEREBY CONFIRM THAT I/WE HAVE READ AND UNDERSTOOD THE TERMS AND CONDITIONS OF THIS BID REVISION FORM AND THE ATTACHED ABBREVIATED PROSPECTUS AND THE GENERAL INFORMATION DOCUMENT FOR INVESTING IN PUBLIC ISSUES ("GID") AND HEREBY AGREE AND CONFIRM THE "BIDDERS UNDERTAKING" AS GIVEN OVERLEAF. I/WE (ON BEHALF OF JOINT APPLICANTS, IF ANY) HEREBY CONFIRM THAT I/WE HAVE READ THE INSTRUCTIONS FOR FILLING UP THE BID REVISION FORM GIVEN OVERLEAF.														
7A. SIGNATURE OF SOLE / FIRST BIDDER					7B. SIGNATURE OF ASBA BANK ACCOUNT HOLDER(s) (AS PER BANK RECORDS)					BROKER / SCSB / DP / RTA STAMP (Acknowledging upload of Bid in Stock Exchange system)				
Date :					I/We authorize the SCSB to do all acts as are necessary to make the Application in the name									
					1)									
					2)									
					3)									

XYZ LIMITED		Acknowledgement Slip for Broker/SCSB/ DP/RTA		Bid cum Application Form No.	
BID REVISION FORM - INITIAL PUBLIC ISSUE - R					

DPID / CLID		PAN of Sole / First Bidder	
Additional Amount Paid (₹)		Bank & Branch	
ASBA Bank A/c No.		Stamp & Signature of SCSB Branch	
Received from Mr./Ms.			
Telephone / Mobile		Email	

XYZ LIMITED - BID REVISION FORM - INITIAL PUBLIC ISSUE - R			
	Option 1	Option 2	Option 3
No. of Equity Shares			
Bid Price			
Additional Amount Paid (₹)			
ASBA Bank A/c No.			
Bank & Branch			

Stamp & Signature of Broker / SCSB / DP / RTA		Name of Sole / First Bidder	
Acknowledgement Slip for Bidder			
Bid cum Application Form No.			

Instructions to fill each field of the Revision Form can be found on the reverse side of the Revision Form. Other than instructions already highlighted at paragraph 4.1 above, point wise instructions regarding filling up various fields of the Revision Form are provided below:

4.2.1 **FIELDS 1, 2 AND 3: NAME AND CONTACT DETAILS OF SOLE/ FIRST BIDDER, PAN OF SOLE/ FIRST BIDDER & DEPOSITORY ACCOUNT DETAILS OF THE BIDDER**

Bidders/ Applicants should refer to instructions contained in paragraphs 4.1.1, 4.1.2 and 4.1.3.

4.2.2 **FIELD 4 & 5: BID OPTIONS REVISION 'FROM' AND 'TO'**

- (a) Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the bid options given in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, the Bidder must still fill the details of the other two options that are not being revised, in the Revision Form. The Designated Intermediaries may not accept incomplete or inaccurate Revision Forms.
- (b) In case of revision, Bid options should be provided by Bidders/ Applicants in the same order as provided in the Bid cum Application Form.
- (c) In case of revision of Bids by RIBs and Retail Individual Shareholders, such Bidders/ Applicants should ensure that the Bid Amount, subsequent to revision, does not exceed ₹200,000 and Eligible Employees Bidding in the Employee Reservation portion can Bid for a Bid Amount not exceeding ₹500,000. In case the Bid Amount exceeds ₹200,000 due to revision of the Bid or for any other reason or ₹500,000 in case of Bids by Eligible Employees Bidding under the Employee Reservation Portion, the Bid may be considered, subject to eligibility, for allocation under the Non-Institutional Category, not being eligible for Discount (if applicable) and such Bid may be rejected if it is at the Cut-off Price. The Cut-off Price option is given only to the RIIs, Employees and Retail Individual Shareholders indicating their agreement to Bid for and purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.
- (d) In case the total amount (i.e., original Bid Amount plus additional payment) exceeds ₹200,000, the Bid will be considered for allocation under the Non-Institutional Category in terms of the RHP/ Prospectus. If, however, the RIB does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the RIB and the RIB is deemed to have approved such revised Bid at Cut-off Price.
- (e) In case of a downward revision in the Price Band, RIBs and Bids by Employees under the Reservation Portion, who have bid at the Cut-off Price could either revise their Bid or the excess amount paid at the time of Bidding may be unblocked after the Allotment is finalised.

4.2.3 **FIELD 6: PAYMENT DETAILS**

- (a) All Bidders/ Applicants are required to authorise blocking of the full Bid Amount (less Discount (if applicable) along with the Bid Revision Form. In case of Bidders specifying more than one Bid Option in the Bid cum Application Form, the total Bid Amount may be calculated for the highest of three options at net price, i.e. Bid price less discount offered, if any.
- (b) Bidder may issue instructions to block the revised amount based on cap of the revised Price Band (adjusted for the Discount (if applicable) in the ASBA Account, to the same Designated Intermediary through whom such Bidder had placed the original Bid to enable the relevant SCSB to block the additional Bid Amount, if any.
- (c) In case the total amount (i.e., original Bid Amount less discount (if applicable) plus additional payment) exceeds ₹200,000, the Bid may be considered for allocation under the Non-Institutional Category in terms of the RHP/ Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for may be adjusted downwards for the purpose of Allotment, such that additional amount is required blocked and the Bidder is deemed to have approved such revised Bid at the Cut-off Price.
- (d) In case of a downward revision in the Price Band, RIIs, Employees and Retail Individual Shareholders, who have bid at the Cut-off Price, could either revise their Bid or the excess amount paid at the time of Bidding may be unblocked after finalisation of Basis of Allotment.

4.2.4 **FIELDS 7: SIGNATURES AND ACKNOWLEDGEMENTS**

Bidders may refer to instructions contained at paragraphs 4.1.8 and 4.1.9 for this purpose.

4.3 INSTRUCTIONS FOR FILING APPLICATION FORM IN ISSUES MADE OTHER THAN THROUGH THE BOOK BUILDING PROCESS (FIXED PRICE ISSUE)

4.3.1 FIELDS 1, 2, 3 NAME AND CONTACT DETAILS OF SOLE/ FIRST BIDDER, PAN OF SOLE/ FIRST BIDDER & DEPOSITORY ACCOUNT DETAILS OF THE BIDDER

Applicants should refer to instructions contained in paragraphs 4.1.1, 4.1.2 and 4.1.3.

4.3.2 FIELD 4: PRICE, APPLICATION QUANTITY & AMOUNT

- (a) The Issuer may mention Issue Price or Price Band in the draft Prospectus. However, a prospectus registered with RoC contains one price or coupon rate (as applicable).
- (b) **Minimum Application Value and Bid Lot:** The Issuer and the Selling Shareholders, in consultation with the Lead Managers may decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹10,000 to ₹15,000. The minimum Lot size is accordingly determined by an Issuer on basis of such minimum application value.
- (c) Applications by RIBs and Retail Individual Shareholders, must be for such number of shares so as to ensure that the application amount payable does not exceed ₹200,000 and Eligible Employees Bidding under the Employee Reservation Portion should ensure that the application amount payable does not exceed ₹500,000.
- (d) Applications by other investors must be for such minimum number of shares such that the application amount exceeds ₹200,000 and in multiples of such number of Equity Shares thereafter, as may be disclosed in the application form and the Prospectus, or as advertised by the Issuer, as the case may be.
- (e) An application cannot be submitted for more than the Issue size.
- (f) The maximum application by any Applicant should not exceed the investment limits prescribed for them under the applicable laws.
- (g) **Multiple Applications:** An Applicant should submit only one Application Form. Submission of a second Application Form to either the same or other SCSB and duplicate copies of Application Forms bearing the same application number shall be treated as multiple applications and are liable to be rejected.
- (h) Applicants are requested to note the following procedures may be followed by the Registrar to the Issue to detect multiple applications:
 - i. All applications may be checked for common PAN as per the records of the Depository. For Applicants other than Mutual Funds, Bids bearing the same PAN may be treated as multiple applications by a Bidder and may be rejected.
 - ii. For applications from Mutual Funds, submitted under the same PAN, as well as Bids on behalf of the PAN Exempted Applicants, the Application Forms may be checked for common DP ID and Client ID. In any such applications which have the same DP ID and Client ID, these may be treated as multiple applications and may be rejected.
- (i) The following applications may not be treated as multiple Bids:
 - i. Applications by Reserved Categories in their respective reservation portion as well as that made by them in the Issue portion in public category.
 - ii. Separate applications by Mutual Funds in respect of more than one scheme of the Mutual Fund provided that the Applications clearly indicate the scheme for which the Bid has been made.
 - iii. Applications by Mutual Funds submitted with the same PAN but with different beneficiary account numbers, Client IDs and DP IDs.

4.3.3 FIELD NUMBER 5: CATEGORY OF APPLICANTS

- (a) The categories of applicants identified as per the SEBI ICDR Regulations, 2009 for the purpose of Bidding, allocation and Allotment in the Issue are RIIs, individual applicants other than RII's and other investors (including corporate bodies or institutions, irrespective of the number of specified securities applied for).
- (b) An Issuer can make reservation for certain categories of Applicants permitted under the SEBI ICDR Regulations, 2009. For details of any reservations made in the Issue, applicants may refer to the Prospectus.

- (c) The SEBI ICDR Regulations, 2009 specify the allocation or Allotment that may be made to various categories of applicants in an Issue depending upon compliance with the eligibility conditions. Details pertaining to allocation are disclosed on reverse side of the Revision Form. For Issue specific details in relation to allocation applicant may refer to the Prospectus.

4.3.4 **FIELD NUMBER 6: INVESTOR STATUS**

Applicants should refer to instructions contained in paragraphs 4.1.6.

4.3.5 **FIELD 7: PAYMENT DETAILS**

- (a) All Applicants (other than Anchor Investors) are required to make use ASBA for applying in the Issue.
- (b) Application Amount cannot be paid in cash, through money order, cheque, demand draft or through postal order or through stock invest.

4.3.5.1 **Payment instructions for Applicants**

Applicants should refer to instructions contained in paragraph 4.1.7.2.

4.3.5.2 **Unblocking of ASBA Account**

Applicants should refer to instructions contained in paragraph 4.1.7.2.1.

4.3.5.3 **Discount** (if applicable)

Applicants should refer to instructions contained in paragraph 4.1.7.2.3.

4.3.6 **FIELD NUMBER 8: SIGNATURES AND OTHER AUTHORISATIONS & ACKNOWLEDGEMENT AND FUTURE COMMUNICATION**

Applicants should refer to instructions contained in paragraphs 4.1.8 & 4.1.9.

4.4 **SUBMISSION OF BID CUM APPLICATION FORM/ REVISION FORM**

4.4.1 **Bidders may submit completed Bid cum application form/ Revision Form in the following manner:-**

Mode of Application	Submission of Bid cum Application Form	
Anchor Investors Application Form	1)	To the Global Co-ordinators and Book Running Lead Managers, and the Book Running Lead Managers at the locations mentioned in the Anchor Investor Application Form
ASBA Form	(a)	To members of the Syndicate in the Specified Locations or Registered Brokers at the Broker Centres or the RTA at the Designated RTA Location or the CDP at the Designated CDP Location
	(b)	To the Designated Branches of the SCSBs

- (a) Bidders/ Applicants should submit the Revision Form to the same Designated Intermediary through which such Bidder/ Applicant had placed the original Bid.
- (b) Upon submission of the Bid cum Application Form, the Bidder/ Applicant will be deemed to have authorised the Issuer to make the necessary changes in the RHP and the Bid cum Application Form as would be required for filing Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the relevant Bidder/ Applicant.
- (c) Upon determination of the Issue Price and filing of the Prospectus with the RoC, the Bid cum Application Form will be considered as the application form.

SECTION 5: ISSUE PROCEDURE IN BOOK BUILT ISSUE

Book Building, in the context of the Issue, refers to the process of collection of Bids within the Price Band or above the Floor Price and determining the Issue Price based on the Bids received as detailed in Schedule XI of the SEBI ICDR Regulations, 2009. The Issue Price is finalised after the Bid/ Issue Closing Date. Valid Bids received at or above the Issue Price are considered for allocation in the Issue, subject to applicable regulations and other terms and conditions.

5.1 SUBMISSION OF BIDS

- (a) **During the Bid/ Issue Period, Bidders/ Applicants may approach any of the Designated Intermediaries to register their Bids.** Anchor Investors who are interested in subscribing for the Equity Shares should approach the Global Co-ordinators and Book Running Lead Managers and the Book Running Lead Managers to register their Bid.
- (b) In case of Bidders/ Applicants (excluding NIBs and QIBs) Bidding at Cut-off Price, the Bidders may instruct the SCSBs to block Bid Amount based on the Cap Price less discount (if applicable).
- (c) For Details of the timing on acceptance and upload of Bids in the Stock Exchanges Platform Bidders/ Applicants are requested to refer to the RHP.

5.2 ELECTRONIC REGISTRATION OF BIDS

- (a) The Designated Intermediary may register the Bids using the on-line facilities of the Stock Exchanges. The Designated Intermediaries can also set up facilities for off-line electronic registration of Bids, subject to the condition that they may subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis before the closure of the issue.
- (b) On the Bid/ Issue Closing Date, the Designated Intermediaries may upload the Bids till such time as may be permitted by the Stock Exchanges and as disclosed in the Red Herring Prospectus.
- (c) Only Bids that are uploaded on the Stock Exchanges Platform are considered for allocation/ Allotment. The Designated Intermediaries are given till 1:00 pm on the next Working Day following the Bid/ Issue Closing Date to modify select fields uploaded in the Stock Exchange Platform during the Bid/ Issue Period after which the Stock Exchange(s) send the bid information to the Registrar to the Issue for further processing.

5.3 BUILD UP OF THE BOOK

- (a) Bids received from various Bidders/ Applicants through the Designated Intermediaries may be electronically uploaded on the Bidding Platform of the Stock Exchanges' on a regular basis. The book gets built up at various price levels. This information may be available with the BRLMs at the end of the Bid/ Issue Period.
- (b) Based on the aggregate demand and price for Bids registered on the Stock Exchanges Platform, a graphical representation of consolidated demand and price as available on the websites of the Stock Exchanges may be made available at the Bidding Centres during the Bid/ Issue Period.

5.4 WITHDRAWAL OF BIDS

- (a) RIBs can withdraw their Bids until Bid/ Issue Closing Date. In case a RIB wishes to withdraw the Bid during the Bid/ Issue Period, the same can be done by submitting a request for the same to the concerned Designated Intermediary who shall do the requisite, including unblocking of the funds by the SCSB in the ASBA Account.
- (b) The Registrar to the Issue shall give instruction to the SCSB for unblocking the ASBA Account upon or after finalisation of Basis of Allotment. QIBs and NIBs can neither withdraw nor lower the size of their Bids at any stage.

5.5 REJECTION & RESPONSIBILITY FOR UPLOAD OF BIDS

- (a) The Designated Intermediaries are individually responsible for the acts, mistakes or errors or omission in relation to:
 - i. the Bids accepted by the Designated Intermediary,
 - ii. the Bids uploaded by the Designated Intermediary, and
 - iii. the Bid cum application forms accepted but not uploaded by the Designated Intermediary.

Any RIB whose Bid has not been considered for Allotment, due to failures on the part of the SCSB may seek redressal from the concerned SCSB within three months of the listing date in accordance with the circular SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018.

- (b) The BRLMs and their affiliate Syndicate Members, as the case may be, may reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect.

- (c) The SCSBs shall have no right to reject Bids, except in case of unavailability of adequate funds in the ASBA account or on technical grounds.
- (d) In case of QIB Bidders/ Applicants, only the (i) SCSBs (for Bids other than the Bids by Anchor Investors); and (ii) BRLMs and their affiliate Syndicate Members (only in the Specified Locations) have the right to reject bids. However, such rejection shall be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing.
- (e) All bids by QIBs, entities forming part of the Promoter Group, NIBs & RIBs can be rejected on technical grounds listed herein.

5.5.1 **GROUND FOR TECHNICAL REJECTIONS**

Bid cum Application Forms can be rejected on the below mentioned technical grounds either at the time of their submission to any of the Designated Intermediaries, or at the time of finalisation of the Basis of Allotment. Bidders/ Applicants are advised to note that the Bids/ Applications are liable to be rejected, inter-alia, on the following grounds, which have been detailed at various places in this GID:-

- (a) Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended, (other than minors having valid Depository Account supported by guardian as per Demographic Details provided by Depositories);
- (b) Bids by OCBs;
- (c) Bids by any entity forming part of the Promoter Group;
- (d) In case of partnership firms, Bid for Equity Shares made in the name of the firm. However, a limited liability partnership can apply in its own name;
- (e) In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not being submitted along with the Bid cum Application Form;
- (f) Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority;
- (g) Bids by any person outside India if not in compliance with applicable foreign and Indian laws;
- (h) PAN not mentioned in the Bid cum Application Form, except for Bids by or on behalf of the Central or State Government and officials appointed by the court, by investors who are exempt from the requirement of obtaining/ specifying their PAN for transacting in the securities market and by the investors residing in the State of Sikkim, provided such claims have been verified by the Depository Participant;
- (i) In case no corresponding record is available with the Depositories that matches the DP ID, the Client ID and the PAN;
- (j) Bids for lower number of Equity Shares than the minimum specified for that category of investors;
- (k) Bids at a price less than the Floor Price and Bids at a price more than the Cap Price;
- (l) Bids at Cut-off Price by NIBs and QIBs;
- (m) The amounts mentioned in the Bid cum Application Form do not tally with the amount payable for the value of the Equity Shares Bid for;
- (n) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- (o) Submission of more than five ASBA Forms as through a single ASBA Account;
- (p) Bids for number of Equity Shares which are not in multiples of the specified number of Equity Shares which are not in multiples as specified in the RHP;
- (q) Multiple Bids as defined in this GID and the RHP/ Prospectus;
- (r) Inadequate funds in the bank account to block the Bid Amount specified in the Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- (s) Where no confirmation is received from SCSB for blocking of funds;

- (t) Bids by Bidders/ Applicants (other than Anchor Investors) not submitted through ASBA process;
- (u) Bids submitted to Designated Intermediaries at locations other than the Bidding Centres or to the Banker to the Offer (assuming that such bank is not a SCSB where the ASBA Account is maintained), to the issuer or the Registrar to the Issue;
- (v) Bids not uploaded on the terminals of the Stock Exchanges;
- (w) Bids by SCSBs wherein a separate account in its own name held with any other SCSB is not mentioned as the ASBA Account in the Bid cum Application Form
- (x) Bids uploaded without affixing the approval of the IRDA
- (y) to the Bid cum Application Form, in the event the Allotment of Equity Shares by the Bidder results in the Bidder holding 5% or more of the post-Offer paid up equity capital of our Company; and
- (z) Bids not uploaded in the Stock Exchanges bidding system.

5.6 BASIS OF ALLOCATION

- (a) The SEBI ICDR Regulations, 2009 specify the allocation or Allotment that may be made to various categories of Bidders/ Applicants in an Issue depending on compliance with the eligibility conditions. Certain details pertaining to the percentage of Issue size available for allocation to each category is disclosed overleaf of the Bid cum Application Form and in the RHP/ Prospectus. For details in relation to allocation, the Bidder may refer to the RHP/ Prospectus.
- (b) Under-subscription in any category (except QIB Portion) is allowed to be met with spill-over from any other category or combination of categories at the discretion of the Issuer and the Selling Shareholders, and in consultation with the BRLMs and the Designated Stock Exchange and in accordance with the SEBI ICDR Regulations, 2009. Unsubscribed portion in QIB Portion is not available for subscription to other categories.
- (c) In case of under subscription in the Issue, spill-over to the extent of such under-subscription may be permitted from the Reserved Portion to the Issue. For allocation in the event of an under-subscription applicable to the Issuer, Bidders/ Applicants may refer to the RHP.
- (d) **Illustration of the Book Building and Price Discovery Process**

Bidders/ Applicants should note that this example is solely for illustrative purposes and is not specific to the Issue; it also excludes Bidding by Anchor Investors.

Bidders/ Applicants can bid at any price within the price band. For instance, assume a price band of ₹20 to ₹24 per share, issue size of 3,000 equity shares and receipt of five bids from Bidders/ Applicants, details of which are shown in the table below. The illustrative book given below shows the demand for the equity shares of the issuer at various prices and is collated from bids received from various investors.

Bid quantity	Bid amount (₹)	Cumulative quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of equity shares is the price at which the book cuts off, i.e., ₹22.00 in the above example. The issuer and the selling shareholders, in consultation with the book running lead managers, may finalise the issue price at or below such cut-off price, i.e., at or below ₹22.00. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

- (e) **Alternate Method of Book Building**

In case of FPOs, Issuers may opt for an alternate method of Book Building in which only the Floor Price is specified for the purposes of Bidding (“**Alternate Book Building Process**”).

The Issuer may specify the Floor Price in the RHP or advertise the Floor Price at least one Working Day prior to the Bid/ Issue Opening Date. QIBs may Bid at a price higher than the Floor Price and the Allotment to the QIBs is made on a price priority basis. The Bidder/ Applicant with the highest Bid Amount is allotted the

number of Equity Shares Bid for and then the second highest Bidder/ Applicant is Allotted Equity Shares and this process continues until all the Equity Shares have been allotted. RIIs, NIBs and Employees are Allotted Equity Shares at the Floor Price and Allotment to these categories of Bidders/ Applicants is made proportionately. If the number of Equity Shares Bid for at a price is more than available quantity then the Allotment may be done on a proportionate basis. Further, the Issuer may place a cap either in terms of number of specified securities or percentage of issued capital of the Issuer that may be Allotted to a single Bidder/ Applicant, decide whether a Bidder/ Applicant be allowed to revise the bid upwards or downwards in terms of price and/ or quantity and also decide whether a Bidder/ Applicant be allowed single or multiple bids.

SECTION 6: ISSUE PROCEDURE IN FIXED PRICE ISSUE

Applicants may note that there is no Bid cum Application Form in a Fixed Price Issue. As the Issue Price is mentioned in the Fixed Price Issue therefore on filing of the Prospectus with the RoC, the Application so submitted is considered as the application form.

Applicants may only use the specified Application Form for the purpose of making an Application in terms of the Prospectus which may be submitted through the Designated Intermediary.

Applicants may submit an Application Form either in physical form to the any of the Designated Intermediaries or in the electronic form to the SCSB or the Designated Branches of the SCSBs authorising blocking of funds that are available in the bank account specified in the Application Form only ("ASBA Account"). The Application Form is also made available on the websites of the Stock Exchanges at least one day prior to the Bid/ Issue Opening Date.

In a fixed price Issue, allocation in the net offer to the public category is made as follows: minimum fifty per cent to Retail Individual Investors; and remaining to (i) individual investors other than Retail Individual Investors; and (ii) other Applicants including corporate bodies or institutions, irrespective of the number of specified securities applied for. The unsubscribed portion in either of the categories specified above may be allocated to the Applicants in the other category.

For details of instructions in relation to the Application Form, Bidders/ Applicants may refer to the relevant section of the GID.

SECTION 7: ALLOTMENT PROCEDURE AND BASIS OF ALLOTMENT

The Allotment of Equity Shares to Bidders/ Applicants other than Retail Individual Investors and Anchor Investors may be on proportionate basis. For Basis of Allotment to Anchor Investors, Bidders/ Applicants may refer to RHP/ Prospectus. No Retail Individual Investor will be Allotted less than the minimum Bid Lot subject to availability of shares in Retail Individual Investor Category and the remaining available shares, if any will be Allotted on a proportionate basis. The Issuer is required to receive a minimum subscription of 90% of the Issue (excluding any Offer for Sale of specified securities). However, in case the Issue is in the nature of Offer for Sale only, then minimum subscription may not be applicable.

7.1 ALLOTMENT TO RIBs

Bids received from the RIBs at or above the Issue Price may be grouped together to determine the total demand under this category. If the aggregate demand in this category is less than or equal to the Retail Category at or above the Issue Price, full Allotment may be made to the RIBs to the extent of the valid Bids. If the aggregate demand in this category is greater than the allocation to in the Retail Category at or above the Issue Price, then the maximum number of RIBs who can be Allotted the minimum Bid Lot will be computed by dividing the total number of Equity Shares available for Allotment to RIBs by the minimum Bid Lot ("**Maximum RIB Allottees**"). The Allotment to the RIBs will then be made in the following manner:

- (a) In the event the number of RIBs who have submitted valid Bids in the Issue is equal to or less than Maximum RIB Allottees, (i) all such RIBs shall be Allotted the minimum Bid Lot; and (ii) the balance available Equity Shares, if any, remaining in the Retail Category shall be Allotted on a proportionate basis to the RIBs who have received Allotment as per (i) above for the balance demand of the Equity Shares Bid by them (i.e. who have Bid for more than the minimum Bid Lot).
- (b) In the event the number of RIBs who have submitted valid Bids in the Issue is more than Maximum RIB Allottees, the RIBs (in that category) who will then be Allotted minimum Bid Lot shall be determined on the basis of draw of lots.

7.2 ALLOTMENT TO NIBs

Bids received from NIBs at or above the Issue Price may be grouped together to determine the total demand under this category. The Allotment to all successful NIBs may be made at or above the Issue Price. If the aggregate demand in this category is less than or equal to the Non-Institutional Category at or above the Issue Price, full Allotment may be made to NIBs to the extent of their demand. In case the aggregate demand in this category is greater than the Non-

Institutional Category at or above the Issue Price, Allotment may be made on a proportionate basis up to a minimum of the Non-Institutional Category.

7.4 ALLOTMENT TO QIBs

For the Basis of Allotment to Anchor Investors, Bidders/ Applicants may refer to the SEBI ICDR Regulations, 2009 or RHP/ Prospectus. Bids received from QIBs Bidding in the QIB Category (net of Anchor Portion) at or above the Issue Price may be grouped together to determine the total demand under this category. The QIB Category may be available for Allotment to QIBs who have Bid at a price that is equal to or greater than the Issue Price. Allotment may be undertaken in the following manner:

- (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Category may be determined as follows: (i) In the event that Bids by Mutual Fund exceeds 5% of the QIB Category, allocation to Mutual Funds may be done on a proportionate basis for up to 5% of the QIB Category; (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Category then all Mutual Funds may get full Allotment to the extent of valid Bids received above the Issue Price; and (iii) Equity Shares remaining unsubscribed, if any and not allocated to Mutual Funds may be available for Allotment to all QIBs as set out at paragraph 7.4(b) below;
- (b) In the second instance, Allotment to all QIBs may be determined as follows: (i) In the event of oversubscription in the QIB Category, all QIBs who have submitted Bids above the Issue Price may be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Category; (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIBs; and (iii) Under-subscription below 5% of the QIB Category, if any, from Mutual Funds, may be included for allocation to the remaining QIBs on a proportionate basis.

7.5 ALLOTMENT TO ANCHOR INVESTOR (IF APPLICABLE)

- (a) Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of the issuer and the selling shareholders in consultation and the Lead Managers, subject to compliance with the following requirements:
 - i. not more than 60% of the QIB Portion will be allocated to Anchor Investors;
 - ii. one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors; and
 - iii. allocation to Anchor Investors shall be on a discretionary basis and subject to:
 - a maximum number of two Anchor Investors for allocation up to ₹100 million;
 - a minimum number of two Anchor Investors and maximum number of 15 Anchor Investors for allocation of more than ₹100 million and up to ₹2,500 million subject to minimum Allotment of ₹50 million per such Anchor Investor; and
 - a minimum number of five Anchor Investors and maximum number of 15 Anchor Investors for allocation more than ₹2,500 million, and an additional 10 Anchor Investors for every additional ₹2,500 million or part thereof, subject to minimum Allotment of ₹50 million per such Anchor Investor.
- (b) An Anchor Investor shall make an application of a value of at least ₹100 million in the Issue.
- (c) A physical book is prepared by the Registrar on the basis of the Anchor Investor Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Issuer and the selling shareholders in consultation with the BRLMs, selected Anchor Investors will be sent a CAN and if required, a revised CAN.
- (d) **In the event that the Issue Price is higher than the Anchor Investor Issue Price:** Anchor Investors will be sent a revised CAN within one day of the Pricing Date indicating the number of Equity Shares allocated to such Anchor Investor and the pay-in date for payment of the balance amount. Anchor Investors are then required to pay any additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised CAN within the pay-in date referred to in the revised CAN. Thereafter, the Allotment Advice will be issued to such Anchor Investors.

- (e) **In the event the Issue Price is lower than the Anchor Investor Issue Price:** Anchor Investors who have been Allotted Equity Shares will directly receive Allotment Advice.

7.6 BASIS OF ALLOTMENT FOR QIBs (OTHER THAN ANCHOR INVESTORS), NIBs AND RESERVED CATEGORY IN CASE OF OVER-SUBSCRIBED ISSUE

In the event of the Issue being over-subscribed, the Issuer may finalise the Basis of Allotment in consultation with the Designated Stock Exchange in accordance with the SEBI ICDR Regulations, 2009.

The allocation may be made in marketable lots, on a proportionate basis as explained below:

- (a) Bidders/ Applicants may be categorised according to the number of Equity Shares applied for;
- (b) The total number of Equity Shares to be Allotted to each category as a whole may be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders/ Applicants in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio;
- (c) The number of Equity Shares to be Allotted to the successful Bidders/ Applicants may be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder/ Applicant in that category multiplied by the inverse of the over-subscription ratio;
- (d) In all Bids where the proportionate Allotment is less than the minimum Bid Lot decided per Bidder/ Applicant, the Allotment may be made as follows: the successful Bidders/ Applicants out of the total Bidders/ Applicants for a category may be determined by a draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and each successful Bidder/ Applicant may be Allotted a minimum of such Equity Shares equal to the minimum Bid Lot finalised by the Issuer;
- (e) If the proportionate Allotment to a Bidder/ Applicant is a number that is more than the minimum Bid Lot but is not a multiple of one (which is the marketable lot), the decimal may be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it may be rounded off to the lower whole number. Allotment to all Bidders/ Applicants in such categories may be arrived at after such rounding off; and
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders/ Applicants in that category, the remaining Equity Shares available for Allotment may be first adjusted against any other category, where the Allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders/ Applicants in that category. The balance Equity Shares, if any, remaining after such adjustment may be added to the category comprising Bidders/ Applicants applying for minimum number of Equity Shares.

7.7 DESIGNATED DATE AND ALLOTMENT OF EQUITY SHARES

- (a) **Designated Date:** On the Designated Date, the Banker to the Offer shall transfer the funds represented by allocation of Equity Shares to Anchor Investors from the Escrow Account, as per the terms of the Cash Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders/ Applicants applying in the Anchor Investor Portion shall be made from the Refund Account as per the terms of the Cash Escrow Agreement and the RHP. On the Designated Date, the Registrar to the Issue shall instruct the SCSBs to transfer funds represented by allocation of Equity Shares from ASBA Accounts into the Public Issue Account.
- (b) **Issuance of Allotment Advice:** Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar shall upload the same on its website. On the basis of the approved Basis of Allotment, the Issuer shall pass necessary corporate action to facilitate the Allotment and credit of Equity Shares. Bidders/ Applicants are advised to instruct their Depository Participant to accept the Equity Shares that may be allotted to them pursuant to the Issue.

Pursuant to confirmation of such corporate actions, the Registrar will dispatch Allotment Advice to the Bidders/ Applicants who have been Allotted Equity Shares in the Issue.

- (c) The dispatch of Allotment Advice shall be deemed a valid, binding and irrevocable contract.
- (d) Issuer will ensure that: (i) the Allotment of Equity Shares; and (ii) credit of shares to the successful Bidders/ Applicants Depository Account will be completed within six Working Days of the Bid/ Issue Closing Date.

SECTION 8: INTEREST AND REFUNDS

8.1 COMPLETION OF FORMALITIES FOR LISTING & COMMENCEMENT OF TRADING

The Issuer shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges are taken within six Working Days of the Bid/ Issue Closing Date. The Registrar to the Issue may initiate corporate action for credit of Equity Shares to the beneficiary account with DPs, Depositories and within six Working Days of the Bid/ Issue Closing Date.

8.2 GROUNDS FOR REFUND

8.2.1 NON RECEIPT OF LISTING PERMISSION

An Issuer makes an application to the Stock Exchange(s) for permission to deal in/ list and for an official quotation of the Equity Shares. All the Stock Exchanges from where such permission is sought are disclosed in RHP/ Prospectus. The Designated Stock Exchange may be as disclosed in the RHP/ Prospectus with which the Basis of Allotment may be finalised.

If the Issuer fails to make application to the Stock Exchange(s) or obtain permission for listing of the Equity Shares, in accordance with the provisions of Section 40 of the Companies Act, 2013, the Issuer shall be punishable with a fine which shall not be less than ₹5 lakhs but which may extend to ₹50 lakhs and every officer of the Issuer who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than ₹50,000 but which may extend to ₹3 lakhs, or with both.

If the permissions to deal in and for an official quotation of the Equity Shares are not granted by any of the Stock Exchange(s), the Issuer may forthwith take steps to refund, without interest, all moneys received from Bidders/ Applicants.

If such money is not refunded to the Bidders/ Applicants within the prescribed time after the Issuer becomes liable to repay it, then the Issuer and every director of the Issuer who is an officer in default may, on and from such expiry of such period, be liable to repay the money, with interest at such rate, as disclosed in the RHP/ Prospectus.

8.2.2 NON RECEIPT OF MINIMUM SUBSCRIPTION

If the Issuer does not receive a minimum subscription of 90% of the Net Issue (excluding any offer for sale of specified securities), including devolvement to the Underwriters, the Issuer may forthwith, take steps to unblock the entire subscription amount received within six Working Days of the Bid/ Issue Closing Date and repay, without interest, all moneys received from Anchor Investors. In case the Issue is in the nature of Offer for Sale only, then minimum subscription may not be applicable. In case of under-subscription in the Issue involving a Fresh Issue and the Offer for Sale, subject to receiving minimum subscription for 90% of the Fresh Issue and complying with Rule 19(2)(b) of the SCRR, the balance subscription in the Offer will be met in the following order of priority: (i) through the sale of all Offered Shares being offered by the Selling Shareholders in the Offer for Sale in proportion to their shareholding in our Company as on the date of the Draft Red Herring Prospectus; and (iii) through the issuance of balance part of the Fresh Issue. The Selling Shareholders agree and acknowledge that in the event that any Equity Shares are not sold in the Offer for Sale on account of under-subscription, such unsold Equity Shares shall be subject to lock-in in accordance with the Red Herring Prospectus and the SEBI ICDR Regulations, 2009.

If there is a delay beyond the prescribed time after the Issuer becomes liable to pay the amount received from Bidders/ Applicants, then the Issuer and every director of the Issuer who is an officer in default may on and from expiry of 15 Working Days, be jointly and severally liable to repay the money, with interest at the rate of 15% per annum in accordance with the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended.

8.2.3 MINIMUM NUMBER OF ALLOTTEES

The Issuer may ensure that the number of prospective Allottees to whom Equity Shares may be Allotted may not be less than 1,000 failing which the entire application monies may be refunded forthwith.

8.2.4 IN CASE OF ISSUES MADE UNDER COMPULSORY BOOK BUILDING

In case an Issuer not eligible under Regulation 26(1) of the SEBI ICDR Regulations, 2009 comes for an Issue under Regulation 26(2) of SEBI (ICDR) Regulations, 2009 but fails to Allot at least 75% of the Net Issue to QIBs, in such case full subscription money is to be refunded.

8.3 MODE OF REFUND

- (a) **In case of ASBA Bids:** Within six Working Days of the Bid/ Issue Closing Date, the Registrar to the Issue may give instructions to SCSBs for unblocking the amount in ASBA Account on unsuccessful Bid and also for any excess amount blocked on Bidding.
- (b) **In case of Anchor Investors:** Within six Working Days of the Bid/ Issue Closing Date, the Registrar to the Issue may dispatch the refund orders for all amounts payable to unsuccessful Anchor Investors.
- (c) In case of Anchor Investors, the Registrar to the Issue may obtain from the depositories, the Bidders'/ Applicants' bank account details, including the MICR code, on the basis of the DP ID, Client ID and PAN provided by the Anchor Investors in their Anchor Investor Application Forms for refunds. Accordingly, Anchor Investors are advised to immediately update their details as appearing on the records of their depositories. Failure to do so may result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay may be at the Anchor Investors' sole risk and neither the Issuer, the Registrar to the Issue, the Banker to the Offer, or the Syndicate, may be liable to compensate the Anchor Investors for any losses caused to them due to any such delay, or liable to pay any interest for such delay. Please note that refunds shall be credited only to the bank account from which the Bid Amount was remitted to the Banker to the Offer.

8.3.1 Electronic mode of making refunds for Anchor Investors

The payment of refund, if any, may be done through various electronic modes as mentioned below:

- (a) **NACH**— National Automated Clearing House which is a consolidated system of ECS. Payment of refund would be done through NACH for Bidders/ Applicants having an account at any of the centres specified by the RBI where such facility has been made available. This would be subject to availability of complete bank account details including Magnetic Ink Character Recognition (MICR) code wherever applicable from the depository. The payment of refund through NACH is mandatory for Bidders/ Applicants having a bank account at any of the centres where NACH facility has been made available by the RBI (subject to availability of all information for crediting the refund through NACH including the MICR code as appearing on a cheque leaf, from the depositories), except where the Bidder/ Applicant is otherwise disclosed as eligible to get refunds through NEFT or Direct Credit or RTGS.
- (b) **NEFT**—Payment of refund may be undertaken through NEFT wherever the branch of the Anchor Investors' bank is NEFT enabled and has been assigned the Indian Financial System Code ("IFSC"), which can be linked to the MICR of that particular branch. The IFSC Code may be obtained from the website of RBI as at a date prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Anchor Investors have registered their nine-digit MICR number and their bank account number while opening and operating the demat account, the same may be duly mapped with the IFSC Code of that particular bank branch and the payment of refund may be made to the Anchor Investors through this method. In the event NEFT is not operationally feasible, the payment of refunds may be made through any one of the other modes as discussed in this section;
- (c) **Direct Credit**—Anchor Investors having their bank account with the Refund Banker may be eligible to receive refunds, if any, through direct credit to such bank account;
- (d) **RTGS**—Anchor Investors having a bank account at any of the centres notified by SEBI where **clearing houses are managed by the RBI, may have the option to receive refunds, if any**, through RTGS; and

Please note that refunds through the abovementioned modes shall be credited only to the bank account from which the Bid Amount was remitted to the Banker to the Offer.

For details of levy of charges, if any, for any of the above methods, Anchor Investors may refer to RHP/ Prospectus.

8.4 INTEREST IN CASE OF DELAY IN ALLOTMENT OR REFUND

The Issuer may pay interest at the rate of 15% per annum, if the Allotment is not made and refund instructions have not been given to the clearing system in the disclosed manner. Instructions for unblocking of funds in the ASBA Account are not dispatched within the 15 days of the Bid/ Issue Closing Date.

The Issuer may pay interest at 15% per annum for any delay beyond 15 days from the Bid/ Issue Closing Date, if Allotment is not made.

SECTION 9: GLOSSARY AND ABBREVIATIONS

Unless the context otherwise indicates or implies, certain definitions and abbreviations used in this document may have the meaning as provided below. References to any legislation, act or regulation may be to such legislation, act or regulation as amended from time to time.

Term	Description
Allotment/ Allot/ Allotted	The allotment of Equity Shares pursuant to the Issue to successful Bidders/ Applicants
Allotment Advice	Note or advice or intimation of Allotment sent to the Bidders/ Applicants who have been Allotted Equity Shares after the Basis of Allotment has been approved by the designated Stock Exchanges
Allottee	An Bidder/ Applicant to whom the Equity Shares are Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion in accordance with the requirements specified in SEBI ICDR Regulations, 2009 and the Red Herring Prospectus.
Anchor Investor Application Form	The form used by an Anchor Investor to make a Bid in the Anchor Investor Portion and which will be considered as an application for Allotment in terms of the Red Herring Prospectus and Prospectus
Anchor Investor Portion	Up to 60% of the QIB Category which may be allocated by the Issuer and the selling shareholders in consultation with the Lead Managers, to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion is reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors
Application Supported by Blocked Amount / ASBA	An application, whether physical or electronic, used by Bidders/ Applicants, other than Anchor Investors, to make a Bid and authorising an SCSB to block the Bid Amount in the specified bank account maintained with such SCSB
ASBA Form	Application form, whether physical or electronic, used by ASBA Bidders/ Applicants, which will be considered as the application for Allotment in terms of the Red Herring Prospectus and the Prospectus
ASBA Account	Account maintained with an SCSB which may be blocked by such SCSB to the extent of the Bid Amount of the Bidder/ Applicant
ASBA Bidder/ Applicant	All Bidders/ Applicants except Anchor Investors
Bankers to the Issue/ Escrow Collection Bank(s)/ Collecting Banker	Banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account(s) for Anchor Investors may be opened, and as disclosed in the RHP/ Prospectus and Bid cum Application Form of the Issuer
Basis of Allotment	Basis on which the Equity Shares may be Allotted to successful Bidders/ Applicants under the Issue
Bid	An indication to make an offer during the Bid/ Issue Period by a prospective Bidder/ Applicants pursuant to submission of Bid cum Application Form or during the Anchor Investor Bid/ Issue Period by the Anchor Investors, to subscribe for or purchase the Equity Shares of the Issuer at a price within the Price Band, including all revisions and modifications thereto. In case of issues undertaken through the fixed price process, all references to a Bid should be construed to mean an Application
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder/ Applicants upon submission of the Bid (except for Anchor Investors), less discounts (if applicable). In case of issues undertaken through the fixed price process, all references to the Bid Amount should be construed to mean the Application Amount
Bid/ Issue Closing Date	Except in the case of Anchor Investors (if applicable), the date after which the Designated Intermediaries may not accept any Bids for the Issue, which may be notified in an English national daily, a Hindi national daily and a regional language newspaper at the place where the registered office of the Issuer is situated, each with wide circulation. Bidders/ Applicants may refer to the RHP/ Prospectus for the Bid/ Issue Closing Date
Bid/ Issue Opening Date	The date on which the Designated Intermediaries may start accepting Bids for the Issue, which may be the date notified in an English national daily, a Hindi national daily and a regional language newspaper at the place where the registered office of the Issuer is situated, each with wide circulation. Bidders/ Applicants may refer to the RHP/ Prospectus for the Bid/ Issue Opening Date
Bid/ Issue Period	Except in the case of Anchor Investors (if applicable), the period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date inclusive of both days and during which prospective ASBA Bidders/ Applicants can submit their Bids, inclusive of any revisions thereof. The Issuer may consider closing the Bid/ Issue Period for QIBs one working day prior to the Bid/ Issue Closing Date in accordance with the SEBI ICDR Regulations, 2009. Bidders/ Applicants may refer to the RHP/ Prospectus for the Bid/ Issue Period
Bidder/ Applicant	Any prospective investor who makes a Bid pursuant to the terms of the RHP/ Prospectus and the Bid cum Application Form. In case of issues undertaken through the fixed price process, all references to a Bidder/ Applicant should be construed to mean an Applicant
Book Built Process/ Book Building Process/ Book Building Method	The book building process as provided under the SEBI ICDR Regulations, 2009, in terms of which the Issue is being made

Term	Description
Broker Centres	Broker centres notified by the Stock Exchanges, where Bidders/ Applicants can submit the ASBA Forms to a Registered Broker. The details of such broker centres, along with the names and contact details of the Registered Brokers are available on the websites of the Stock Exchanges.
BRLM(s)/ Book Running Lead Manager(s)/ Lead Manager/ LM	The Book Running Lead Manager to the Issue as disclosed in the RHP/ Prospectus and the Bid cum Application Form of the Issuer. In case of issues undertaken through the fixed price process, all references to the Book Running Lead Manager should be construed to mean the Lead Manager or LM
Business Day	Monday to Saturday (except 2 nd and 4 th Saturday of a month and public holidays)
CAN/ Confirmation of Allocation Note	Notice or intimation of allocation of the Equity Shares sent to Anchor Investors, who have been allocated the Equity Shares, after the Anchor Investor Bid/ Issue Period
Cap Price	The higher end of the Price Band, above which the Issue Price and the Anchor Investor Issue Price may not be finalised and above which no Bids may be accepted
Client ID	Client Identification Number maintained with one of the Depositories in relation to demat account
Collecting Depository Participant or CDPs	A depository participant as defined under the Depositories Act, 1996, registered with SEBI and who is eligible to procure Bids at the Designated CDP Locations in terms of circular number CIR/ CFD/ POLICYCELL/ 11/ 2015 dated November 10, 2015 issued by SEBI
Cut-off Price	Issue Price, finalised by the Issuer and the selling shareholders in consultation with the Book Running Lead Manager(s), which can be any price within the Price Band. Only RIIs, Retail Individual Shareholders and employees are entitled to Bid at the Cut-off Price. No other category of Bidders/ Applicants are entitled to Bid at the Cut-off Price
DP	Depository Participant
DP ID	Depository Participant's Identification Number
Depositories	National Securities Depository Limited and Central Depository Services (India) Limited
Demographic Details	Details of the Bidders/ Applicants including the Bidders'/ Applicants' address, name of the Applicant's father/ husband, investor status, occupation and bank account details
Designated Branches	Such branches of the SCSBs which may collect the Bid cum Application Forms used by Bidders/ Applicants (excluding Anchor Investors) and a list of which is available on http:// www.sebi.gov.in/ cms/ sebi_data/ attachdocs/ 1316087201341.html
Designated CDP Locations	Such locations of the CDPs where Bidders/ Applicants can submit the ASBA Forms to Collecting Depository Participants. The details of such Designated CDP Locations, along with names and contact details of the Collecting Depository Participants eligible to accept ASBA Forms are available on the websites of the respective Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Date	The date on which funds are transferred by the Banker to the Offer from the Escrow Account and the amounts blocked by the SCSBs are transferred from the ASBA Accounts, as the case may be, to the Public Issue Account or the Refund Account, as appropriate, after the Prospectus is filed with the RoC, following which the board of directors may Allot Equity Shares to successful Bidders/ Applicants in the Fresh Issue may give delivery instructions for the transfer of the Equity Shares constituting the Offer for Sale
Designated Intermediaries	Members of the Syndicate, Sub-Syndicate/ Agents, SCSBs, Registered Brokers, Brokers, the CDPs and RTAs, who are authorised to collect Bid cum Application Forms from the Bidders/ Applicants, in relation to the Issue
Designated RTA Locations	Such locations of the RTAs where Bidders/ Applicants can submit the ASBA Forms to RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the websites of the respective Stock Exchanges (www.bseindia.com and www.nseindia.com)
Designated Stock Exchange	The designated stock exchange as disclosed in the RHP/ Prospectus of the Issuer
Discount	Discount to the Issue Price that may be provided to Bidders/ Applicants in accordance with the SEBI ICDR Regulations, 2009.
Draft Prospectus	The draft prospectus filed with SEBI in case of Fixed Price Issues and which may mention a price or a Price Band
Employees	Employees of an Issuer as defined under SEBI ICDR Regulations, 2009 and including, in case of a new company, persons in the permanent and full time employment of the promoting companies excluding the promoters and immediate relatives of the promoters. For further details, Bidder/ Applicant may refer to the RHP/ Prospectus
Equity Shares	Equity Shares of the Issuer
Escrow Account	Account opened with the Banker to the Offer and in whose favour the Anchor Investors may transfer money through NEFT, direct credit or RTGS in respect of the Bid Amount when submitting a Bid

Term	Description
Escrow Agreement	Agreement to be entered into among the Issuer, the Registrar to the Issue, the Book Running Lead Manager(s), the Syndicate Member(s), the Banker to the Offer and the Refund Bank(s) for collection of the Bid Amounts from Anchor Investors and where applicable, remitting refunds of the amounts collected to the Anchor Investors on the terms and conditions thereof
Banker to the Offer	Refer to definition of Banker to the Issue
FCNR Account	Foreign Currency Non-Resident Account
First Bidder/ Applicant	The Bidder/ Applicant whose name appears first in the Bid cum Application Form or Revision Form
Fixed Price Issue/ Fixed Price Process/ Fixed Price Method	The Fixed Price process as provided under SEBI ICDR Regulations, 2009, in terms of which the Issue is being made
Floor Price	The lower end of the Price Band, at or above which the Issue Price and the Anchor Investor Issue Price may be finalised and below which no Bids may be accepted, subject to any revision thereto
FPIs	Foreign Portfolio Investors as defined under the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2014
FPO	Further public offering
Foreign Venture Capital Investors or FVCIs	Foreign Venture Capital Investors as defined and registered with SEBI under the SEBI (Foreign Venture Capital Investors) Regulations, 2000
IPO	Initial public offering
Issue	Public issue of Equity Shares of the Issuer including the Offer for Sale if applicable
Issuer/ Company	The Issuer proposing the initial public offering/ further public offering as applicable
Issue Price	The final price, less discount (if applicable) at which the Equity Shares may be Allotted to Bidders/ Applicants other than Anchor Investors, in terms of the Prospectus. Equity Shares will be Allotted to Anchor Investors at the Anchor Investor Issue Price The Issue Price may be decided by the Issuer and the selling shareholders in consultation with the Book Running Lead Manager(s)
Locations	Bidding centres where the syndicate shall accept ASBA Forms from Bidders/ Applicants
Maximum RIB Allottees	The maximum number of RIBs who can be Allotted the minimum Bid Lot. This is computed by dividing the total number of Equity Shares available for Allotment to RIBs by the minimum Bid Lot.
MICR	Magnetic Ink Character Recognition - nine-digit code as appearing on a cheque leaf
Mutual Fund	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
Mutual Funds Portion	5% of the QIB Category (excluding the Anchor Investor Portion) available for allocation to Mutual Funds only, being such number of equity shares as disclosed in the RHP/ Prospectus and Bid cum Application Form
NEFT	National Electronic Fund Transfer
NRE Account	Non-Resident External Account
NRI	NRIs from such jurisdictions outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the RHP/ Prospectus constitutes an invitation to subscribe to or purchase the Equity Shares
NRO Account	Non-Resident Ordinary Account
Net Issue	The Issue
Non-Institutional Investors or NIBs	All Bidders/ Applicants, including FPIs which are Category III foreign portfolio investors, that are not QIBs or RIBs and who have Bid for Equity Shares for an amount of more than ₹200,000 (but not including NRIs other than Eligible NRIs)
Non-Institutional Category	The portion of the Issue being such number of Equity Shares available for allocation to NIBs on a proportionate basis and as disclosed in the RHP/ Prospectus and the Bid cum Application Form
Non-Resident	A person resident outside India, as defined under FEMA and includes Eligible NRIs, FPIs and FVCIs registered with SEBI
OCB/ Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date had taken benefits under the general permission granted to OCBs under FEMA
Offer for Sale	Public offer of such number of Equity Shares as disclosed in the RHP/ Prospectus through an offer for sale by the Selling Shareholders
Other Investors	Investors other than Retail Individual Investors in a Fixed Price Issue. These include individual applicants other than retail individual investors and other investors including corporate bodies or institutions irrespective of the number of specified securities applied for
PAN	Permanent Account Number allotted under the Income Tax Act, 1961

Term	Description
Price Band	Price Band with a minimum price, being the Floor Price and the maximum price, being the Cap Price and includes revisions thereof. The Price Band and the minimum Bid lot size for the Issue may be decided by the Issuer and the selling shareholders in consultation with the Book Running Lead Manager(s) and advertised, at least five working days in case of an IPO and one working day in case of FPO, prior to the Bid/ Issue Opening Date, in English national daily, Hindi national daily and regional language at the place where the registered office of the Issuer is situated, newspaper each with wide circulation
Pricing Date	Date on which the Issuer and the selling shareholders in consultation with the Book Running Lead Manager(s), finalise the Issue Price
Prospectus	Prospectus to be filed with the RoC in accordance with Section 26 of the Companies Act, 2013 after the Pricing Date, containing the Issue Price, the size of the Issue and certain other information
Public Issue Account	Bank account opened with the Banker to the Issue to receive monies from the Escrow Account and from the ASBA Accounts on the Designated Date
QIB Category	The portion of the Issue being such number of Equity Shares to be Allotted to QIBs on a proportionate basis
Qualified Institutional Buyers or QIBs	As defined under SEBI ICDR Regulations, 2009
RTGS	Real Time Gross Settlement
Red Herring Prospectus/ RHP	The red herring prospectus issued in accordance with Section 32 of the Companies Act, 2013, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The RHP may be filed with the RoC at least three days before the Bid/ Issue Opening Date and may become a Prospectus upon filing with the RoC after the Pricing Date. In case of issues undertaken through the fixed price process, all references to the RHP should be construed to mean the Prospectus
Refund Account(s)	The account opened with Refund Bank(s), from which refunds to Anchor Investors, if any, of the whole or part of the Bid Amount may be made
Refund Bank(s)	Refund bank(s) as disclosed in the RHP/ Prospectus and Bid cum Application Form of the Issuer
Registrar and Share Transfer Agents or RTAs	Registrar and share transfer agents registered with SEBI and eligible to procure Bids at the Designated RTA Locations in terms of circular number CIR/ CFD/ POLICYCELL/ 11/ 2015 dated November 10, 2015 issued by SEBI
Registered Broker	Stock Brokers registered with the Stock Exchanges having nationwide terminals, other than the members of the Syndicate
Registrar to the Issue/ RTO	The Registrar to the Issue as disclosed in the RHP/ Prospectus and Bid cum Application Form
Reserved Category/ Categories	Categories of persons eligible for making application/ Bidding under reservation portion
Reservation Portion	The portion of the Issue reserved for such category of eligible Bidders/ Applicants as provided under the SEBI ICDR Regulations, 2009
Retail Individual Investors/ RIIs	Investors who applies or bids for a value of not more than ₹200,000
Retail Individual Shareholders	Shareholders of a listed Issuer who applies or bids for a value of not more than ₹200,000.
Retail Category	The portion of the Issue being such number of Equity Shares available for allocation to RIIs which shall not be less than the minimum Bid Lot, subject to availability in RII category and the remaining shares to be Allotted on proportionate basis.
Revision Form	The form used by the Bidders/ Applicants in an issue through Book Building Process to modify the quantity of Equity Shares and/ or bid price indicated therein in any of their Bid cum Application Forms or any previous Revision Form(s)
RoC	The Registrar of Companies
SEBI	The Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992
SEBI ICDR Regulations, 2009	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009
Self Certified Syndicate Bank(s) or SCSB(s)	A bank registered with SEBI, which offers the facility of ASBA and a list of which is available on http:// www.sebi.gov.in/ cms/ sebi_data/ attachdocs/ 1316087201341.html
Stock Exchanges/ SE	The stock exchanges as disclosed in the RHP/ Prospectus of the Issuer where the Equity Shares Allotted pursuant to the Issue are proposed to be listed
Specified Locations	Bidding centres where the Syndicate shall accept Bid cum Application Forms
Syndicate	The Book Running Lead Manager(s) and the Syndicate Member
Syndicate Agreement	The agreement to be entered into among the Issuer, and the Syndicate in relation to collection of ASBA Forms by Syndicate Members

Term	Description
Syndicate Member(s)/ SM	The Syndicate Member(s) as disclosed in the RHP/ Prospectus
Underwriters	The Book Running Lead Manager(s) and the Syndicate Member(s)
Underwriting Agreement	The agreement among the Issuer, and the Underwriters to be entered into on or after the Pricing Date
Working Day	All days other than the second and fourth Saturdays of each month, Sundays or public holidays, on which commercial banks in Mumbai are open for business; provided however, when referring to (a) announcement of Price Band; and (b) Bid/ Issue Period, the term shall mean all days, excluding Saturdays, Sundays and public holidays, on which commercial banks in Mumbai are open for business; and (c) the time period between the Bid/ Issue Closing Date and the listing of the Equity Shares on the Stock Exchanges, shall mean all trading days of Stock Exchanges, excluding Sundays and bank holidays, as per the SEBI Circular SEBI/ HO/ CFD/ DIL/ CIR/ P/ 2016/ 26 dated January 21, 2016

SECTION VIII: MAIN PROVISIONS OF ARTICLES OF ASSOCIATION

The Articles of Association of the Company comprise of two parts, Part I and Part II, which parts shall, unless the context otherwise requires, co-exist with each other. In case of inconsistency between Part I and Part II, the provisions of Part II shall be applicable. However, Part II shall automatically terminate and cease to have any force and effect from the date of listing of Equity Shares of the Company on a recognized stock exchange in India pursuant to an initial public offering of the Equity Shares of the Company without any further action, including any corporate action, by the Company or by the Shareholders.

PART I

1. CONSTITUTION OF THE COMPANY

- a) *The regulations contained in table “F” of schedule I to the Companies Act, 2013 shall apply only in so far as the same are not provided for or are not inconsistent with these Articles.*
- b) *The regulations for the management of the Company and for the observance of the Shareholders thereof and their representatives shall be such as are contained in these Articles, subject however to the exercise of the statutory powers of the Company in respect of repeal, additions, alterations, substitution, modifications and variations thereto by Special Resolution as prescribed by the Companies Act, 2013.*

2. INTERPRETATION

A. DEFINITIONS

In the interpretation of these Articles the following words and expressions shall have the following meanings unless repugnant to the subject or context.

- a. **“Act”** means the Companies Act, 2013 (to the extent that such enactment is in force and applicable to the context in which such term is used herein), and all rules and clarifications issued thereunder or the Companies Act, 1956 and the rules issued thereunder (to the extent that such enactment is in force and applicable to the context in which such term is used herein), and shall include all amendments, modifications and re-enactments of the foregoing. Reference to Act shall also include the Secretarial Standards issued by the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980.
- b. **“ADRs”** shall mean American Depositary Receipts representing ADSs.
- c. **“Annual General Meeting”** shall mean a General Meeting of the holders of Equity Shares held in accordance with the applicable provisions of the Act.
- d. **“ADSs”** shall mean American Depositary Shares, each of which represents a certain number of Equity Shares.
- e. **“Articles”** shall mean these articles of association as adopted or as from time to time altered in accordance with the provisions of these Articles and the Act.
- f. **“Auditors”** shall mean and include those persons appointed as such for the time being by the Company.
- g. **“Board”** shall mean the board of directors of the Company, as constituted from time to time, in accordance with law and the provisions of these Articles.
- h. **“Board Meeting”** shall mean any meeting of the Board, as convened from time to time and any adjournment thereof, in accordance with law and the provisions of these Articles.
- i. **“Beneficial Owner”** shall mean beneficial owner as defined in Clause (a) of subsection (1) of section 2 of the Depositories Act.
- j. **“Business Day”** shall mean a day, not being a Saturday or a Sunday or public holiday, on which banks are open for business in Hyderabad, India and, in the context of a payment being made to or from a scheduled commercial bank in a place other than India, in such other place.
- k. **“Capital” or “Share Capital”** shall mean the share capital for the time being, raised or authorised to be raised for the purpose of the Company.

- l. **“Chairman”** shall mean such person as is nominated or appointed in accordance with Article 37 herein below.
- m. **“Companies Act, 1956”** shall mean the Companies Act, 1956 (Act I of 1956), as may be in force for the time being.
- n. **“Company” or “this Company”** shall mean **SPANDANA SPHOORTY FINANCIAL LIMITED**.
- o. **“Committees”** shall mean a committee constituted in accordance with Article 74.
- p. **“Debenture”** shall have the meaning assigned to it under the Act.
- q. **“Depositories Act”** shall mean The Depositories Act, 1996 and shall include any statutory modification or re-enactment thereof.
- r. **“Depository”** shall mean a depository as defined in Clause (e) of sub-section (1) of section 2 of the Depositories Act.
- s. **“Director”** shall mean any director of the Company, including alternate directors, independent directors and nominee directors appointed in accordance with law and the provisions of these Articles.
- t. **“Dividend”** shall include interim dividends.
- u. **“Equity Share Capital”** shall mean the total issued and paid-up equity share capital of the Company, calculated on a Fully Diluted Basis.
- v. **“Equity Shares”** shall mean fully paid-up equity shares of the Company having a par value of INR **10/-** (Rupees **Ten**) per equity share, and INR **10/-** (Rupees **Ten**) vote per equity share or any other issued Share Capital of the Company that is reclassified, reorganized, reconstituted or converted into equity shares.
- w. **“Executor” or “Administrator”** shall mean a person who has obtained probate or letters of administration, as the case may be, from a court of competent jurisdiction and shall include the holder of a succession certificate authorizing the holder thereof to negotiate or transfer the Securities of the deceased Shareholder and shall also include the holder of a certificate granted by the Administrator-General appointed under the Administrator Generals Act, 1963.
- x. **“Extraordinary General Meeting”** shall mean an extraordinary general meeting of the holders of Equity Shares duly called and constituted in accordance with the provisions of the Act;
- y. **“Financial Year”** shall mean any fiscal year of the Company, beginning on April 1 of each calendar year and ending on March 31 of the following calendar year.
- z. **“Fully Diluted Basis”** shall mean, in reference to any calculation, that the calculation should be made in relation to the equity share capital of any Person, assuming that all outstanding convertible preference shares or debentures, options, warrants and other equity securities convertible into or exercisable or exchangeable for equity shares of that Person (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged to the maximum number of equity shares possible under the terms thereof.
- aa. **“GDRs”** shall mean the registered Global Depositary Receipts, representing GDSs.
- bb. **“GDSs”** shall mean the Global Depositary Shares, each of which represents a certain number of Equity Shares.
- cc. **“General Meeting”** shall mean a meeting of holders of Equity Shares and any adjournment thereof and constituted in accordance with the provisions of the Act.
- dd. **“Independent Director”** shall mean an independent director as defined under the Act and under the SEBI Listing Regulations.
- ee. **“India”** shall mean the Republic of India.

- ff. **“Investor Designee”** means Kedaara Capital I Limited or any Affiliate of Kedaara Capital I Limited that may be intimated in writing by Kangchenjunga Limited to the Company.
- gg. **“Law”** shall mean all applicable provisions of all (i) constitutions, treaties, statutes, laws (including the common law), codes, rules, regulations, circulars, ordinances or orders of any governmental authority and SEBI, including the Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 2015, (ii) governmental approvals or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or adjudication having the force of law of any of the foregoing, by any governmental authority having jurisdiction over the matter in question, (iii) orders, decisions, injunctions, judgments, awards and decrees of or agreements with any governmental authority or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or adjudication having the force of law of any of the foregoing by any governmental authority having jurisdiction over the matter in question, (iv) rules, policy, regulations or requirements of any stock exchanges, (v) international treaties, conventions and protocols, and (vi) Indian GAAP or any other generally accepted accounting principles.
- hh. **“Managing Director”** shall have the meaning assigned to it under the Act.
- ii. **“MCA”** shall mean the Ministry of Corporate Affairs, Government of India.
- jj. **“Memorandum”** shall mean the memorandum of association of the Company, as amended from time to time.
- kk. **“Office”** shall mean the registered office for the time being of the Company.
- ll. **“Officer”** shall have the meaning assigned thereto by Section 2(59) of the Act.
- mm. **“Ordinary Resolution”** shall have the meaning assigned thereto by Section 114 of the Act.
- nn. **“Paid up”** shall include the amount credited as paid up.
- oo. **“Person”** shall mean any natural person, sole proprietorship, partnership, company, body corporate, governmental authority, joint venture, trust, association or other entity (whether registered or not and whether or not having separate legal personality).
- pp. **“Promoters”** shall mean Kangchenjunga Limited and Padmaja Gangireddy.
- qq. **“Register of Members”** shall mean the register of shareholders to be kept pursuant to Section 88 of the Act.
- rr. **“Registrar”** shall mean the Registrar of Companies, from time to time having jurisdiction over the Company.
- ss. **“Rules”** shall mean the rules made under the Act and notified from time to time.
- tt. **“Seal”** shall mean the common seal(s) for the time being of the Company.
- uu. **“SEBI”** shall mean the Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992.
- vv. **“SEBI Listing Regulations”** shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- ww. **“Secretary”** shall mean a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980 who is appointed by a company to perform the functions of a company secretary under the Act.
- xx. **“Securities”** shall mean any Equity Shares or any other securities, debentures, warrants or options whether or not, directly or indirectly convertible into, or exercisable or exchangeable into or for Equity Shares.
- yy. **“Share Equivalents”** shall mean any Debentures, preference shares, foreign currency convertible bonds, floating rate notes, options (including options to be approved by the Board (whether or not issued) pursuant to an employee stock option plan) or warrants or other Securities or rights which are by their terms convertible or exchangeable into Equity Shares.
- zz. **“Shareholder”** shall mean any shareholder of the Company, from time to time.

- aaa. **“Shareholders’ Meeting”** shall mean any meeting of the Shareholders of the Company, including Annual General Meetings as well as Extraordinary General Meetings of the Shareholders of the Company, convened from time to time in accordance with Law and the provisions of these Articles.
- bbb. **“Special Resolution”** shall have the meaning assigned to it under Section 114 of the Act.
- ccc. **“Transfer”** shall mean (i) any, direct or indirect, transfer or other disposition of any shares, securities (including convertible securities), or voting interests or any interest therein, including, without limitation, by operation of Law, by court order, by judicial process, or by foreclosure, levy or attachment; (ii) any, direct or indirect, sale, assignment, gift, donation, redemption, conversion or other disposition of such shares, securities (including convertible securities) or voting interests or any interest therein, pursuant to an agreement, arrangement, instrument or understanding by which legal title to or beneficial ownership of such shares, securities (including convertible securities) or voting interests or any interest therein passes from one Person to another Person or to the same Person in a different legal capacity, whether or not for value; (iii) the granting of any security interest or encumbrance in, or extending or attaching to, such shares, securities (including convertible securities) or voting interests or any interest therein, and the word **“Transferred”** shall be construed accordingly.
- ddd. **“Tribunal”** shall mean the National Company Law Tribunal constituted under Section 408 of the Act.

B. CONSTRUCTION

In these Articles (unless the context requires otherwise):

- (i) References to a party shall, where the context permits, include such party’s respective successors, legal heirs and permitted assigns.
- (ii) The descriptive headings of Articles are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of content thereof and shall not be used to interpret the provisions of these Articles and shall not affect the construction of these Articles.
- (iii) References to articles and sub-articles are references to Articles and sub-articles of and to these Articles unless otherwise stated and references to these Articles include references to the articles and sub-articles herein.
- (iv) Words importing the singular include the plural and vice versa, pronouns importing a gender include each of the masculine, feminine and neuter genders, and where a word or phrase is defined, other parts of speech and grammatical forms of that word or phrase shall have the corresponding meanings.
- (v) Wherever the words “include,” “includes,” or “including” is used in these Articles, such words shall be deemed to be followed by the words “without limitation”.
- (vi) The terms “hereof”, “herein”, “hereto”, “hereunder” or similar expressions used in these Articles mean and refer to these Articles and not to any particular Article of these Articles, unless expressly stated otherwise.
- (vii) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of such period is not a Business Day; and whenever any payment is to be made or action to be taken under these Articles is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following.
- (viii) A reference to a party being liable to another party, or to liability, includes, but is not limited to, any liability in equity, contract or tort (including negligence).
- (ix) Reference to statutory provisions shall be construed as meaning and including references also to any amendment or re-enactment for the time being in force and to all statutory instruments or orders made pursuant to such statutory provisions.
- (x) References to any particular number or percentage of securities of a Person (whether on a Fully Diluted Basis or otherwise) shall be adjusted for any form of restructuring of the share capital of that Person, including without limitation, consolidation or subdivision or splitting of its shares, issue of bonus shares, issue of shares in a scheme of arrangement (including amalgamation or de-merger) and reclassification of equity shares or variation of rights into other kinds of securities.

- (xi) References made to any provision of the Act shall be construed as meaning and including the references to the rules and regulations made in relation to the same by the MCA. The applicable provisions of the Companies Act, 1956 shall cease to have effect from the date on which the corresponding provisions under the Companies Act, 2013 have been notified.
- (xii) In the event any of the provisions of the Articles are contrary to the provisions of the Act and the Rules, the provisions of the Act and Rules will prevail.

3. EXPRESSIONS IN THE ACT AND THESE ARTICLES

Save as aforesaid, any words or expressions defined in the Act or the Depositories Act or the SEBI Listing Regulations, shall, as the case may be, if not inconsistent with the subject or context, bear the same meaning in these Articles.

4. SHARE CAPITAL

- (i) The authorised Share Capital of the Company shall be as stated under Clause V of the Memorandum of Association of the Company from time to time.
- (ii) The Company has power, from time to time, to increase its authorised or issued and Paid up Share Capital in accordance with the Act, applicable Law and these Articles.
- (iii) The Share Capital of the Company may be classified into shares with differential rights as to dividend, voting or otherwise in accordance with the applicable provisions of the Act, Rules, and Law, from time to time.
- (iv) Subject to Article 4(iii), all Equity Shares shall be of the same class and shall be alike in all respects and the holders thereof shall be entitled to identical rights and privileges including without limitation to identical rights and privileges with respect to dividends, voting rights, and distribution of assets in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company.
- (v) The Board may allot and issue shares of the Company as payment or part payment for any property purchased by the Company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the Company in or about the formation of the Company or the acquisition and/or in the conduct of its business or for any goodwill provided to the Company; and any shares which may be so allotted may be issued as fully/partly Paid up shares and if so issued shall be deemed as fully/partly Paid up shares. However, the aforesaid shall be subject to the approval of shareholders under the relevant provisions of the Act and Rules.
- (vi) The amount payable on application on each share shall not be less than 5 per cent of the nominal value of the share or, as may be specified by SEBI.
- (vii) Nothing herein contained shall prevent the Directors from issuing fully Paid up shares either on payment of the entire nominal value thereof in cash or in satisfaction of any outstanding debt or obligation of the Company.
- (viii) Except so far as otherwise provided by the conditions of issue or by these presents, any Capital raised by the creation of new shares, shall be considered as part of the existing Capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.
- (ix) All of the provisions of these Articles shall apply to the Shareholders.
- (x) Any application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein, shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purposes of these Articles be a Shareholder.
- (xi) The money, (if any), which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise, in respect of any shares allotted by them, shall immediately on the insertion of the name of the allottee, in the Register of Members as the name of the holder of such shares, become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

5. BRANCH OFFICES

The Company shall have the power to establish one or more branch offices, in addition to the Office, in such places at its Board may deem fit.

6. PREFERENCE SHARES

(a) Redeemable Preference Shares

The Company, subject to the applicable provisions of the Act and the consent of the Board, shall have the power to issue on a cumulative or non-cumulative basis, preference shares liable to be redeemed in any manner permissible under the Act and the Directors may, subject to the applicable provisions of the Act, exercise such power in any manner as they deem fit and provide for redemption of such shares on such terms including the right to redeem at a premium or otherwise as they deem fit.

(b) Convertible Redeemable Preference Shares

The Company, subject to the applicable provisions of the Act and the consent of the Board, shall have power to issue on a cumulative or non-cumulative basis convertible redeemable preference shares liable to be redeemed in any manner permissible under the Act and the Directors may, subject to the applicable provisions of the Act, exercise such power as they deem fit and provide for redemption at a premium or otherwise and/or conversion of such shares into such Securities on such terms as they may deem fit.

7. PROVISIONS IN CASE OF PREFERENCE SHARES.

Upon the issue of preference shares pursuant to Article 6 above, the following provisions shall apply:

- (a) No such preference shares shall be redeemed except out of profits of the Company which would otherwise be available for Dividend or out of the proceeds of a fresh issue of shares made for the purposes of the redemption;
- (b) No such preference shares shall be redeemed unless they are fully paid;
- (c) The premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's securities premium account, before the preference shares are redeemed;
- (d) Where any such preference shares are proposed to be redeemed out of the profits of the Company, there shall, out of such profits, be transferred, a sum equal to the nominal amount of the preference shares to be redeemed, to a reserve, to be called the "**Capital Redemption Reserve Account**" and the applicable provisions of the Act relating to the reduction of the Share Capital of the Company shall, except as provided by Section 55 of the Act, apply as if the Capital Redemption Reserve Account were Paid up Share Capital of the Company;
- (e) The redemption of preference shares under this Article by the Company shall not be taken as reduction of Share Capital;
- (f) The Capital Redemption Reserve Account may, notwithstanding anything in this Article, be applied by the Company, in paying up un-issued shares of the Company to be issued to the Shareholders as fully paid bonus shares; and
- (g) Whenever the Company shall redeem any redeemable preference shares or cumulative convertible redeemable preference shares, the Company shall, within 30 (thirty) days thereafter, give notice thereof to the Registrar of Companies as required by Section 64 of the Act.

8. SHARE EQUIVALENT

The Company shall, subject to the applicable provisions of the Act, compliance with Law and the consent of the Board, have the power to issue Share Equivalents on such terms and in such manner as the Board deems fit including their conversion, repayment, and redemption whether at a premium or otherwise.

9. ADRs/ GDRs

The Company shall, subject to the applicable provisions of the Act, compliance with all Laws and the consent of the Board, have the power to issue ADRs or GDRs on such terms and in such manner as the Board deems fit including their conversion and repayment. Such terms may include at the discretion of the Board, limitations on voting by holders of ADRs or GDRs, including without limitation, exercise of voting rights, in accordance with the directions of the Board.

10. ALTERATION OF SHARE CAPITAL

Subject to these Articles and Section 61 of the Act, the Company may, by Ordinary Resolution in General Meeting from time to time, alter the conditions of its Memorandum as follows, that is to say, it may:

- (a) increase its Share Capital by such amount as it thinks expedient;
- (b) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
Provided that no consolidation and division which results in changes in the voting percentage of Shareholders shall take effect unless it is approved by the Tribunal on an application made in the prescribed manner;
- (c) convert all or any of its fully Paid up shares into stock and reconvert that stock into fully Paid up shares of any denomination;
- (d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum, so however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and
- (e) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any Person, and diminish the amount of its Share Capital by the amount of the shares so cancelled. A cancellation of shares in pursuance of this Article shall not be deemed to be a reduction of Share Capital within the meaning of the Act.

11. REDUCTION OF SHARE CAPITAL

The Company may, subject to the applicable provisions of the Act, from time to time, reduce its Capital, any capital redemption reserve account and the securities premium account in any manner for the time being authorized by Law. This Article is not to derogate any power the Company would have under Law, if it were omitted.

12. POWER OF COMPANY TO PURCHASE ITS OWN SECURITIES

Pursuant to a resolution of the Board or a Special Resolution of the Shareholders, as required under the Act, the Company may purchase its own shares or other Securities, as may be specified by the Act read with the Rules made thereunder from time to time, and as may be prescribed by the MCA or the SEBI, by way of a buy-back arrangement, in accordance with Sections 68, 69 and 70 of the Act, the Rules and subject to compliance with the Law.

13. POWER TO MODIFY RIGHTS

Where, the Capital, is divided (unless otherwise provided by the terms of issue of the shares of that class) into different classes of shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Section 48 of the Act and the Law, and whether or not the Company is being wound up, be modified, commuted, affected or abrogated or dealt with by agreement between the Company and any Person purporting to contract on behalf of that class, provided the same is effected with consent in writing and by way of a Special Resolution passed at a separate meeting of the holders of the issued shares of that class. Subject to provisions of the Act and applicable Law, all provisions hereafter contained as to General Meetings (including the provisions relating to quorum at such meetings) shall *mutatis mutandis* apply to every such meeting.

14. REGISTERS TO BE MAINTAINED BY THE COMPANY

- (a) The Company shall, in terms of the provisions of Section 88 of the Act and the provisions of the Depositories Act, cause to be kept the following registers in terms of the applicable provisions of the Act
 - (i) A Register of Members indicating separately for each class of Equity Shares and preference shares held by each Shareholder residing in or outside India;
 - (ii) A register of Debenture holders; and
 - (iii) A register of any other security holders.
- (b) The Company shall also be entitled to keep in any country outside India, a part of the registers referred above, called “foreign register” containing names and particulars of the Shareholders, Debenture holders or holders of other Securities or beneficial owners residing outside India.

- (c) The registers mentioned in this Article shall be kept and maintained in the manner prescribed under the Companies (Management and Administration) Rules, 2014.

15. SHARES AND SHARE CERTIFICATES

- (a) The Company shall issue, re-issue and issue duplicate share certificates in accordance with the provisions of the Act and in the form and manner prescribed under the Companies (Share Capital and Debentures) Rules, 2014.
- (b) A duplicate certificate of shares may be issued, if such certificate:
 - i. is proved to have been lost or destroyed; or
 - ii. has been defaced, mutilated or torn and is surrendered to the Company.
- (c) The Company shall be entitled to dematerialize its existing shares, rematerialize its shares held in the depository and/or to offer its fresh shares in a dematerialized form pursuant to the Depositories Act, and the rules framed thereunder, if any.
- (d) A certificate, issued under the common seal of the Company, specifying the shares held by any Person shall be *prima facie* evidence of the title of the Person to such shares. Where the shares are held in depository form, the record of Depository shall be the *prima facie* evidence of the interest of the beneficial owner.
- (e) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deems adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate, within a period of 30 days from the receipt of such lodgement. Every certificate under the Articles shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rupees two for each certificate) as the Directors shall prescribe. Provided that, no fee shall be charged for issue of a new certificate in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above, the Directors shall comply with the applicable provisions of the Act and Law.

- (f) The provisions of this Article shall *mutatis mutandis* apply to Debentures and other Securities of the Company.
- (g) When a new share certificate has been issued in pursuance of sub-article (e) of this Article, it shall be in the form and manner stated under the Companies (Share Capital and Debentures) Rules, 2014.
- (h) Where a new share certificate has been issued in pursuance of sub-articles (e) or (f) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates maintained in the form and manner specified under the Companies (Share Capital and Debentures) Rules, 2014.
- (i) All blank forms to be used for issue of share certificates shall be printed and the printing shall be done only on the authority of a Resolution of the Board. The blank forms shall be consecutively machine-numbered and the forms and the blocks, engravings, facsimiles and hues relating to the printing of such forms shall be kept in the custody of the Secretary or of such other person as the Board may authorize for the purpose and the Secretary or the other person aforesaid shall be responsible for rendering an account of these forms to the Board.
- (j) The Secretary shall be responsible for the maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates including the blank forms of the share certificate referred to in sub-article (h) of this Article.
- (k) All books referred to in sub-article (i) of this Article, shall be preserved in the manner specified in the Companies (Share Capital and Debentures) Rules, 2014.
- (l) The details in relation to any renewal or duplicate share certificates shall be entered into the register of renewed and duplicate share certificates, as prescribed under the Companies (Share Capital and Debentures) Rules, 2014.
- (m) If any Share stands in the names of 2 (two) or more Persons, the Person first named in the Register of Members shall as regards receipt of Dividends or bonus, or service of notices and all or any other matters connected with the Company except voting at meetings and the transfer of shares, be deemed the sole holder thereof, but the joint

holders of a share shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such shares, and for all incidents thereof according to these Articles.

- (n) Except as ordered by a court of competent jurisdiction or as may be required by Law, the Company shall be entitled to treat the Shareholder whose name appears on the Register of Members as the holder of such share or whose name appears as the beneficial owner of shares in the records of the Depository, as the absolute owner thereof and accordingly shall not be bound to recognise any *benami*, trust or equity or equitable, contingent or other claim to or interest in such share on the part of any other Person whether or not such Shareholder shall have express or implied notice thereof. The Board shall be entitled at their sole discretion to register any shares in the joint names of any 2 (two) or more Persons or the survivor or survivors of them.

16. SHARES AT THE DISPOSAL OF THE DIRECTORS

- (a) Subject to the provisions of Section 62 and other applicable provisions of the Act, and these Articles, the shares in the Capital of the Company for the time being (including any shares forming part of any increased Capital of the Company) shall be under the control of the Board who may issue, allot or otherwise dispose of the same or any of them to Persons in such proportion and on such terms and conditions and either at a premium or at par or at discount (subject to compliance with Section 53 of the Act) at such time as they may, from time to time, think fit. to give to any person or persons the option or right to call for any shares either at par or premium or at a discount subject to the provisions of the Act during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid up shares. Provided that option or right to call shares shall not be given to any Person or Persons without the sanction of the Company in the General Meeting.
- (b) Subject to applicable Law, the Directors are hereby authorised to issue Equity Shares or Debentures (whether or not convertible into Equity Shares) for offer and allotment to such of the officers, employees and workers of the Company as the Directors may decide or the trustees of such trust as may be set up for the benefit of the officers, employees and workers in accordance with the terms and conditions of such scheme, plan or proposal as the Directors may formulate. Subject to the consent of the stock exchanges and SEBI, the Directors may impose the condition that the Equity Shares or Debentures of the Company so allotted shall not be transferable for a specified period.
- (c) If, by the conditions of allotment of any share, the whole or part of the amount thereof shall be payable by installments, every such installment shall, when due, be paid to the Company by the person who, for the time being, shall be the registered holder of the shares or by his Executor or Administrator.
- (d) Every Shareholder, or his heirs, Executors, or Administrators shall pay to the Company, the portion of the Capital represented by his share or shares which may for the time being remain unpaid thereon in such amounts at such time or times and in such manner as the Board shall from time to time in accordance with the Articles require or fix for the payment thereof.
- (e) In accordance with Section 56 and other applicable provisions of the Act and the Rules:
 - (i) Every Shareholder or allottee of shares shall be entitled without payment, to receive one or more certificates specifying the name of the Person in whose favour it is issued, the shares to which it relates and the amount paid up thereon. Such certificates shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of its letter of allotment or its fractional coupon of requisite value, save in cases of issue of share certificates against letters of acceptance or of renunciation, or in cases of issue of bonus shares. Such share certificates shall also be issued in the event of consolidation or sub-division of shares of the Company. Every such certificate shall be issued in the manner prescribed under Section 46 of the Act and the Rules framed thereunder. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the Person, to whom it has been issued, indicating the date of issue.
 - (ii) Every Shareholder shall be entitled, without payment, to one or more certificates, in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within 2 (two) months from the date of allotment, or within 1 (one) month of the receipt of instrument of transfer, transmission, sub-division, consolidation or renewal of its shares as the case may be. Every certificate of shares shall be in the form and manner as specified in Article 15 above and in respect of a share or shares held jointly by several Persons, the Company shall not be bound to issue more than one certificate and

delivery of a certificate of shares to the first named joint holders shall be sufficient delivery to all such holders. For any further certificate, the Board shall be entitled, but shall not be bound to prescribe a charge not exceeding rupees two.

- (iii) the Board may, at their absolute discretion, refuse any applications for the sub-division of share certificates or debenture certificates, into denominations less than marketable lots except where sub-division is required to be made to comply with any statutory provision or an order of a competent court of law or at a request from a Shareholder or to convert holding of odd lot into transferable/marketable lot.
- (iv) A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other material used for the purpose.

17. UNDERWRITING AND BROKERAGE

- (a) Subject to the applicable provisions of the Act, the Company may at any time pay a commission to any Person in consideration of his subscribing or agreeing to subscribe or procuring or agreeing to procure subscription, (whether absolutely or conditionally), for any shares or Debentures in the Company in accordance with the provisions of the Companies (Prospectus and Allotment of Securities) Rules, 2014.
- (b) The Company may also, on any issue of shares or Debentures, pay such brokerage as may be lawful.

18. CALLS

- (a) Subject to the provisions of Section 49 of the Act, the Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board, (and not by circular resolution), make such call as it thinks fit upon the Shareholders in respect of all money unpaid on the shares held by them respectively and each Shareholder shall pay the amount of every call so made on him to the Person or Persons and Shareholders and at the times and places appointed by the Board. A call may be made payable by installments. Provided that the Board shall not give the option or right to call on shares to any Person except with the sanction of the Company in the General Meeting.
- (b) 30 (thirty) days' notice in writing at the least of every call (otherwise than on allotment) shall be given by the Company specifying the time and place of payment and if payable to any Person other than the Company, the name of the person to whom the call shall be paid, provided that before the time for payment of such call, the Board may by notice in writing to the Shareholders revoke the same.
- (c) The Board may, when making a call by resolution, determine the date on which such call shall be deemed to have been made, not being earlier than the date of resolution making such call and thereupon the call shall be deemed to have been made on the date so determined and if no date is determined, the call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed and may be made payable by the Shareholders whose names appear on the Register of Members on such date or at the discretion of the Board on such subsequent date as shall be fixed by the Board. A call may be revoked or postponed at the discretion of the Board.
- (d) The joint holder of a share shall be jointly and severally liable to pay all instalments and calls due in respect thereof.
- (e) The Board may, from time to time at its discretion, extend the time fixed for the payment of any call and may extend such time as to all or any of the Shareholders who, from residence at a distance or other cause the Board may deem fairly entitled to such extension; but no Shareholders shall be entitled to such extension save as a matter of grace and favour.
- (f) If any Shareholder or allottee fails to pay the whole or any part of any call or installment, due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at such rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such Shareholder.
- (g) Any sum, which by the terms of issue of a share or otherwise, becomes payable on allotment or at any fixed date or by installments at a fixed time whether on account of the nominal value of the share or by way of premium shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by

the terms of issue or otherwise the same became payable, and in case of non-payment, all the relevant provisions of these Articles as to payment of call, interest, expenses, forfeiture or otherwise shall apply as if such sum became payable by virtue of a call duly made and notified.

- (h) On the trial or hearing of any action or suit brought by the Company against any Shareholder or his legal representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the Shareholder in respect of whose shares the money is sought to be recovered appears entered on the Register of Members as the holder, or one of the holders at or subsequent to the date at which the money sought to be recovered is alleged to have become due on the shares; that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Shareholder or his representatives so sued in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call nor that a quorum of Directors was present at the Board at which any call was made, nor that the meeting at which any call was made was duly convened or constituted nor any other matters whatsoever; but the proof of the matters aforesaid shall be conclusive evidence of the debt.
- (i) Neither a judgment nor a decree in favour of the Company for calls or other money due in respect of any share nor any part payment or satisfaction thereunder, nor the receipt by the Company of a portion of any money which shall from time to time be due from any Shareholder to the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as hereinafter provided.
- (j) The Board may, if it thinks fit (subject to the provisions of Section 50 of the Act) agree to and receive from any Shareholder willing to advance the same, the whole or any part of the money due upon the shares held by him beyond the sums actually called up, and upon the amount so paid or satisfied in advance or so much thereof as from time to time and at any time thereafter as exceeds the amount of the calls then made upon and due in respect of the shares in respect of which such advance has been made, the Company may pay interest, as the Shareholder paying such sum in advance and the Board agree upon, provided that the money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.
- (k) No Shareholder shall be entitled to voting rights in respect of the money(ies) so paid by him until the same would but for such payment, become presently payable.
- (l) The provisions of these Articles shall *mutatis mutandis* apply to the calls on Debentures of the Company.

19. COMPANY'S LIEN:

i. On shares:

- (a) The Company shall have a first and paramount lien:
 - (i) on every share (not being a fully paid share), for all money (whether presently payable or not) called, or payable at a fixed time, in respect of that share;

Provided that the Board may, at any time, declare any shares wholly or in part to be exempt from the provisions of this Article.
- (b) Company's lien, if any, on such partly paid shares, shall extend to all Dividends payable and bonuses declared from time to time in respect of such shares.
- (c) Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. The fully Paid up shares shall be free from all lien and that in case of partly paid shares, the Company's lien shall be restricted to money called or payable at a fixed time in respect of such shares.
- (d) For the purpose of enforcing such lien, the Board may sell the shares, subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorise one of their Shareholders to execute and register the transfer thereof on behalf of and in the name of any purchaser. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Provided that no sale shall be made:

- (i) unless a sum in respect of which the lien exists is presently payable; or
- (ii) until the expiration of 14 days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.

The net proceeds of any such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable. The residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the Person entitled to the shares at the date of the sale.

- (e) No Shareholder shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid, or in regard to which the Company has exercised any right of lien.

ii. On Debentures:

- (a) The Company shall have a first and paramount lien:

- (i) on every Debenture (not being a fully paid Debenture), for all money (whether presently payable or not) called, or payable at a fixed time, in respect of that Debenture;

Provided that the Board may, at any time, declare any Debentures wholly or in part to be exempt from the provisions of this Article.

- (b) Company's lien, if any, on the Debentures, shall extend to all interest and premium payable in respect of such Debentures.
 - (c) Unless otherwise agreed, the registration of a transfer of Debentures shall operate as a waiver of the Company's lien, if any, on such Debentures. The fully paid up Debentures shall be free from all lien and that in case of partly paid Debentures, the Company's lien shall be restricted to money called or payable at a fixed price in respect of such Debentures.
 - (d) For the purpose of enforcing such lien, the Board may sell the Debentures, subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such Debentures and may authorize the debenture trustee acting as trustee for the holders of Debentures or one of the holder of Debentures to execute and register the transfer thereof on behalf of and in the name of any purchaser. The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the Debentures be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Provided that no sale shall be made:

- (i) unless a sum in respect of which the lien exists is presently payable; or
- (ii) until the expiration of 14 days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the Debenture or the Person entitled thereto by reason of his death or insolvency.

The net proceeds of any such sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable. The residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the Debentures before the sale) be paid to the Person entitled to the Debentures at the date of the sale.

- (e) No holder of Debentures shall exercise any voting right in respect of any Debentures registered in his name on which any calls or other sums presently payable by him have not been paid, or in regard to which the Company has exercised any right of lien.

20. FORFEITURE OF SHARES

- (a) If any Shareholder fails to pay any call or installment or any part thereof or any money due in respect of any shares either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time thereafter, during such time as the call or installment or any part thereof or other money remain unpaid or a judgment or decree in respect thereof remain unsatisfied, give notice to him or his legal representatives requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.
- (b) The notice shall name a day, (not being less than 14 (fourteen) days from the date of the notice), and a place or places on or before which such call or installment or such part or other money as aforesaid and interest thereon, (at such rate as the Board shall determine and payable from the date on which such call or installment ought to have been paid), and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or installment is payable, will be liable to be forfeited.
- (c) If the requirements of any such notice as aforesaid are not be complied with, any share in respect of which such notice has been given, may at any time, thereafter before payment of all calls, installments, other money due in respect thereof, interest and expenses as required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all Dividends declared or any other money payable in respect of the forfeited share and not actually paid before the forfeiture subject to the applicable provisions of the Act. There shall be no forfeiture of unclaimed Dividends before the claim becomes barred by Law.
- (d) When any share shall have been so forfeited, notice of the forfeiture shall be given to the Shareholder on whose name it stood immediately prior to the forfeiture or if any of his legal representatives or to any of the Persons entitled to the shares by transmission, and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.
- (e) Any share so forfeited shall be deemed to be the property of the Company and may be sold; re-allotted, or otherwise disposed of either to the original holder thereof or to any other Person upon such terms and in such manner as the Board shall think fit.
- (f) Any Shareholder whose shares have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses and other money owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Board may determine and the Board may enforce, (if it thinks fit), payment thereof as if it were a new call made at the date of forfeiture.
- (g) The forfeiture of a share shall involve extinction at the time of the forfeiture of all interest in all claims and demands against the Company, in respect of the share and all other rights incidental to the share, except only such of these rights as by these Articles are expressly saved.
- (h) A duly verified declaration in writing that the declarant is a Director or Secretary of the Company and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all Persons claiming to be entitled to the shares.
- (i) Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinbefore given, the Board may appoint some Person to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered in the Register of Members in respect of the shares sold and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money, and after his name has been entered in the Register of Members in respect of such shares, the validity of the sale shall not be impeached by any Person and the remedy of any Person aggrieved by the sale shall be in damages only and against the Company exclusively.
- (j) Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relevant shares shall, (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Shareholder), stand cancelled and become null and void and of no effect and the Board shall be entitled to issue a new certificate or certificates in respect of the said shares to the Person or persons entitled thereto.
- (k) The Board may, at any time, before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit.

21. FURTHER ISSUE OF SHARE CAPITAL

- (a) Where at any time, the Company proposes to increase its subscribed Capital by the issue of further shares, such shares shall be offered—
- (i) to Persons who, at the date of the offer, are holders of Equity Shares of the Company in proportion, as nearly as circumstances admit, to the Paid up Share Capital on those shares by sending a letter of offer subject to the following conditions, namely:-
 - a. the offer shall be made by notice specifying the number of shares offered and limiting a time not being less than 15 (fifteen) days and not exceeding 30 (thirty) days from the date of the offer within which the offer, if not accepted, shall be deemed to have been declined;
 - b. the offer aforesaid shall be deemed to include a right exercisable by the Person concerned to renounce the shares offered to him or any of them in favour of any other Person; and the notice referred to in clause a. above shall contain a statement of this right;
 - c. after the expiry of the time specified in the notice aforesaid, or on receipt of earlier intimation from the Person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner which is not disadvantageous to the Shareholders and the Company;
 - (ii) to employees under a scheme of employees' stock option, subject to Special Resolution passed by the Company and subject to the Rules and such other conditions, as may be prescribed under Law; or
 - (iii) to any Persons, if it is authorised by a Special Resolution, whether or not those Persons include the Persons referred to in clause (i) or clause (ii) above, either for cash or for a consideration other than cash, if the price of such shares is determined by the valuation report of a registered valuer, subject to the compliance with the applicable provisions of the Act and any other conditions as may be prescribed under Law.
- (b) The notice referred to in sub-clause a. of clause (i) of sub-article (a) shall be dispatched through registered post or speed post or through electronic mode to all the existing Shareholders at least 3 (three) days before the opening of the issue.
- (c) Nothing in this Article shall apply to the increase of the subscribed Capital of a Company caused by the exercise of an option as a term attached to the Debentures issued or loan raised by the Company to convert such Debentures or loans into shares in the Company:

Provided that the terms of issue of such Debentures or loan containing such an option have been approved before the issue of such Debentures or the raising of loan by a Special Resolution passed by the Company in a General Meeting.

- (d) The provisions contained in this Article shall be subject to the provisions of Section 42 and Section 62 of the Act, the Rules and the applicable provisions of the Act.

22. TRANSFER AND TRANSMISSION OF SHARES

- (a) The Company shall maintain a "Register of Transfers" and shall have recorded therein fairly and distinctly particulars of every transfer or transmission of any Share, Debenture or other Security held in a material form.
- (b) In accordance with Section 56 of the Act, the Rules and such other conditions as may be prescribed under Law, every instrument of transfer of shares held in physical form shall be in writing. In case of transfer of shares where the Company has not issued any certificates and where the shares are held in dematerialized form, the provisions of the Depositories Act shall apply.
- (c) (i) An application for the registration of a transfer of the shares in the Company may be made either by the transferor or the transferee within the time frame prescribed under the Act.
- (ii) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee in a prescribed manner and the transferee communicates no objection to the transfer within 2 (two) weeks from the receipt of the notice.

- (d) Every such instrument of transfer shall be executed by both, the transferor and the transferee and attested and the transferor shall be deemed to remain the holder of such share until the name of the transferee shall have been entered in the Register of Members in respect thereof.
- (e) The Board shall have power on giving not less than 7 (seven) days previous notice by advertisement in a vernacular newspaper and in an English newspaper having wide circulation in the city, town or village in which the Office of the Company is situated, and publishing the notice on the website as may be notified by the Central Government and on the website of the Company, to close the transfer books, the Register of Members and/or Register of Debenture-holders at such time or times and for such period or periods, not exceeding 30 (thirty) days at a time and not exceeding in the aggregate 45 (forty-five) days in each year, as it may deem expedient.
- (f) Subject to the provisions of Sections 58 and 59 of the Act, these Articles and other applicable provisions of the Act or any other Law for the time being in force, the Board may, refuse to register the transfer of, or the transmission by operation of law of the right to, any securities or interest of a Shareholder in the Company. The Company shall, within 30 (thirty) days from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send a notice of refusal to the transferee and transferor or to the Person giving notice of such transmission, as the case may be, giving reasons for such refusal.

Provided that, registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other Person or Persons indebted to the Company on any account whatsoever.

- (g) Subject to the applicable provisions of the Act and these Articles, the Directors shall have the absolute and uncontrolled discretion to refuse to register a Person entitled by transmission to any shares or his nominee as if he were the transferee named in any ordinary transfer presented for registration, and shall not be bound to give any reason for such refusal and in particular may also decline in respect of shares upon which the Company has a lien.
- (h) Subject to the provisions of these Articles, any transfer of shares in whatever lot should not be refused, though there would be no objection to the Company refusing to split a share certificate into several scripts of any small denominations or, to consider a proposal for transfer of shares comprised in a share certificate to several Shareholders, involving such splitting, if on the face of it such splitting/transfer appears to be unreasonable or without a genuine need. The Company should not, therefore, refuse transfer of shares in violation of the stock exchange listing requirements on the ground that the number of shares to be transferred is less than any specified number.
- (i) In case of the death of any one or more Shareholders named in the Register of Members as the joint-holders of any shares, the survivors shall be the only Shareholder or Shareholders recognized by the Company as having any title to or interest in such shares, but nothing therein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other Person.
- (j) The Executors or Administrators or holder of the succession certificate or the legal representatives of a deceased Shareholder, (not being one of two or more joint-holders), shall be the only Shareholders recognized by the Company as having any title to the shares registered in the name of such Shareholder, and the Company shall not be bound to recognize such Executors or Administrators or holders of succession certificate or the legal representatives unless such Executors or Administrators or legal representatives shall have first obtained probate or letters of administration or succession certificate, as the case may be, from a duly constituted court in India, provided that the Board may in its absolute discretion dispense with production of probate or letters of administration or succession certificate, upon such terms as to indemnity or otherwise as the Board may in its absolute discretion deem fit and may under Article 22(a) of these Articles register the name of any Person who claims to be absolutely entitled to the shares standing in the name of a deceased Shareholder, as a Shareholder.
- (k) The Board shall not knowingly issue or register a transfer of any share to a minor or insolvent or Person of unsound mind, except fully paid shares through a legal guardian.
- (l) Subject to the provisions of Articles, any Person becoming entitled to shares in consequence of the death, lunacy, bankruptcy of any Shareholder or Shareholders, or by any lawful means other than by a transfer in accordance with these Articles, may with the consent of the Board, (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article, or of his title, as the Board thinks sufficient, either be registered himself as the holder of the shares or elect to have some Person nominated by him and approved by the Board, registered as such holder; provided nevertheless, that if such Person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the shares.

- (m) A Person becoming entitled to a share by reason of the death or insolvency of a Shareholder shall be entitled to the same Dividends and other advantages to which he would be entitled if he were the registered holder of the shares, except that he shall not, before being registered as a Shareholder in respect of the shares, be entitled to exercise any right conferred by membership in relation to meetings of the Company.

Provided that the Directors shall, at any time, give notice requiring any such Person to elect either to be registered himself or to transfer the shares, and if such notice is not complied with within 90 (ninety) days, the Directors may thereafter withhold payment of all Dividends, bonuses or other monies payable in respect of the shares until the requirements of the notice have been complied with.

- (n) Every instrument of transfer shall be presented to the Company duly stamped for registration accompanied by such evidence as the Board may require to prove the title of the transferor, his right to transfer the shares. Every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

Where any instrument of transfer of shares has been received by the Company for registration and the transfer of such shares has not been registered by the Company for any reason whatsoever, the Company shall transfer the Dividends in relation to such shares to a special account unless the Company is authorized by the registered holder of such shares, in writing, to pay such Dividends to the transferee and will keep in abeyance any offer of right shares and/or bonus shares in relation to such shares.

In case of transfer and transmission of shares or other marketable Securities where the Company has not issued any certificates and where such shares or Securities are being held in any electronic and fungible form in a Depository, the provisions of the Depositories Act shall apply.

- (o) Before the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the Company along with a properly stamped and executed instrument of transfer in accordance with the provisions of Section 56 of the Act.
- (p) No fee shall be payable to the Company, in respect of the registration of transfer or transmission of shares, or for registration of any power of attorney, probate, letters of administration and succession certificate, certificate of death or marriage or other similar documents, sub division and/or consolidation of shares and Debentures and sub-divisions of letters of allotment, renounceable letters of right and split, consolidation, renewal and genuine transfer receipts into denomination corresponding to the market unit of trading.
- (q) The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof, (as shown or appearing in the Register of Members), to the prejudice of a Person or Persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had any notice of such equitable right, title or interest or notice prohibiting registration of such transfer, and may have entered such notice or referred thereto, in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice, and give effect thereto if the Board shall so think fit.
- (r) The Company shall not register the transfer of its Securities in the name of the transferee(s) when the transferor(s) objects to the transfer.

Provided that the transferor serves on the Company, within sixty working days of raising the objection, a prohibitory order of a Court of competent jurisdiction.

- (s) The Board may delegate the power of transfer of Securities to a committee or to compliance officer or to the registrar to an issue and/or share transfer agent(s).

Provided that the delegated authority shall report on transfer of Securities to the Board in each meeting.

- (t) There shall be a common form of transfer in accordance with the Act and Rules.
- (u) The provision of these Articles shall be subject to the applicable provisions of the Act, the Rules and any requirements of Law. Such provisions shall mutatis mutandis apply to the transfer or transmission by operation of Law to other Securities of the Company.

23. DEMATERIALIZATION OF SECURITIES

(a) Dematerialization:

Notwithstanding anything contained in these Articles, and subject to the applicable provisions of the Act, the Company shall be entitled to dematerialize its existing Securities, rematerialize its Securities held in the Depositories and/or to offer its fresh Securities in a dematerialized form pursuant to the Depositories Act, and the rules framed thereunder, if any.

(b) Subject to the applicable provisions of the Act, instead of issuing or receiving certificates for the Securities, as the case maybe, either the Company or the investor may exercise an option to issue, dematerialize, hold the Securities (including shares) with a Depository in electronic form and the certificates in respect thereof shall be dematerialized, in which event the rights and obligations of the parties concerned and matters connected therewith or incidental thereto shall be governed by the provisions of the Depositories Act as amended from time to time or any statutory modification thereto or re-enactment thereof.

(c) Notwithstanding anything contained in these Articles to the contrary, in the event the Securities of the Company are dematerialized, the Company shall issue appropriate instructions to the Depository not to Transfer the Securities of any Shareholder except in accordance with these Articles. The Company shall cause the Promoters to direct their respective Depository participants not to accept any instruction slip or delivery slip or other authorisation for Transfer in contravention of these Articles.

(d) If a Person opts to hold his Securities with a Depository, then notwithstanding anything to the contrary contained in these Articles the Company shall intimate such Depository the details of allotment of the Securities and on receipt of the information, the Depository shall enter in its record the name of the allottee as the Beneficial Owner of the Securities.

(e) Securities in Depositories to be in fungible form:

All Securities held by a Depository shall be dematerialized and be held in fungible form. Nothing contained in Sections 88, 89 and 186 of the Act shall apply to a Depository in respect of the Securities held by it on behalf of the Beneficial Owners.

(f) Rights of Depositories & Beneficial Owners:

(i) Notwithstanding anything to the contrary contained in the Act or these Articles, a Depository shall be deemed to be the Registered Owner for the purposes of effecting transfer of ownership of Securities on behalf of the Beneficial Owner.

(ii) Save as otherwise provided in (i) above, the Depository as the Registered Owner of the Securities shall not have any voting rights or any other rights in respect of the Securities held by it.

(iii) Every Person holding shares of the Company and whose name is entered as the Beneficial Owner in the records of the Depository shall be deemed to be a Shareholder of the Company.

(iv) The Beneficial Owner of Securities shall, in accordance with the provisions of these Articles and the Act, be entitled to all the rights and subject to all the liabilities in respect of his Securities, which are held by a Depository.

(g) Except as ordered by a court of competent jurisdiction or as may be required by Law required and subject to the applicable provisions of the Act, the Company shall be entitled to treat the Person whose name appears on the Register as the holder of any share or whose name appears as the Beneficial Owner of any share in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami trust or equity, equitable contingent, future, partial interest, other claim to or interest in respect of such shares or (except only as by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto in accordance with these Articles, on the part of any other Person whether or not it has expressed or implied notice thereof but the Board shall at their sole discretion register any share in the joint names of any two or more Persons or the survivor or survivors of them.

(h) Register and Index of Beneficial Owners:

The Company shall cause to be kept a register and index of members with details of shares and Debentures held in materialized and dematerialized forms in any media as may be permitted by Law including any form of electronic media.

The register and index of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be a register and index of members for the purposes of this Act. The Company shall have the power to keep in any state or country outside India a register resident in that state or country.

(i) Cancellation of Certificates upon surrender by Person:

Upon receipt of certificate of Securities on surrender by a Person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificates and shall substitute in its record, the name of the Depository as the registered owner in respect of the said Securities and shall also inform the Depository accordingly.

(j) Service of Documents:

Notwithstanding anything contained in the Act or these Articles to the contrary, where Securities are held in a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.

(k) Transfer of Securities:

- (i) Nothing contained in Section 56 of the Act or these Articles shall apply to a transfer of Securities effected by transferor and transferee both of whom are entered as Beneficial Owners in the records of a Depository.
- (ii) In the case of transfer or transmission of shares or other marketable Securities where the Company has not issued any certificates and where such shares or Securities are being held in any electronic or fungible form in a Depository, the provisions of the Depositories Act shall apply.

(l) Allotment of Securities dealt with in a Depository:

Notwithstanding anything in the Act or these Articles, where Securities are dealt with by a Depository, the Company shall intimate the details of allotment of relevant Securities thereof to the Depository immediately on allotment of such Securities.

(m) Certificate Number and other details of Securities in Depository:

Nothing contained in the Act or these Articles regarding the necessity of having certificate number/distinctive numbers for Securities issued by the Company shall apply to Securities held with a Depository.

(n) Register and Index of Beneficial Owners:

The Register and Index of Beneficial Owners maintained by a Depository under the Depositories Act, shall be deemed to be the Register and Index (if applicable) of Shareholders and Security-holders for the purposes of these Articles.

(o) Provisions of Articles to apply to Shares held in Depository:

Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depositories Act.

(p) Depository to furnish information:

Every Depository shall furnish to the Company information about the transfer of Securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by Law and the Company in that behalf.

(q) Option to opt out in respect of any such Security:

If a Beneficial Owner seeks to opt out of a Depository in respect of any Security, he shall inform the Depository accordingly. The Depository shall on receipt of such information make appropriate entries in its records and shall inform the Company. The Company shall within 30 (thirty) days of the receipt of intimation from a Depository and on fulfillment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of Securities to the Beneficial Owner or the transferee as the case may be.

(r) Overriding effect of this Article:

Provisions of this Article will have full effect and force notwithstanding anything to the contrary or inconsistent contained in any other Articles.

24. NOMINATION BY SECURITIES HOLDERS

- (a) Every holder of Securities of the Company may, at any time, nominate, in the manner prescribed under the Companies (Share Capital and Debentures) Rules, 2014, a Person as his nominee in whom the Securities of the Company held by him shall vest in the event of his death.
- (b) Where the Securities of the Company are held by more than one Person jointly, the joint holders may together nominate, in the manner prescribed under the Companies (Share Capital and Debentures) Rules, 2014, a Person as their nominee in whom all the rights in the Securities Company shall vest in the event of death of all the joint holders.
- (c) Notwithstanding anything contained in any other Law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the Securities of the Company, where a nomination made in the manner prescribed under the Companies (Share Capital and Debentures) Rules, 2014, purports to confer on any Person the right to vest the Securities of the Company, the nominee shall, on the death of the holder of Securities of the Company or, as the case may be, on the death of the joint holders become entitled to all the rights in Securities of the holder or, as the case may be, of all the joint holders, in relation to such Securities of the Company to the exclusion of all other Persons, unless the nomination is varied or cancelled in the prescribed manner under the Companies (Share Capital and Debentures) Rules, 2014.
- (d) Where the nominee is a minor, the holder of the Securities concerned, can make the nomination to appoint in prescribed manner under the Companies (Share Capital and Debentures) Rules, 2014, any Person to become entitled to the Securities of the Company in the event of his death, during the minority.
- (e) The transmission of Securities of the Company by the holders of such Securities and transfer in case of nomination shall be subject to and in accordance with the provisions of the Companies (Share Capital and Debentures) Rules, 2014.

25. NOMINATION FOR FIXED DEPOSITS

A depositor (who shall be the member of the Company) may, at any time, make a nomination and the provisions of Section 72 of the Act shall, as far as may be, apply to the nominations made in relation to the deposits made subject to the provisions of the Rules as may be prescribed in this regard.

26. NOMINATION IN CERTAIN OTHER CASES

Subject to the applicable provisions of the Act and these Articles, any Person becoming entitled to Securities in consequence of the death, lunacy, bankruptcy or insolvency of any holder of Securities, or by any lawful means other than by a transfer in accordance with these Articles, may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such title as the Board thinks sufficient, either be registered himself as the holder of the Securities or elect to have some Person nominated by him and approved by the Board registered as such holder; provided nevertheless that, if such Person shall elect to have his nominee registered, he shall testify the election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be freed from any liability in respect of the Securities.

27. COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO SHAREHOLDERS

Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 17 of the Act shall be sent by the Company to every Shareholder at his request within 7 (seven) days of the request on payment of such sum as prescribed under the Companies (Incorporation) Rules, 2014.

28. BORROWING POWERS

- (a) Subject to the provisions of Sections 73, 179 and 180, and other applicable provisions of the Act and these Articles, the Board may, from time to time, at its discretion by resolution passed at the meeting of a Board:
 - (i) accept or renew deposits from Shareholders;

- (ii) borrow money by way of issuance of Debentures;
- (iii) borrow money otherwise than on Debentures;
- (iv) accept deposits from Shareholders either in advance of calls or otherwise; and
- (v) generally raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company.

Provided, however, that where the money to be borrowed together with the money already borrowed (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) exceed the aggregate of the Paid-up Capital, free reserves and securities premium of the Company, the Board shall not borrow such money without the consent of the Company by way of a Special Resolution in a General Meeting.

- (b) Subject to the provisions of these Articles, the payment or repayment of money borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the resolution of the Board shall prescribe including by the issue of bonds, perpetual or redeemable Debentures or debenture-stock, or any mortgage, charge, hypothecation, pledge, lien or other security on the undertaking of the whole or any part of the property of the Company, both present and future. Provided however that the Board shall not, except with the consent of the Company by way of a Special Resolution in General Meeting mortgage, charge or otherwise encumber, the Company's uncalled Capital for the time being or any part thereof and Debentures and other Securities may be assignable free from any equities between the Company and the Person to whom the same may be issued.
- (c) Any bonds, Debentures, debenture-stock or other Securities may if permissible in Law be issued at a discount, premium or otherwise by the Company and shall with the consent of the Board be issued upon such terms and conditions and in such manner and for such consideration as the Board shall consider to be for the benefit of the Company, and on the condition that they or any part of them may be convertible into Equity Shares of any denomination, and with any privileges and conditions as to the redemption, surrender, allotment of shares, appointment of Directors or otherwise. Provided that Debentures with rights to allotment of or conversion into Equity Shares shall not be issued except with, the sanction of the Company in General Meeting accorded by a Special Resolution.
- (d) Subject to the applicable provisions of the Act and these Articles, if any uncalled Capital of the Company is included in or charged by any mortgage or other security, the Board shall make calls on the Shareholders in respect of such uncalled Capital in trust for the Person in whose favour such mortgage or security is executed, or if permitted by the Act, may by instrument under seal authorize the Person in whose favour such mortgage or security is executed or any other Person in trust for him to make calls on the Shareholders in respect of such uncalled Capital and the provisions hereinafter contained in regard to calls shall *mutatis mutandis* apply to calls made under such authority and such authority may be made exercisable either conditionally or unconditionally or either presently or contingently and either to the exclusion of the Board's power or otherwise and shall be assignable if expressed so to be.
- (e) The Board shall cause a proper Register to be kept in accordance with the provisions of Section 85 of the Act of all mortgages, Debentures and charges specifically affecting the property of the Company; and shall cause the requirements of the relevant provisions of the Act in that behalf to be duly complied with within the time prescribed under the Act or such extensions thereof as may be permitted under the Act, as the case may be, so far as they are required to be complied with by the Board.
- (f) Any capital required by the Company for its working capital and other capital funding requirements may be obtained in such form as decided by the Board from time to time.
- (g) The Company shall also comply with the provisions of the Companies (Registration of Charges) Rules, 2014 in relation to the creation and registration of aforesaid charges by the Company.

29. SHARE WARRANTS

- (a) The Company may issue share warrants subject to, and in accordance with, the provisions of Sections 114 and 115 of the Companies Act, 1956; and accordingly the Board may in its discretion, with respect to any Share which is fully Paid-up, on application in writing signed by the Persons registered as holder of the Share, and authenticated by such evidence (if any) as the Board may, from time to time, require as to the identity of the Person signing the application, and on receiving the certificate (if any) of the Share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a share warrant.

- (b) (i) The bearer of a share warrant may at any time deposit the warrant at the Office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, and voting and exercising the other privileges of a Shareholder at any meeting held after the expiry of 2 (two) clear days from the time of deposit, as if his name were inserted in the Register of Members as the holder of the Share included in the deposited warrant.
- (ii) Not more than one person shall be recognised as depositor of the share warrant.
- (iii) The Company shall, on 2 (two) days' written notice, return the deposited share warrant to the depositor.
- (c) (i) Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a Shareholder at a meeting of the Company, or be entitled to receive any notices from the Company.
- (ii) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the Shareholder included in the warrant, and he shall be a Shareholder of the Company.
- (d) The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.
- (e) The provisions contained under this Article shall cease to have effect post the notification of section 465 of the Act which shall repeal the provisions of Companies Act, 1956.

30. CONVERSION OF SHARES INTO STOCK AND RECONVERSION

- (a) The Company in General Meeting may, by Ordinary Resolution, convert any Paid-up shares into stock and when any shares shall have been converted into stock, the several holders of such stock may henceforth transfer their respective interest therein, or any part of such interests, in the same manner and subject to the same regulations as those subject to which shares from which the stock arose might have been transferred, if no such conversion had taken place or as near thereto as circumstances will admit. The Company may, by an Ordinary Resolution, at any time reconvert any stock into Paid-up shares of any denomination. Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however such minimum shall not exceed the nominal account from which the stock arose.
- (b) The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards Dividends, voting at meetings of the Company, and other matters, as if they held the shares from which the stock arose, but no such privileges or advantages, (except participation in the Dividends and profits of the Company and in the assets on winding-up), shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.
- (c) Where the shares are converted into stock, such of the Articles as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stock -holder" respectively.

31. ANNUAL GENERAL MEETING

In accordance with the provisions of the Act, the Company shall in each year hold a General Meeting specified as its Annual General Meeting and shall specify the meeting as such in the notices convening such meetings. Further, not more than 15 (fifteen) months gap shall exist between the date of one Annual General Meeting and the date of the next. All General Meetings other than Annual General Meetings shall be Extraordinary General Meetings.

32. WHEN ANNUAL GENERAL MEETING TO BE HELD

Nothing contained in the foregoing provisions shall be taken as affecting the right conferred upon the Registrar under the provisions of Section 96(1) of the Act to extend the time within which any Annual General Meeting may be held.

33. VENUE, DAY AND TIME FOR HOLDING ANNUAL GENERAL MEETING

- (a) Every Annual General Meeting shall be called during business hours, that is, between 9 A.M. and 6 P.M. on a day that is not a national holiday, and shall be held at the Office of the Company or at some other place within

the city, town or village in which the Office of the Company is situated, as the Board may determine and the notices calling the Meeting shall specify it as the Annual General Meeting.

- (b) Every Shareholder of the Company shall be entitled to attend the Annual General Meeting either in person or by proxy and the Auditor of the Company shall have the right to attend and to be heard at any General Meeting which he attends on any part of the business which concerns him as Auditor. At every Annual General Meeting of the Company there shall be laid on the table, the Directors' Report and Audited Statement of Accounts, Auditors' Report, (if not already incorporated in the Audited Statement of Accounts), the proxy Register with proxies and the Register of Directors' shareholdings which latter Register shall remain open and accessible during the continuance of the Meeting. The Board shall cause to be prepared the Annual Return and forward the same to the concerned Registrar of Companies, in accordance with Sections 92 and 137 of the Act. The Directors are also entitled to attend the Annual General Meeting.

34. NOTICE OF GENERAL MEETINGS

- (a) Number of days' notice of General Meeting to be given: A General Meeting of the Company may be called by giving not less than 21 (twenty one) days clear notice in writing or in electronic mode, excluding the day on which notice is served or deemed to be served (i.e., on expiry of 48 (forty eight) hours after the letter containing the same is posted). However, a General Meeting may be called after giving shorter notice if consent is given in writing or by electronic mode by not less than 95 (ninety five) percent of the Shareholders entitled to vote at that meeting.

The notice of every meeting shall be given to:

- (a) every Shareholder, legal representative of any deceased Shareholder or the assignee of an insolvent member of the Company,
 - (b) Auditor or Auditors of the Company, and
 - (c) all Directors.
- (b) Notice of meeting to specify place, etc., and to contain statement of business: Notice of every meeting of the Company shall specify the place, date, day and hour of the meeting, and shall contain a statement of the business to be transacted thereat shall be given in the manner prescribed under Section 102 of the Act.
 - (c) Contents and manner of service of notice and Persons on whom it is to be served: Every notice may be served by the Company on any Shareholder thereof either personally or by sending it by post to their/its registered address in India and if there be no registered address in India, to the address supplied by the Shareholder to the Company for giving the notice to the Shareholder.
 - (d) Special Business: Subject to the applicable provisions of the Act, where any items of business to be transacted at the meeting are deemed to be special, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each item of business including any particular nature of the concern or interest if any therein of every Director or manager (as defined under the provisions of the Act), if any or key managerial personnel (as defined under the provisions of the Act) or the relatives of any of the aforesaid and where any item of special business relates to or affects any other company, the extent of shareholding interest in that other company of every Director or manager (as defined under the provisions of the Act), if any or key managerial personnel (as defined under the provisions of the Act) or the relatives of any of the aforesaid of the first mentioned company shall also be set out in the statement if the extent of such interest is not less than 2 per cent of the paid up share capital of that other company. All business transacted at any meeting of the Company shall be deemed to be special and all business transacted at the Annual General Meeting of the Company with the exception of the business specified in Section 102 of the Act shall be deemed to be special.
 - (e) Resolution requiring Special Notice: With regard to resolutions in respect of which special notice is required to be given by the Act, a special notice shall be given as required by Section 115 of the Act.
 - (f) Notice of Adjourned Meeting when necessary: When a meeting is adjourned for 30 (thirty) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting in accordance with the applicable provisions of the Act.
 - (g) Notice when not necessary: Save as aforesaid, and as provided in Section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

- (h) The notice of the General Meeting shall comply with the provisions of Companies (Management and Administration) Rules, 2014.

35. REQUISITION OF EXTRAORDINARY GENERAL MEETING

- (a) The Board may, whenever it thinks fit, call an Extraordinary General Meeting and it shall do so upon a requisition received from such number of Shareholders who hold, on the date of receipt of the requisition, not less than one-tenth of such of the Paid up Share Capital of the Company as on that date carries the right of voting and such meeting shall be held at the Office or at such place and at such time as the Board thinks fit.
- (b) Any valid requisition so made by Shareholders must state the object or objects of the meeting proposed to be called, and must be signed by the requisitionists and be deposited at the Office; provided that such requisition may consist of several documents in like form each signed by one or more requisitionists.
- (c) Upon the receipt of any such valid requisition, the Board shall forthwith call an Extraordinary General Meeting and if they do not proceed within 21 (twenty-one) days from the date of the requisition being deposited at the Office to cause a meeting to be called on a day not later than 45 (forty-five) days from the date of deposit of the requisition, the requisitionists or such of their number as represent either a majority in value of the Paid up Share Capital held by all of them or not less than one-tenth of such of the Paid-up Share Capital of the Company as is referred to in Section 100 of the Act, whichever is less, may themselves call the meeting, but in either case any meeting so called shall be held within three months from the date of the delivery of the requisition as aforesaid.
- (d) Any meeting called under the foregoing sub-articles by the requisitionists, shall be called in the same manner, as nearly as possible, as that in which a meeting is to be called by the Board.
- (e) The accidental omission to give any such notice as aforesaid to any of the Shareholders, or the non-receipt thereof, shall not invalidate any resolution passed at any such meeting.
- (f) No General Meeting, Annual or Extraordinary, shall be competent to enter into, discuss or transact any business which has not been mentioned in the notice or notices by which it was convened.
- (g) The Extraordinary General Meeting called under this Article shall be subject to and in accordance with the provisions contained under the Companies (Management and Administration) Rules, 2014.

36. NO BUSINESS TO BE TRANSACTED IN GENERAL MEETING IF QUORUM IS NOT PRESENT

The quorum for the Shareholders' Meeting shall be in accordance with Section 103 of the Act. Subject to the provisions of Section 103(2) of the Act, if such a quorum is not present within half an hour from the time set for the Shareholders' Meeting, the Shareholders' Meeting shall be adjourned to the same time and place or to such other date and such other time and place as the Board may determine and the agenda for the adjourned Shareholders' Meeting shall remain the same. If at such adjourned meeting also, a quorum is not present, at the expiration of half an hour from the time appointed for holding the meeting, the members present shall be a quorum, and may transact the business for which the meeting was called.

37. CHAIRMAN OF THE GENERAL MEETING

The Chairman of the Board shall be entitled to take the Chair at every General Meeting, whether Annual or Extraordinary. If there is no such Chairman of the Board or if at any meeting he shall not be present within fifteen minutes of the time appointed for holding such meeting or if he is unable or unwilling to take the Chair, then the Directors present shall elect one of them as Chairman. If no Director is present or if all the Directors present decline to take the Chair, then the Shareholders present shall elect, on a show of hands or on a poll if properly demanded, one of their member to be the Chairman of the meeting. No business shall be discussed at any General Meeting except the election of a Chairman while the Chair is vacant.

38. CHAIRMAN CAN ADJOURN THE GENERAL MEETING

The Chairman may, with the consent given in the meeting at which a quorum is present (and if so directed by the meeting) adjourn the General Meeting from time to time and from place to place within the city, town or village in which the Office of the Company is situate but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

39. QUESTIONS AT GENERAL MEETING HOW DECIDED

- (a) At any General Meeting, a resolution put to the vote of the General Meeting shall, unless a poll is demanded, be decided by a show of hands. Before or on the declaration of the result of the voting on any resolution by a show of hands, a poll may be carried out in accordance with the applicable provisions of the Act or the voting is carried out electronically. Unless a poll is demanded, a declaration by the Chairman that a resolution has, on a show of hands, been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the Minute Book of the Company shall be conclusive evidence of the fact, of passing of such resolution or otherwise.
- (b) In the case of equal votes, the Chairman shall both on a show of hands and at a poll, (if any), have a casting vote in addition to the vote or votes to which he may be entitled as a Shareholder.
- (c) If a poll is demanded as aforesaid, the same shall subject to anything stated in these Articles be taken at such time, (not later than forty-eight hours from the time when the demand was made), and place within the City, Town or Village in which the Office of the Company is situate and either by a show of hands or by ballot or by postal ballot, as the Chairman shall direct and either at once or after an interval or adjournment, or otherwise and the result of the poll shall be deemed to be the decision of the meeting at which the poll was demanded. Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The demand for a poll may be withdrawn at any time by the Person or Persons who made the demand.
- (d) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutinizers to scrutinise the votes given on the poll and to report thereon to him. One of the scrutinizers so appointed shall always be a Shareholder, (not being an officer or employee of the Company), present at the meeting provided such a Shareholder is available and willing to be appointed. The Chairman shall have power at any time before the result of the poll is declared, to remove a scrutinizer from office and fill vacancies in the office of scrutinizer arising from such removal or from any other cause.
- (e) Any poll duly demanded on the election of a Chairman of a meeting or any question of adjournment, shall be taken at the meeting forthwith. A poll demanded on any other question shall be taken at such time not later than 48 hours from the time of demand, as the Chairman of the meeting directs.
- (f) The demand for a poll except on the question of the election of the Chairman and of an adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.
- (g) No report of the proceedings of any General Meeting of the Company shall be circulated or advertised at the expense of the Company unless it includes the matters required by these Articles or Section 118 of the Act to be contained in the Minutes of the proceedings of such meeting.
- (h) The Shareholders will do nothing to prevent the taking of any action by the Company or act contrary to or with the intent to evade or defeat the terms as contained in these Articles.

40. PASSING RESOLUTIONS BY POSTAL BALLOT

- (a) Notwithstanding any of the provisions of these Articles, the Company may, and in the case of resolutions relating to such business as notified under the Companies (Management and Administration) Rules, 2014, as amended, or other Law required to be passed by postal ballot, shall get any resolution passed by means of a postal ballot, instead of transacting the business in the General Meeting of the Company. Also, the Company may, in respect of any item of business other than ordinary business and any business in respect of which Directors or Auditors have a right to be heard at any meeting, transact the same by way of postal ballot.
- (b) Where the Company decides to pass any resolution by resorting to postal ballot, it shall follow the procedures as prescribed under Section 110 of the Act and the Companies (Management and Administration) Rules, 2014, as amended from time and applicable Law.

41. VOTES OF SHAREHOLDERS

- (a) No Shareholder shall be entitled to vote either personally or by proxy at any General Meeting or meeting of a class of Shareholders either upon a show of hands or upon a poll in respect of any shares registered in his name on which calls or other sums presently payable by him have not been paid or in regard to which the Company has exercised any right of lien.
- (b) No shareholder shall be entitled to vote at a General Meeting unless all calls or other sums presently payable by him have been paid, or in regard to which the Company has lien and has exercised any right of lien.

- (c) Subject to the provisions of these Articles, without prejudice to any special privilege or restrictions as to voting for the time being attached to any class of shares for the time being forming a part of the Capital of the Company, every Shareholder not disqualified by the last preceding Article, shall be entitled to be present, and to speak and vote at such meeting, and on a show of hands, every Shareholder present in person shall have one vote and upon a poll, the voting right of such Shareholder present, either in person or by proxy, shall be in proportion to his share of the Paid Up Share Capital of the Company held alone or jointly with any other Person or Persons.

Provided however, if any Shareholder holding preference shares be present at any meeting of the Company, save as provided in Section 47(2) of the Act, he shall have a right to vote only on resolutions placed before the Meeting, which directly affect the rights attached to his preference shares.

- (d) On a poll taken at a meeting of the Company, a Shareholder entitled to more than one vote, or his proxy, or any other Person entitled to vote for him (as the case may be), need not, if he votes, use or cast all his votes in the same way.
- (e) A Shareholder of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, through a committee or through his legal guardian; and any such committee or guardian may, on a poll vote by proxy. If any Shareholder be a minor his vote in respect of his Share(s) shall be exercised by his guardian(s), who may be selected (in case of dispute) by the Chairman of the meeting.
- (f) If there be joint registered holders of any shares, any one of such Persons may vote at any meeting or may appoint another Person, (whether a Shareholder or not) as his proxy in respect of such shares, as if he were solely entitled thereto; but the proxy so appointed shall not have any right to speak at the meeting and if more than one of such joint-holders be present at any meeting, then one of the said Persons so present whose name stands higher in the Register of Members shall alone be entitled to speak and to vote in respect of such shares, but the other joint-holders shall be entitled to be present at the meeting. Several Executors or Administrators of a deceased Shareholder in whose name shares stand shall for the purpose of these Articles be deemed joint-holders thereof.
- (g) Subject to the provision of these Articles, votes may be given personally or by an attorney or by proxy. A body corporate, whether or not a Company within the meaning of the Act, being a Shareholder may vote either by a proxy or by a representative duly authorised in accordance with Section 113 of the Act and such representative shall be entitled to exercise the same rights and powers, (including the right to vote by proxy), on behalf of the body corporate which he represents as that body could have exercised if it were an individual Shareholder.
- (h) Any Person entitled to transfer any shares of the Company may vote at any General Meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight hours at least before the time of holding the meeting or adjourned meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his right to such shares and give such indemnity (if any) as the Board may require unless the Board shall have previously admitted his right to vote at such meeting in respect thereof.
- (i) Every proxy, (whether a Shareholder or not), shall be appointed in writing under the hand of the appointer or his attorney, or if such appointer is a corporation under the Common Seal of such corporation or be signed by an officer or an attorney duly authorised by it, and any committee or guardian may appoint proxy. The proxy so appointed shall not have any right to speak at a meeting.
- (j) An instrument of proxy may appoint a proxy either for (i) the purposes of a particular meeting (as specified in the instrument) or (ii) for any adjournment thereof or (iii) it may appoint a proxy for the purposes of every meeting of the Company, or (iv) of every meeting to be held before a date specified in the instrument for every adjournment of any such meeting.
- (k) A Shareholder present by proxy shall be entitled to vote only on a poll.
- (l) An instrument appointing a proxy and a power of attorney or other authority (including by way of a Board Resolution, (if any),) under which it is signed or a notarially certified copy of that power or authority or resolution as the case may be, shall be deposited at the Office not later than forty-eight hours before the time for holding the meeting at which the Person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution. An attorney shall not be entitled to vote unless the power of attorney or other instrument or resolution as the case may be appointing him or a notarially certified copy thereof has either been registered in the records of the Company at any time not less than forty-eight hours before the time for holding the meeting at which the attorney proposes to vote, or is deposited at the Office of the Company not less than forty-eight hours before the time fixed for such meeting as aforesaid. Notwithstanding that a power of attorney

or other authority has been registered in the records of the Company, the Company may, by notice in writing addressed to the Shareholder or the attorney, given at least 48 (forty eight) hours before the meeting, require him to produce the original power of attorney or authority or resolution as the case may be and unless the same is deposited with the Company not less than forty-eight hours before the time fixed for the meeting, the attorney shall not be entitled to vote at such meeting unless the Board in their absolute discretion excuse such non-production and deposit.

- (m) Every instrument of proxy whether for a specified meeting or otherwise should, as far as circumstances admit, be in any of the forms set out under Section 105 and other provisions of the Act and in the Companies (Management and Administration) Rules, 2014.
- (n) If any such instrument of appointment be confined to the object of appointing an attorney or proxy for voting at meetings of the Company it shall remain permanently or for such time as the Directors may determine in the custody of the Company; if embracing other objects a copy thereof, examined with the original, shall be delivered to the Company to remain in the custody of the Company.
- (o) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal, or revocation of the proxy or of any power of attorney under which such proxy was signed, or the transfer of the Share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the Office before the meeting.
- (p) No objection shall be made to the validity of any vote, except at the Meeting or poll at which such vote shall be tendered, and every vote whether given personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.
- (q) The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be in the sole judge of the validity of every vote tendered at such poll.
 - (i) The Company shall cause minutes of all proceedings of every General Meeting to be kept by making within 30 (thirty) days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered.
 - (ii) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the same meeting within the aforesaid period of 30 (thirty) days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for that purpose.
- (iii) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (iv) The Minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (v) All appointments of Directors of the Company made at any meeting aforesaid shall be included in the minutes of the meeting.
- (vi) Nothing herein contained shall require or be deemed to require the inclusion in any such Minutes of any matter which in the opinion of the Chairman of the Meeting (i) is or could reasonably be regarded as, defamatory of any person, or (ii) is irrelevant or immaterial to the proceedings, or (iii) is detrimental to the interests of the Company. The Chairman of the meeting shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter in the Minutes on the aforesaid grounds.
- (vii) Any such Minutes shall be evidence of the proceedings recorded therein.
- (viii) The book containing the Minutes of proceedings of General Meetings shall be kept at the Office of the Company and shall be open, during business hours, for such periods not being less in the aggregate than two hours in each day as the Board determines, for the inspection of any Shareholder without charge.
- (ix) The Company shall cause minutes to be duly entered in books provided for the purpose of: -
 - a) the names of the Directors and Alternate Directors present at each General Meeting;
 - b) all Resolutions and proceedings of General Meeting.

- (r) The Shareholders shall vote (whether in person or by proxy) all of the shares owned or held on record by them at any Annual or Extraordinary General Meeting of the Company called for the purpose of filling positions to the Board, appointed as a Director of the Company under Sections 152 and 164(1) of the Act in accordance with these Articles.
- (s) The Shareholders will do nothing to prevent the taking of any action by the Company or act contrary to or with the intent to evade or defeat the terms as contained in these Articles.
- (t) All matters arising at a General Meeting of the Company, other than as specified in the Act or these Articles if any, shall be decided by a majority vote.
- (u) The Shareholders shall exercise their voting rights as Shareholders of the Company to ensure that the Act or these Articles are implemented and acted upon by the Shareholders, and by the Company and to prevent the taking of any action by the Company or by any Shareholder, which is contrary to or with a view or intention to evade or defeat the terms as contained in these Articles.
- (v) Any corporation which is a Shareholder of the Company may, by resolution of the Board or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company and the said person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could have exercised if it were an individual Shareholder in the Company (including the right to vote by proxy).
- (w) The Company shall also provide e-voting facility to the Shareholders of the Company in terms of the provisions of the Companies (Management and Administration) Rules, 2014, the SEBI Listing Regulations or any other Law, if applicable to the Company.

42. DIRECTORS

- (a) Subject to the applicable provisions of the Act, the number of Directors of the Company shall not be less than 3 (three) and not more than 15 (fifteen). The Company shall also comply with the provisions of the Companies (Appointment and Qualification of Directors) Rules, 2014 and the provisions of the SEBI Listing Regulations. The Board shall have an optimum combination of executive and Independent Directors with at least 1 (one) woman Director, as may be prescribed by Law from time to time.
- (b) At any time on and after the Listing Date and subject to Applicable Law and appropriate regulatory and corporate approvals, , including but not limited to approval of the shareholders of the Company, as approved by SEBI, the Investor Designee shall have the following rights:
 - (i) the Investor Designee/ Corporate Promoter shall be entitled to appoint 3 (three) persons as Directors, for so long as Investor 1 continues to hold at least 30% (thirty percent) of the total issued and fully paid-up equity share capital of the Company, calculated on a fully diluted basis;
 - (ii) the Investor Designee/ Corporate Promoter shall be entitled to appoint 2 (two) persons as Directors, for so long as Investor 1 continues to hold at least 20% (twenty percent) of the total issued and fully paid-up equity share capital of the Company, calculated on a fully diluted basis; and
 - (iii) the Investor Designee/ Corporate Promoter shall be entitled to appoint 1 (one) person as Director, for so long as Investor 1 continues to hold at least 5% (five percent) of the total issued and fully paid-up equity share capital of the Company, calculated on a fully diluted basis.

(Collectively, “**Investor Nominee Directors**” and individually “**Investor Nominee Director**”)
- (c) At any time on and after the Listing Date and subject to Applicable Law and appropriate regulatory and corporate approvals, including but not limited to approval of the shareholders of the Company, as approved by SEBI, the Individual Promoter shall have the following rights:
 - (i) for a period of 3 (three) years starting from the Listing Date, the Individual Promoter shall continue to be on the Board and have the right to appoint 1 (one) nominee director on the Board in addition to herself being on the Board, irrespective of the shareholding of the Individual Promoter in the Company and irrespective of the Individual Promoter holding the position of managing director in the Company; and

- (ii) from the date which is 3 (three) years after the Listing Date, in the event that the Individual Promoter is not the Managing Director of the Company:
 - (A) the Individual Promoter shall be entitled to appoint 3 (three) persons as Directors, for so long as the Individual Promoter continues to hold at least 30% (thirty percent) of the total issued and fully paid-up equity share capital of the Company, calculated on a fully diluted basis;
 - (B) the Individual Promoter shall be entitled to appoint 2 (two) persons as Directors, for so long as Individual Promoter continues to hold at least 20% (twenty percent) of the total issued and fully paid-up equity share capital of the Company, calculated on a fully diluted basis; and
 - (C) the Individual Promoter shall be entitled to appoint 1 (one) person as Director, for so long as the Individual Promoter continues to hold at least 5% (five percent) of the total issued and fully paid-up equity share capital of the Company, calculated on a fully diluted basis. Further, the Individual Promoter shall continue to be on the Board so long as she continues to hold equal to or more than 5% (five percent) of the total issued and fully paid-up equity share capital of the Company.
- (iii) From the date which is 3 (three) years after the Listing Date, in the event that the Individual Promoter is the Managing Director of the Company, the Individual Promoter shall continue to be on the Board and have the right to appoint 1 (one) nominee director on the Board in addition to herself being on the board, so long as the Individual Promoter continues to hold at least 2% (two percent) of the total issued and fully paid-up equity share capital of the Company, calculated on a fully diluted basis.

(Collectively, “**Individual Promoter Nominee Directors**” and individually “**Individual Promoter Nominee Director**”)

43. CHAIRMAN OF THE BOARD OF DIRECTORS

- (a) The members of the Board shall elect any one of them as the Chairman of the Board. The Chairman shall preside at all meetings of the Board and the General Meeting of the Company. The Chairman shall have a casting vote in the event of a tie.
- (b) If for any reason the Chairman is not present at the meeting or is unwilling to act as Chairman, the members of the Board shall appoint any one of the remaining Directors as the Chairman.

44. APPOINTMENT OF ALTERNATE DIRECTORS

- (a) Subject to Section 161 of the Act, any Director shall be entitled to nominate an alternate director to act for him during his absence for a period of not less than 3 (three) months. The Board may appoint such a person as an Alternate Director to act for a Director (hereinafter called “**the Original Director**”) (subject to such person being acceptable to the Chairman) during the Original Director’s absence for a period of not less than three months from the State in which the meetings of the Board are ordinarily held. An Alternate Director appointed under this Article shall not hold office for a period longer than that permissible to the Original Director in whose place he has been appointed and shall vacate office if and when the Original Director returns to the State. If the term of the office of the Original Director is determined before he so returns to the State, any provisions in the Act or in these Articles for automatic re-appointment shall apply to the Original Director and not to the Alternate Director.
- (b) In the event the Investor Designee proposes to appoint an alternate Director (the “**Investor Designee Alternate Director**”) to any Investor Nominee Director nominated by it (the “**Original Investor Designee Director**”) the Board shall, upon receipt of notice to that effect from the Investor 1, appoint an Investor Designee Alternate Director in place of such Original Investor Designee Director. Upon the appointment of the Investor Designee Alternate Director, the Company shall ensure compliance with the provisions of the Act, including by filing necessary forms with the Registrar of Companies and filing necessary notifications. The Investor Designee shall also have a right to withdraw its nominated Investor Designee Alternate Director and nominate another Investor Designee Alternate Director in its place. The Investor Designee Alternate Director shall be entitled to receive notice of all meetings and to attend and vote at such meetings in place of the Original Investor Designee Director

and generally to perform all functions of the Original Investor Designee Director in the absence of such Original Investor Designee Director.

- (c) In the event the Individual Promoter proposes to appoint an alternate Director (the “**Individual Promoter Alternate Director**”) to any Individual Promoter Nominee Director nominated by it (the “**Original Individual Promoter Nominee Director**”) the Board shall, upon receipt of notice to that effect from the Individual Promoter, appoint an Individual Promoter Alternate Director in place of such Original Individual Promoter Nominee Director. Upon the appointment of the Individual Promoter Alternate Director, the Company shall ensure compliance with the provisions of the Act, including by filing necessary forms with the Registrar of Companies and filing necessary notifications. The Individual Promoter shall also have a right to withdraw her nominated Individual Promoter Alternate Director and nominate another Individual Promoter Alternate Director in his place. The Individual Promoter Alternate Director shall be entitled to receive notice of all meetings and to attend and vote at such meetings in place of the Original Individual Promoter Nominee Director and generally to perform all functions of the Original Individual Promoter Nominee Director in the absence of such Original Individual Promoter Nominee Director.

45. CASUAL VACANCY AND ADDITIONAL DIRECTORS

Subject to the applicable provisions of the Act and these Articles, the Board shall have the power at any time and from time to time to appoint any qualified Person to be a Director either as an addition to the Board or to fill a casual vacancy but so that the total number of Directors shall not at any time exceed the maximum number fixed under Article 42. Any Person so appointed as an addition shall hold office only up to the earlier of the date of the next Annual General Meeting or at the last date on which the Annual General Meeting should have been held but shall be eligible for appointment by the Company as a Director at that meeting subject to the applicable provisions of the Act.

46. DEBENTURE DIRECTORS

If it is provided by a trust deed, securing or otherwise, in connection with any issue of Debentures of the Company, that any Person/lender or Persons/lenders shall have power to nominate a Director of the Company, then in the case of any and every such issue of Debentures, the Person/lender or Persons/lenders having such power may exercise such power from time to time and appoint a Director accordingly. Any Director so appointed is herein referred to a Debenture Director. A Debenture Director may be removed from office at any time by the Person/lender or Persons/lenders in whom for the time being is vested the power under which he was appointed and another Director may be appointed in his place. A Debenture Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The trust deed may contain ancillary provisions as may be arranged between the Company and the trustees and all such provisions shall have effect notwithstanding any other provisions contained herein.

47. INDEPENDENT DIRECTORS

The Company shall have such number of Independent Directors on the Board of the Company, as may be required in terms of the provisions of Section 149 of the Act and the Companies (Appointment and Qualification of Directors) Rules, 2014 or any other Law, as may be applicable. Further, the appointment of such Independent Directors shall be in terms of the aforesaid provisions of Law and subject to the requirements prescribed under the SEBI Listing Regulations.

48. EQUAL POWER TO DIRECTOR

Except as otherwise provided in these Articles, the Act and the applicable Law, all the Directors of the Company shall have in all matters, equal rights and privileges and shall be subject to equal obligations and duties in respect of the affairs of the Company.

49. NOMINEE DIRECTORS

Whenever the Board enters into a contract with any lenders for borrowing any money or for providing any guarantee or security or for technical collaboration or assistance or enter into any other arrangement, the Board shall have, subject to the provisions of Section 152 of the Act the power to agree that such lenders shall have the right to appoint or nominate by a notice in writing addressed to the Company one or more Directors on the Board for such period and upon such conditions as may be mentioned in the common loan agreement/ facility agreement. The nominee director representing lenders shall not be required to hold qualification shares and not be liable to retire by rotation. The Directors may also agree that any such Director, or Directors may be removed from time to time by the lenders entitled to appoint or nominate them and such lenders may appoint another or other or others in his or their place and also fill in any vacancy which may occur as a result of any such Director, or Directors ceasing to hold that office for any reason whatsoever. The nominee director shall hold office only so long as any monies remain owed by the Company to such lenders.

The nominee director shall be entitled to all the rights and privileges of other Directors including the sitting fees and expenses as payable to other Directors but, if any other fees, commission, monies or remuneration in any form are payable to the Directors, the fees, commission, monies and remuneration in relation to such nominee director shall accrue to the lenders and the same shall accordingly be paid by the Company directly to the lenders.

Provided that if any such nominee director is an officer of any of the lenders, the sittings fees in relation to such nominee director shall also accrue to the lenders concerned and the same shall accordingly be paid by the Company directly to that lenders.

Any expenditure that may be incurred by the lenders or the nominee director in connection with the appointment or directorship shall be borne by the Company.

The nominee director so appointed shall be a member of the project management sub-committee, audit sub-committee and other sub-committees of the Board, if so desired by the lenders.

The nominee director shall be entitled to receive all notices, agenda, etc. and to attend all general meetings and Board meetings and meetings of any committee(s) of the Board of which he is a member and to receive all notices, agenda and minutes, etc. of the said meeting.

If at any time, the nominee director is not able to attend a meeting of Board or any of its committees, of which he is a member, the lenders may depute an observer to attend the meeting. The expenses incurred by the lenders in this connection shall be borne by the Company.

50. NO QUALIFICATION SHARES FOR DIRECTORS

A Director shall not be required to hold any qualification shares of the Company.

51. REMUNERATION OF DIRECTORS

- (a) Subject to the applicable provisions of the Act, the Rules, Law including the provisions of the SEBI Listing Regulations, a Managing Director or Managing Directors, and any other Director/s who is/are in the whole time employment of the Company may be paid remuneration either by a way of monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other, subject to the limits prescribed under the Act.
- (b) Subject to the applicable provisions of the Act, a Director (other than a Managing Director or an executive Director) may receive a sitting fee not exceeding such sum as may be prescribed by the Act or the central government from time to time for each meeting of the Board or any Committee thereof attended by him.
- (c) The remuneration payable to each Director for every meeting of the Board or Committee of the Board attended by them shall be such sum as may be determined by the Board from time to time within the maximum limits prescribed from time to time by the Central Government pursuant to the first proviso to Section 197 of the Act.
- (d) Subject to the provisions of the Act and these Articles. all fees/compensation to be paid to non-executive Directors including Independent Directors shall be as fixed by the Board and shall require the prior approval of the Shareholders in a General meeting. Such approval shall also specify the limits for the maximum number of stock options that can be granted to a non-executive Director, in any financial year, and in aggregate. However, such prior approval of the Shareholders shall not be required in relation to the payment of sitting fees to non-executive Directors if the same is made within the prescribed limits under the Act for payment of sitting fees with approval of Central Government. Notwithstanding anything contained in this article, the Independent Directors shall not be eligible to receive any stock options.

52. SPECIAL REMUNERATION FOR EXTRA SERVICES RENDERED BY A DIRECTOR

If any Director be called upon to perform extra services or special exertions or efforts (which expression shall include work done by a Director as a member of any Committee formed by the Directors), the Board may arrange with such Director for such special remuneration for such extra services or special exertions or efforts either by a fixed sum or otherwise as may be determined by the Board. Such remuneration may either be in addition, to or in substitution for his remuneration otherwise provided, subject to the applicable provisions of the Act.

53. TRAVEL EXPENSES OF DIRECTORS

The Board may allow and pay to any Director, who is not a bona fide resident of the place where the meetings of the Board/Committee meetings are ordinarily held; and who shall come to such place for the purpose of attending any meeting, such sum as the Board may consider fair compensation for travelling, lodging and/ or other expenses, in addition to his fee for attending such Board / Committee meetings as above specified; and if any Director be called upon to go or reside out of his ordinary place of his residence on the Company's business, he shall be entitled to be repaid and reimbursed travelling and other expenses incurred in connection with the business of the Company in accordance with the provisions of the Act.

54. CONTINUING DIRECTORS

The continuing Directors may act notwithstanding any vacancy in their body, but if, and so long as their number is reduced below the minimum number fixed by Article 42 hereof, the continuing Directors not being less than two may act for the purpose of increasing the number of Directors to that number, or for summoning a General Meeting, but for no other purpose.

55. VACATION OF OFFICE BY DIRECTOR

- (a) Subject to relevant provisions of Sections 167, and 188 other relevant provisions of the Act, the office of a Director, shall *ipso facto* be vacated if:
- (i) he is found to be of unsound mind by a court of competent jurisdiction; or
 - (ii) he applies to be adjudicated an insolvent; or
 - (iii) he is adjudged an insolvent; or
 - (iv) he is convicted by a court of any offence involving moral turpitude or otherwise, and is sentenced in respect thereof to imprisonment for not less than 6 (six) months; or
 - (v) he fails to pay any calls made on him in respect of shares of the Company held by him whether alone or jointly with others, within 6 (six) months from the date fixed for the payment of such call; or
 - (vi) he absents himself from 3 (three) consecutive meetings of the Board or from all Meetings of the Board for a continuous period of 12 (twelve) months, whichever is longer, without obtaining leave of absence from the Board; or
 - (vii) having been appointed a Director by virtue of his holding any office or other employment in the Company, he ceases to hold such office or other employment in the Company; or
 - (viii) he acts in contravention of Section 184 of the Act; or
 - (ix) he becomes disqualified by an order of a court or the Tribunal; or
 - (x) he is removed in pursuance of Section 169 of the Act; or
 - (xi) he is disqualified under Section 164(2) of the Act.

Subject to the applicable provisions of the Act, a Director may resign his office at any time by notice in writing addressed to the Board and such resignation shall become effective upon its acceptance by the Board.

56. RELATED PARTY TRANSACTIONS

- (a) Except with the consent of the Board or the Shareholders, as may be required in terms of the provisions of section 188 of the Act and the Companies (Meetings of Board and its Powers) Rules, 2014, no company shall enter into any contract or arrangement with a 'related party' with respect to :
- (i) sale, purchase or supply of any goods or materials;
 - (ii) selling or otherwise disposing of, or buying, property of any kind;
 - (iii) leasing of property of any kind;

- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such Director's or its relative's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof, of the company:

without the consent of the Shareholders by way of a resolution in accordance with Section 188 of the Act.

- (b) no Shareholder of the Company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the Company, if such Shareholder is a related party.
- (c) nothing in this Article shall apply to any transactions entered into by the Company in its ordinary course of business other than transactions which are not on an arm's length basis
- (d) The Director, so contracting or being so interested shall not be liable to the Company for any profit realised by any such contract or the fiduciary relation thereby established.
- (e) The terms "office of profit" and "arm's length basis" shall have the meaning ascribed to them under Section 188 of the Act.
- (f) The term 'related party' shall have the same meaning as ascribed to it under the Act.
- (g) The compliance of the Companies (Meetings of Board and its Powers) Rules, 2014 shall be made for the aforesaid contracts and arrangements.

57. DISCLOSURE OF INTEREST

- (a) A Director of the Company who is in any way, whether directly or indirectly concerned or interested in a contract or arrangement, or proposed contract or arrangement entered into or to be entered into by or on behalf of the Company, shall disclose the nature of his concern or interest at a meeting of the Board in the manner provided in Section 184 of the Act; Provided that it shall not be necessary for a Director to disclose his concern or interest in any such contract or arrangement entered into or to be entered into with any other company where any of the Directors of the company or two or more of them together holds or hold not more than 2% (two per cent) of the Paid-up share capital in the other company or the Company as the case may be. A general notice given to the Board by the Director, to the effect that he is a director or member of a specified body corporate or is a member of a specified firm and is to be regarded as concerned or interested in any contract or arrangement which may, after the date of the notice, be entered into with that body corporate or firm, shall be deemed to be a sufficient disclosure of concern or interest in relation to any contract or arrangement so made. Any such general notice shall expire at the end of the Financial Year in which it is given but may be renewed for a further period of one Financial Year at a time by a fresh notice given in the last month of the Financial Year in which it would have otherwise expired. No such general notice, and no renewal thereof shall be of effect unless, either it is given at a meeting of the Board or the Director concerned takes reasonable steps to secure that it is brought up and read at the first meeting of the Board after it is given.
- (b) No Director shall as a Director, take any part in the discussion of, vote on any contract or arrangement entered into or to be entered into by or on behalf of the Company, if he is in any way, whether directly or indirectly, concerned or interested in such contract or arrangements; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void;

1. in his being a shareholder holding not more than 2 (two) per cent of its Paid-up share capital.

Subject to the provisions of Section 188 of the Act and other applicable provisions, if any, of the Act, any Director of the Company, any partner or relative of such Director, any firm in which such Director or a relative of such Director is a partner, any private company of which such Director is a director or member, and any director or manager of such private company, may hold any office or place of profit in the Company.

- (c) The Company shall keep a Register in accordance with Section 189 of the Act and shall within the time specified therein enter therein such of the particulars as may be. The Register aforesaid shall also specify, in relation to each Director of the Company, the names of the bodies corporate and firms of which notice has been given by him under Article 57(a). The Register shall be kept at the Office of the Company and shall be open to inspection

at such Office, and extracts may be taken therefrom and copies thereof may be required by any Shareholder of the Company to the same extent, in the same manner, and on payment of the same fee as in the case of the Register of Members of the Company and the provisions of Section 94 of the Act shall apply accordingly.

- (d) A Director may be or become a Director of any company promoted by the Company, or on which it may be interested as a vendor, shareholder, or otherwise, and no such Director shall be accountable for any benefits received as director or shareholder of such company except in so far as Section 188 or Section 197 of the Act as may be applicable.

58. ONE-THIRD OF DIRECTORS TO RETIRE EVERY YEAR

In accordance with Section 152 of the Act, at the Annual General Meeting of the Company to be held in every year, one third of such of the Directors as are liable to retire by rotation for time being, or, if their number is not three or a multiple of three then the number nearest to one third shall retire from office, and they will be eligible for re-election. Provided nevertheless that the Managing Director, or the Director(s) appointed as a Debenture Director(s), or the Director(s) appointed as Independent Director(s) under Articles hereto shall not retire by rotation under this Article, shall they be included in calculating the total number of Directors of whom one thirds shall be liable to retire by rotation from office in terms of Section 152 of the Act.

59. PROCEDURE, IF PLACE OF RETIRING DIRECTORS IS NOT FILLED UP

- (a) If the place of the retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same day in the next week, at the same time and place, or if that day is a national holiday, till the next succeeding day which is not a national holiday, at the same time and place.
- (b) If at the adjourned meeting also, the place of the retiring Director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring Director shall be deemed to have been reappointed at the adjourned meeting, unless:-
 - (i) at that meeting or at the previous meeting a resolution for the reappointment of such Director has been put to the meeting and lost;
 - (ii) retiring Director has, by a notice in writing addressed to the Company or its Board , expressed his unwillingness to be so reappointed;
 - (iii) he is not qualified or is disqualified for appointment; or
 - (iv) a resolution, whether special or ordinary, is required for the appointment or reappointment by virtue of any applicable provisions of the Act; or
 - (v) Section 162 of the Act is applicable to the case.

60. COMPANY MAY INCREASE OR REDUCE THE NUMBER OF DIRECTORS.

Subject to Article 42 and Sections 149, 152 and 164 of the Act, the Company may, by Ordinary Resolution, from time to time, increase or reduce the number of Directors, and may alter their qualifications and the Company may, (subject to the provisions of Section 169 of the Act), remove any Director before the expiration of his period of office and appoint another qualified in his stead. The person so appointed shall hold office during such time as the Director in whose place he is appointed would have held the same if he had not been removed.

61. REGISTER OF DIRECTORS ETC.

The Company shall keep at its Office, a Register containing the particulars of its Directors, Managing Directors, Manager, Secretaries and other Persons mentioned in Section 170 of the Act and shall otherwise comply with the provisions of the said Section in all respects.

The Company shall in respect of each of its Directors and key managerial personnel keep at its Office a Register, as required by Section 170 of the Act, and shall otherwise duly comply with the provisions of the said Section in all respects.

62. DISCLOSURE BY DIRECTOR OF APPOINTMENT TO ANY OTHER BODY CORPORATE.

Every Director shall in accordance with the provisions of Companies (Meeting of Board and its Powers) Rules, 2014 shall disclose his concern or interest in any company or companies or bodies corporate (including shareholding interest), firms or other association of individuals by giving a notice in accordance with such rules.

63. MANAGING DIRECTOR(S)/ WHOLE TIME DIRECTOR(S) / EXECUTIVE DIRECTOR(S)/ MANAGER

Subject to the provisions of Section 203 of the Act and of these Articles, the Board shall have the power to appoint from time to time any full time employee of the Company as Managing Director/ whole time director or executive director or manager of the Company. The Managing Director(s) or the whole time director(s) manager or executive director(s), as the case may be, so appointed, shall be responsible for and in charge of the day to day management and affairs of the Company and subject to the applicable provisions of the Act and these Articles, the Board shall vest in such Managing Director/s or the whole time director(s) or manager or executive director(s), as the case may be, all the powers vested in the Board generally. The remuneration of a Managing Director/ whole time director or executive director or manager may be by way of monthly payment, fee for each meeting or participation in profits, or by any or all those modes or any other mode not expressly prohibited by the Act. Board, subject to the consent of the shareholders of the Company shall have the power to appoint Chairman of the Board as the Managing Director / whole time director or executive director of the Company.

64. PROVISIONS TO WHICH MANAGING DIRECTOR(S)/ WHOLE TIME DIRECTOR(S) / EXECUTIVE DIRECTOR(S)/ MANAGER ARE SUBJECT

Notwithstanding anything contained herein, a Managing Director(s) / whole time director(s) / executive director(s) / manager shall, subject to the provisions of any contract between him and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company, and if he ceases to hold the office of a Director he shall ipso facto and immediately cease to be a Managing Director(s) / whole time director(s) / executive director(s) / manager, and if he ceases to hold the office of a Managing Director(s) / whole time director(s) / executive director(s)/ manager he shall ipso facto and immediately cease to be a Director.

65. REMUNERATION OF MANAGING DIRECTOR(S)/ WHOLE TIME DIRECTOR(S) / EXECUTIVE DIRECTOR(S)/ MANAGER

The remuneration of the Managing Director(s) / whole time director(s) / executive director(s) / manager shall (subject to Sections 196, 197 and 203 and other applicable provisions of the Act and of these Articles and of any contract between him and the Company) be fixed by the Directors, from time to time and may be by way of fixed salary and/or perquisites or commission or profits of the Company or by participation in such profits, or by any or all these modes or any other mode not expressly prohibited by the Act.

66. POWER AND DUTIES OF MANAGING DIRECTOR(S)/ WHOLE TIME DIRECTOR(S) / EXECUTIVE DIRECTOR(S)/ MANAGER

Subject to the superintendence, control and direction of the Board, the day-to-day management of the Company shall be in the hands of the Managing Director(s)/ whole time director(s) / executive director(s)/ manager s in the manner as deemed fit by the Board and subject to the applicable provisions of the Act, and these Articles, the Board may by resolution vest any such Managing Director(s)/ whole time director(s) / executive director(s)/ manager with such of the powers hereby vested in the Board generally as it thinks fit and such powers may be made exercisable for such period or periods and upon such conditions and subject to the applicable provisions of the Act, and these Articles confer such power either collaterally with or to the exclusion of or in substitution for all or any of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

67. POWER TO BE EXERCISED BY THE BOARD ONLY BY MEETING

The Board shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolutions passed at the meeting of the Board: -

- (a) to make calls on Shareholders in respect of money unpaid on their shares;
- (b) to authorise buy-back of Securities under Section 68 of the Act;
- (c) to issue Securities, including Debentures, whether in or outside India;
- (d) to borrow money(ies);
- (e) to invest the funds of the Company;

- (f) to grant loans or give guarantee or provide security in respect of loans;
- (g) to approve financial statements and the Board's report;
- (h) to diversify the business of the Company;
- (i) to approve amalgamation, merger or reconstruction;
- (j) to take over a company or acquire a controlling or substantial stake in another company;
- (k) fees/ compensation payable to non-executive directors including independent directors of the Company; and
- (l) any other matter which may be prescribed under the Companies (Meetings of Board and its Powers) Rules, 2014 and the SEBI Listing Regulations.

The Board may, by a resolution passed at a meeting, delegate to any Committee of Directors, the Managing Director, or to any person permitted by Law the powers specified in sub clauses (d) to (f) above.

The aforesaid powers shall be exercised in accordance with the provisions of the Companies (Meetings of Board and its Powers) Rules, 2014 and shall be subject to the provisions of section 180 of the Act.

In terms of and subject to the provisions of Section 180 of the Act, the Board may exercise the following powers subject to receipt of consent by the Company by way of a Special Resolution:

- (a) to sell, lease or otherwise dispose of the whole or substantial part of the undertaking of the Company;
- (b) to borrow money; and
- (c) any such other matter as may be prescribed under the Act, the SEBI Listing Regulations and other applicable provisions of Law.

68. MAKING LIABILITY OF DIRECTORS UNLIMITED

The Company may, by Special Resolution in a General Meeting, alter its Memorandum of Association so as to render unlimited the liability of its Directors or of any Director or manager, in accordance with Section 323 of the Companies Act, 1956.

69. PROCEEDINGS OF THE BOARD OF DIRECTORS

- (a) Board Meetings shall be held at least once in every 3 (three) month period and there shall be at least 4 (four) Board Meetings in any calendar year and there should not be a gap of more than 120 (one hundred twenty) days between two consecutive Board Meetings. Meetings shall be held at the Registered Office, or such a place as may be decided by the Board.
- (b) The participation of Directors in a meeting of the Board may be either in person or through video conferencing or other audio visual means, as may be prescribed, which are capable of recording and recognising the participation of the Directors and of recording and storing the proceedings of such meetings along with date and time. However, such matters as provided under the Companies (Meetings of Board and its Powers) Rules, 2014 shall not be dealt with in a meeting through video conferencing or other audio visual means. Any meeting of the Board held through video conferencing or other audio visual means shall only be held in accordance with the Companies (Meetings of Board and its Powers) Rules, 2014.
- (c) The Company Secretary or any other Director shall, as and when directed by the Chairman or a Director convene a meeting of the Board by giving a notice in writing to every Director in accordance with the provisions of the Act and the Companies (Meetings of Board and its Powers) Rules, 2014.
- (d) The Board may meet either at the Office of the Company, or at any other location in India or outside India as the Chairman or Director may determine.
- (e) At least 7 (seven) days' notice of every meeting of the Board shall be given in writing to every Director for the time being at his address registered with the Company and such notice shall be sent by hand delivery or by post or by electronic means. A meeting of the Board may be convened in accordance with these Articles by a shorter

notice in case of any emergency as directed by the Chairman or the Managing Director or the Executive Director, as the case may be, subject to the presence of 1 (one) Independent Director in the said meeting. If an Independent Director is not present in the said meeting, then decisions taken at the said meeting shall be circulated to all the Directors and shall be final only upon ratification by one independent Director. Such notice or shorter notice may be sent by post or by fax or e-mail depending upon the circumstances.

- (f) At any Board Meeting, each Director may exercise 1 (one) vote. The adoption of any resolution of the Board shall require the affirmative vote of a majority of the Directors present at a duly constituted Board Meeting.

70. QUORUM FOR BOARD MEETING

(a) Quorum for Board Meetings

Subject to the provisions of Section 174 of the Act, the quorum for each Board Meeting shall be one-third of its total strength or two directors, whichever is higher, and the presence of Directors by video conferencing or by other audio visual means shall also be counted for the purposes of calculating quorum.

At any time on and after Listing Date and subject to Applicable Law and appropriate corporate approvals, including but not limited to approval of the shareholders of the Company, as approved by SEBI, the quorum for all Board meetings of the Company shall require to have at least 1 (one) Individual Promoter Nominee Director and at least 1 (one) Investor Designee Nominee Director, who shall be required to be present throughout the meeting. Provided that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of the remaining Directors, that is to say, the number of the Directors who are not interested present at the meeting being not less than two, shall be the quorum during such meeting.

If any duly convened Board Meeting cannot be held for want of a quorum, then such a meeting shall automatically stand adjourned for 7 (seven) days after the original meeting at the same time and place, or if that day is a national holiday, on the succeeding day which is not a public holiday to the same time and place. Provided however, the adjourned meeting may be held on such other date and such other place as may be unanimously agreed to by all the Directors in accordance with the provisions of the Act.

71. QUESTIONS AT THE BOARD MEETINGS HOW DECIDED

- (a) Questions arising at any meeting of the Board, other than as specified in these Articles and the Act, if any, shall be decided by a majority vote. In the case of an equality of votes, the Chairman shall have a second or casting vote.
- (b) No regulation made by the Company in General Meeting, shall invalidate any prior act of the Board, which would have been valid if that regulation had not been made.

72. ELECTION OF CHAIRMAN OF BOARD

- (a) The Board may elect a chairman of its meeting and determine the period for which he is to hold office.
- (b) If no such chairman is elected, or at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting the Directors present may choose one among themselves to be the chairman of the meeting.

73. POWERS OF THE BOARD

Subject to the applicable provisions of the Act, these Articles and other applicable provisions of Law: -

- (a) The Board shall be entitled to exercise all such power and to do all such acts and things as the Company is authorised to exercise and do under the applicable provisions of the Act or by the Memorandum and Articles of Association of the Company.
- (b) The Board is vested with the entire management and control of the Company, including as regards any and all decisions and resolutions to be passed, for and on behalf of the Company.
- (c) Provided that the Board shall not, except with the consent of the Company by a Special Resolution:-
 - i. Sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking, of the whole, or substantially the

whole, of any such undertaking. The term 'undertaking' and the expression 'substantially the whole of the undertaking' shall have the meaning ascribed to them under the provisions of Section 180 of the Act;

- ii. Remit, or give time for repayment of, any debt due by a Director;
- iii. Invest otherwise than in trust securities the amount of compensation received by the Company as a result of any merger or amalgamation; and
- iv. Borrow money(ies) where the money(ies) to be borrowed together with the money(ies) already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of businesses), will exceed the aggregate of the Paid-up Capital, free reserves and securities premium of the Company.

74. COMMITTEES AND DELEGATION BY THE BOARD

The Company shall constitute such Committees as may be required under the Act, applicable provisions of Law and the SEBI Listing Regulations. Without prejudice to the powers conferred by the other Articles and so as not to in any way to limit or restrict those powers, the Board may, subject to the provisions of Section 179 of the Act, delegate any of its powers to the Managing Director(s), the executive director(s) or manager or the chief executive officer of the Company. The Managing Director(s), the executive director(s) or the manager or the chief executive officer(s) as aforesaid shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on them by the Board and all acts done by them in exercise of the powers so delegated and in conformity with such regulations shall have the like force and effect as if done by the Board.

Subject to the applicable provisions of the Act, the requirements of Law and these Articles, the Board may delegate any of its powers to Committees of the Board consisting of such member or members of the Board as it thinks fit, and it may from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to Persons or purposes. Every Committee of the Board so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed on it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.

The meetings and proceedings of any such Committee of the Board consisting of two or more members shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Directors, so far as the same are applicable thereto and are not superseded by any regulation made by the Directors under the last preceding Article.

The Board of the Company shall in accordance with the provisions of the Companies (Meetings of the Board and its Powers) Rules, 2014 or any other Law and the provisions of the SEBI Listing Regulations, form such committees as may be required under such rules in the manner specified therein, if the same are applicable to the Company.

At any time on and after the Listing Date and subject to Applicable Law and appropriate corporate approvals, including but not limited to approval of the shareholders of the Company, as approved by SEBI, each of the Audit Committee, the Risk Management Committee and the Nomination and Remuneration Committee shall have at least 1 (one) Individual Promoter Nominee Director and at least 1 (one) Investor Designee Nominee Director, as a member.

75. ACTS OF BOARD OR COMMITTEE VALID NOTWITHSTANDING INFORMAL APPOINTMENT

All acts undertaken at any meeting of the Board or of a Committee of the Board, or by any person acting as a Director shall, notwithstanding that it may afterwards be discovered that there was some defect in the appointment of such Director or Persons acting as aforesaid, or that they or any of them were disqualified or had vacated office or that the appointment of any of them had been terminated by virtue of any provisions contained in the Act or in these Articles, be as valid as if every such person had been duly appointed, and was qualified to be a Director. Provided that nothing in this Article shall be deemed to give validity to the acts undertaken by a Director after his appointment has been shown to the Company to be invalid or to have been terminated.

76. PASSING OF RESOLUTION BY CIRCULATION

No resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been circulated in draft form, together with the necessary papers, if any, to all the Directors, or members of the Committee, as the case may be, at their addresses registered with the Company in India by hand delivery or by post or by courier, or through such electronic means as may be provided under the Companies (Meetings of Board

and its Powers) Rules, 2014 and has been approved by majority of Directors or members of the Committee, who are entitled to vote on the resolution. However, in case one-third of the total number of Directors for the time being require that any resolution under circulation must be decided at a meeting, the chairperson shall put the resolution to be decided at a meeting of the Board.

A resolution mentioned above shall be noted at a subsequent meeting of the Board or the Committee thereof, as the case may be, and made part of the minutes of such meeting.

77. MINUTES OF THE PROCEEDINGS OF THE MEETING OF THE BOARD

- (a) The Company shall prepare minutes of each Board Meeting and the entries thereof in books kept for that purpose with their pages consecutively numbered. Such minutes shall contain a fair and correct summary of the proceedings conducted at the Board Meeting.
- (b) The Company shall circulate the minutes of the meeting to each Director within 7 (seven) Business Days after the Board Meeting.
- (c) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such book shall be dated and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- (d) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (e) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat and shall also contain: -
 - (i) all appointments of Officers;
 - (ii) the names of the Directors present at each meeting of the Board;
 - (iii) all resolutions and proceedings of the meetings of the Board;
 - (iv) the names of the Directors, if any, dissenting from, or not concurring in, any resolution passed by the Board.
- (f) Nothing contained in sub Articles (a) to (e) above shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting: -
 - (i) is or could reasonably be regarded as defamatory of any person;
 - (ii) is irrelevant or immaterial to the proceedings; or
 - (iii) is detrimental to the interests of the Company.
- (g) The Chairman shall exercise absolute discretion in regard to the inclusion or non-inclusion of any matter in the minutes on the ground specified in sub Article (f) above.
- (h) Minutes of meetings kept in accordance with the aforesaid provisions shall be evidence of the proceedings recorded therein.
- (i) The minutes kept and recorded under this Article shall also comply with the provisions of Secretarial Standard 1 issued by the Institute of Company Secretaries of India constituted under the Company Secretaries Act, 1980 and approved as such by the Central Government and applicable provisions of the Act and Law.

78. REGISTER OF CHARGES

The Directors shall cause a proper register to be kept, in accordance with the applicable provisions of the Act, of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the applicable provisions of the Act in regard to the registration of mortgages and charges therein specified.

79. CHARGE OF UNCALLED CAPITAL

Where any uncalled capital of the Company is charged as security or other security is created on such uncalled capital, the Directors may authorize, subject to the applicable provisions of the Act and these Articles, making calls on the Shareholders in respect of such uncalled capital in trust for the Person in whose favour such charge is executed.

80. SUBSEQUENT ASSIGNS OF UNCALLED CAPITAL

Where any uncalled capital of the Company is charged, all Persons taking any subsequent charge thereon shall take the same subject to such prior charges and shall not be entitled to obtain priority over such prior charge.

81. CHARGE IN FAVOUR OF DIRECTOR FOR INDEMNITY

If the Director or any Person, shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed, any mortgage, charge or security over or affecting the whole or part of the assets of the Company by way of indemnity to secure the Directors or other Persons so becoming liable as aforesaid from any loss in respect of such liability.

82. OFFICERS

- (a) The Company shall have its own professional management and such officers shall be appointed from time to time as designated by its Board. The officers of the Company shall serve at the discretion of the Board.
- (b) The officers of the Company shall be responsible for the implementation of the decisions of the Board, subject to the authority and directions of the Board and shall conduct the day to day business of the Company.
- (c) The officers of the Company shall be the Persons in charge of and responsible to the Company for the conduct of the business of the Company and shall be concerned and responsible to ensure full and due compliance with all statutory laws, rules and regulations as are required to be complied with by the Company and/or by the Board of the Company.
- (d) Qualified experienced managerial and marketing executives and other officers shall be appointed for the operation and conduct of the business of the Company.
- (e) The Board shall appoint with the approval of the Chairman, the President and/or Chief Executive Officer and/or Chief Operating Officer of the Company, as well as persons who will be appointed to the posts of senior executive management.

83. THE SECRETARY

- (a) Subject to the provisions of Section 203 of the Act, the Board may, from time to time, appoint any individual as Secretary of the Company to perform such functions, which by the Act or these Articles for the time being of the Company are to be performed by the Secretary and to execute any other duties which may from time to time be assigned to him by the Board. The Board may confer upon the Secretary so appointed any powers and duties as are not by the Act or by these Articles required to be exercised by the Board and may from time to time revoke, withdraw, alter or vary all or any of them. The Board may also at any time appoint some individual (who need not be the Secretary), to maintain the Registers required to be kept by the Company.
- (b) The Secretary shall be an individual responsible to ensure that there shall be no default, non-compliance, failure, refusal or contravention of any of the applicable provisions of the Act, or any rules, regulations or directions which the Company is required to conform to or which the Board of the Company are required to conform to and shall be designated as such and be the officer in default.

84. DIRECTORS' & OFFICERS' LIABILITY INSURANCE

Subject to the provisions of the Act and Law, the Company shall procure, at its own cost, comprehensive directors and officers liability insurance for each Director which shall not form a part of the remuneration payable to the Directors in the circumstances described under Section 197 of the Act: -

- (a) on terms approved by the Board;
- (b) which includes each Director as a policyholder;

- (c) is from an internationally recognised insurer approved by the Board; and
- (d) for a coverage for claims of an amount as may be decided by the Board, from time to time.

85. ACCOUNTS

- (a) The Company shall prepare and keep at the Office books of accounts or other relevant books and papers and financial statements for every financial year which give a true and fair view of the state of affairs of the Company, including its branch office or offices, if any, in accordance with the Act, Rules and as required under the applicable Law, and explain the transactions effected both at the Office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting.
- (b) Where the Board decides to keep all or any of the books of account at any place other than the Office, the Company shall, within 7 (seven) days of the decision, file with the Registrar, a notice in writing giving the full address of that other place. The Company may also keep such books of accounts or other relevant papers in electronic mode in accordance with the provisions of the Act.
- (c) The Company shall preserve in good order the books of account relating to a period of not less than eight years preceding the current year.
- (d) When the Company has a branch office, whether in or outside India, the Company shall be deemed to have complied with this Article if proper books of account relating to the transactions effected at the branch office are kept at the branch office and proper summarized returns made up to dates at intervals of not more than three months, are sent by the branch office to the Company at its office or at the other place in India, at which the Company's books of account are kept as aforesaid.
- (e) No Shareholder (not being a Director) shall have any right of inspecting any account or books or documents of the Company except specified under the Act and Law.
- (f) In accordance with the provisions of the Act, along with the financial statements laid before the Shareholders, there shall be laid a 'Board's report' which shall include:
 - (i) the extract of the annual return as provided under sub-section (3) of Section 92 of the Act;
 - (ii) number of meetings of the Board;
 - (iii) Directors' responsibility statement as per the provisions of Section 134 (5) of the Act;
 - (iv) a statement on declaration given by Independent Directors under sub-section (6) of Section 149 of the Act;
 - (v) in the event applicable, as specified under sub-section (1) of Section 178 of the Act, Company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters provided under sub-section (3) of Section 178 of the Act;
 - (vi) explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made-
 - 1. by the auditor in his report; and
 - 2. by the company secretary in practice in his secretarial audit report;
 - (vii) particulars of loans, guarantees or investments under Section 186 of the Act;
 - (viii) particulars of contracts or arrangements with related parties referred to in sub-section (1) of Section 188 in the prescribed form;
 - (ix) the state of the Company's affairs;
 - (x) the amounts, if any, which it proposes to carry to any reserves;
 - (xi) the amount, if any, which it recommends should be paid by way of Dividends;

- (xii) 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;
- (xiii) the conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;
- (xiv) a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company;
- (xv) the details about the policy developed and implemented by the Company on corporate social responsibility initiatives taken during the year;
- (xvi) a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual Directors, as may be prescribed for listed companies; and
- (xvii) such other matters as may be prescribed under the Law, from time to time.
- (g) All the aforesaid books shall give a fair and true view of the affairs of the Company or its branch office, as the case may be, with respect to the matters herein and explain its transactions.
- (h) The Company shall comply with the requirements of Section 136 of the Act.

86. AUDIT AND AUDITORS

- (a) Auditors shall be appointed and their rights and duties shall be regulated in accordance with Sections 139 to 147 of the Act and as specified under Law.
- (b) Every account of the Company when audited shall be approved by a General Meeting and shall be conclusive except as regards any error discovered therein within three months next after the approval thereof. Whenever any such error is discovered within that period the account shall forthwith be corrected, and henceforth shall be conclusive.
- (c) Every balance sheet and profit and loss account shall be audited by one or more Auditors to be appointed as hereinafter set out.
- (d) The Company at the Annual General Meeting in each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until conclusion of the next Annual General Meeting and every Auditor so appointed shall be intimated of his appointment within 7 (seven) days.
- (e) Where at an Annual General Meeting, no Auditors are appointed, the Central Government may appoint a person to fill the vacancy and fix the remuneration to be paid to him by the Company for his services.
- (f) The Company shall within 7 (seven) days of the Central Government's power under sub clause (b) becoming exercisable, give notice of that fact to the Government.
- (g) The Directors may fill any casual vacancy in the office of an Auditor but while any such vacancy continues, the remaining auditors (if any) may act. Where such a vacancy is caused by the resignation of an Auditor, the vacancy shall only be filled by the Company in General Meeting.
- (h) A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless special notice of a resolution of appointment of that person to the office of Auditor has been given by a Shareholder to the Company not less than 14 (fourteen) days before the meeting in accordance with Section 115 of the Act, and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the Shareholders in accordance with provisions of Section 115 of the Act and all the other provision of Section 140 of the Act shall apply in the matter. The provisions of this sub-clause shall also apply to a resolution that a retiring auditor shall not be re-appointed.
- (i) The persons qualified for appointment as Auditors shall be only those referred to in Section 141 of the Act.
- (j) None of the persons mentioned in Section 141 of the Act as are not qualified for appointment as auditors shall be appointed as Auditors of the Company.

87. AUDIT OF BRANCH OFFICES

The Company shall comply with the applicable provisions of the Act and the Companies (Audit and Auditor) Rules, 2014 in relation to the audit of the accounts of branch offices of the Company.

88. REMUNERATION OF AUDITORS

The remuneration of the Auditors shall be fixed by the Company as authorized in General Meeting from time to time in accordance with the provisions of the Act and the Companies (Audit and Auditor) Rules, 2014.

89. DOCUMENTS AND NOTICES

- (a) A document or notice may be given or served by the Company to or on any Shareholder whether having his registered address within or outside India either personally or by sending it by post to him to his registered address.
- (b) Where a document or notice is sent by post, service of the document or notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the document or notice, provided that where a Shareholder has intimated to the Company in advance that documents or notices should be sent to him under a certificate of posting or by registered post with or without acknowledgement due or by cable or telegram and has deposited with the Company a sum sufficient to defray the expenses of doing so, service of the document or notice shall be deemed to be effected unless it is sent in the manner intimated by the Shareholder. Such service shall be deemed to have effected in the case of a notice of a meeting, at the expiration of forty eight hours after the letter containing the document or notice is posted or after a telegram has been dispatched and in any case, at the time at which the letter would be delivered in the ordinary course of post or the cable or telegram would be transmitted in the ordinary course.
- (c) A document or notice may be given or served by the Company to or on the joint-holders of a Share by giving or serving the document or notice to or on the joint-holder named first in the Register of Members in respect of the Share.
- (d) Every Person, who by operation of Law, transfer or other means whatsoever, shall become entitled to any Share, shall be bound by every document or notice in respect of such Share, which previous to his name and address being entered on the Register of Members, shall have been duly served on or given to the Person from whom he derives his title to such Share.
- (e) Any document or notice to be given or served by the Company may be signed by a Director or the Secretary or some Person duly authorised by the Board for such purpose and the signature thereto may be written, printed, photostat or lithographed.
- (f) All documents or notices to be given or served by Shareholders on or to the Company or to any officer thereof shall be served or given by sending the same to the Company or officer at the Office by post under a certificate of posting or by registered post or by leaving it at the Office.
- (g) Where a Document is sent by electronic mail, service thereof shall be deemed to be effected properly, where a shareholder has registered his electronic mail address with the Company and has intimated the Company that documents should be sent to his registered email address, without acknowledgement due. Provided that the Company, shall provide each shareholder an opportunity to register his email address and change therein from time to time with the Company or the concerned Depository. The Company shall fulfill all conditions required by Law, in this regard.

90. SHAREHOLDERS TO NOTIFY ADDRESS IN INDIA

Each registered Shareholder from time to time notify in writing to the Company such place in India to be registered as his address and such registered place of address shall for all purposes be deemed to be his place of residence.

91. SERVICE ON SHAREHOLDERS HAVING NO REGISTERED ADDRESS

If a Shareholder does not have registered address in India, and has not supplied to the Company any address within India, for the giving of the notices to him, a document advertised in a newspaper circulating in the neighbourhood of Office of the Company shall be deemed to be duly served to him on the day on which the advertisement appears.

92. SERVICE ON PERSONS ACQUIRING SHARES ON DEATH OR INSOLVENCY OF SHAREHOLDERS

A document may be served by the Company on the Persons entitled to a share in consequence of the death or insolvency of a Shareholders by sending it through the post in a prepaid letter addressed to them by name or by the title or representatives of the deceased, assignees of the insolvent by any like description at the address (if any) in India supplied for the purpose by the Persons claiming to be so entitled, or (until such an address has been so supplied) by serving the document in any manner in which the same might have been served as if the death or insolvency had not occurred.

93. PERSONS ENTITLED TO NOTICE OF GENERAL MEETINGS

Subject to the applicable provisions of the Act and these Articles, notice of General Meeting shall be given:

- (i) To the Shareholders of the Company as provided by these Articles.
- (ii) To the persons entitled to a share in consequence of the death or insolvency of a Shareholder.
- (iii) To the Auditors for the time being of the Company; in the manner authorized by as in the case of any Shareholder of the Company.

94. NOTICE BY ADVERTISEMENT

Subject to the applicable provisions of the Act, any document required to be served or sent by the Company on or to the Shareholders, or any of them and not expressly provided for by these Articles, shall be deemed to be duly served or sent if advertised in a newspaper circulating in the District in which the Office is situated.

95. DIVIDEND POLICY

- (a) The profits of the Company, subject to any special rights relating thereto being created or authorised to be created by the Memorandum or these Articles and subject to the provisions of these Articles shall be divisible among the Shareholders in proportion to the amount of Capital Paid-up or credited as Paid-up and to the period during the year for which the Capital is Paid-up on the shares held by them respectively. Provided always that, (subject as aforesaid), any Capital Paid-up on a Share during the period in respect of which a Dividend is declared, shall unless the Directors otherwise determine, only entitle the holder of such Share to an apportioned amount of such Dividend as from the date of payment.
- (b) Subject to the provisions of Section 123 of the Act the Company in General Meeting may declare Dividends, to be paid to Shareholders according to their respective rights and interests in the profits. No Dividends shall exceed the amount recommended by the Board, but the Company in General Meeting may, declare a smaller Dividend, and may fix the time for payments not exceeding 30 (thirty) days from the declaration thereof.
- (c)
 - (i) No Dividend shall be declared or paid otherwise than out of profits of the Financial Year arrived at after providing for depreciation in accordance with the provisions of Section 123 of the Act or out of the profits of the Company for any previous Financial Year or years arrived at after providing for depreciation in accordance with those provisions and remaining undistributed or out of both, provided that in computing profits any amount representing unrealised gains, notional gains or revaluation of assets and any change in carrying amount of an asset or of a liability on measurement of the asset or the liability at fair value shall be excluded. The Company shall not declare Dividend unless carried over previous losses and depreciation not provided in previous Financial Year or years are set off against profit of the Company for the Financial Year for which the Dividend is proposed to be declared. Where the Company proposes to declare dividend out of the accumulated profits earned by it in previous years and transferred by the company to the free reserves, owing to inadequacy or absence of profits in the Financial Year for which the Dividends are proposed to be declared, such declaration of Dividend shall not be made except in accordance with provisions of the Act and the Rules.
 - (ii) The declaration of the Board as to the amount of the net profits shall be conclusive.
- (d) The Board may, from time to time, pay to the Shareholders such interim Dividend as in their judgment the position of the Company justifies in accordance with the provisions of the Section 123 of the Act.
- (e) Where Capital is paid in advance of calls upon the footing that the same shall carry interest, such Capital shall not whilst carrying interest, confer a right to participate in profits or Dividend.
- (f)
 - (i) Subject to the rights of Persons, if any, entitled to shares with special rights as to Dividend, all Dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof

Dividend is paid but if and so long as nothing is paid upon any shares in the Company, Dividends may be declared and paid according to the amount of the shares.

- (ii) No amount paid or credited as paid on shares in advance of calls shall be treated for the purpose of this regulation as paid on shares.
- (iii) All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the Dividend is paid, but if any shares are issued on terms providing that it shall rank for Dividend as from a particular date such shares shall rank for Dividend accordingly.
- (g) Subject to the applicable provisions of the Act and these Articles, the Board may retain the Dividends payable upon shares in respect of any Person, until such Person shall have become a Shareholder, in respect of such shares or until such shares shall have been duly transferred to him.
- (h) Any one of several Persons who are registered as the joint-holders of any Share may give effectual receipts for all Dividends or bonus and payments on account of Dividends or bonus or sale proceeds of fractional certificates or other money(ies) payable in respect of such shares.
- (i) Subject to the applicable provisions of the Act, no Shareholder shall be entitled to receive payment of any interest or Dividends in respect of his Share(s), whilst any money may be due or owing from him to the Company in respect of such Share(s); either alone or jointly with any other Person or Persons; and the Board may deduct from the interest or Dividend payable to any such Shareholder all sums of money so due from him to the Company.
- (j) Subject to Section 126 of the Act, a transfer of shares shall not pass the right to any Dividend declared thereon before the registration of the transfer.
- (k) Unless otherwise directed any Dividend shall be paid through electronic mode of payment facility approved by the Reserve Bank of India. Where it is not possible to use electronic mode of payment, dividend may be paid by 'payable at par' cheques or warrants sent by post or courier or by any other legally permissible means to the registered address of the Shareholder or Person entitled or in case of joint-holders to that one of them first named in the Register of Members in respect of the joint-holding. Every such cheque or warrant shall be made payable to the order of the Person to whom it is sent and in case of joint-holders to that one of them first named in the Register of Members in respect of the joint-holding. The Company shall not be liable or responsible for any cheque or warrant or pay slip or receipt lost in transmission, or for any Dividend lost to a Shareholder or Person entitled thereto, by a forged endorsement of any cheque or warrant or a forged signature on any pay slip or receipt of a fraudulent recovery of Dividend. If 2 (two) or more Persons are registered as joint-holders of any Share(s) any one of them can give effectual receipts for any money(ies) payable in respect thereof. Several Executors or Administrators of a deceased Shareholder in whose sole name any Share stands shall for the purposes of this Article be deemed to be joint-holders thereof.
- (l) No unpaid Dividend shall bear interest as against the Company.
- (m) Any General Meeting declaring a Dividend may on the recommendation of the Board, make a call on the Shareholders of such amount as the General Meeting fixes, but so that the call on each Shareholder shall not exceed the Dividend payable to him, and so that the call will be made payable at the same time as the Dividend; and the Dividend may, if so arranged as between the Company and the Shareholders, be set-off against such calls.
- (n) Notwithstanding anything contained in this Article, the dividend policy of the Company shall be governed by the applicable provisions of the Act and Law.
- (o) The Company may pay dividends on shares in proportion to the amount Paid-up on each Share in accordance with Section 51 of the Act.

96. UNPAID OR UNCLAIMED DIVIDEND

- (a) If the Company has declared a Dividend but which has not been paid or the Dividend warrant in respect thereof has not been posted or sent within 30 (thirty) days from the date of declaration, transfer the total amount of dividend, which remained unpaid or unclaimed within 7 (seven) days from the date of expiry of the said period of 30 (thirty) days to a special account to be opened by the Company in that behalf in any scheduled bank or private sector bank.

- (b) Any money so transferred to the unpaid Dividend account of the Company which remains unpaid or unclaimed for a period of 7 (seven) years from the date of such transfer, shall be transferred by the Company to the Fund established under sub-section (1) of Section 125 of the Act, viz. "Investors Education and Protection Fund".
- (c) No unpaid or unclaimed Dividend shall be forfeited by the Board before the claim becomes barred by Law and such forfeiture, if effected, shall be annulled in appropriate cases.

97. CAPITALIZATION OF PROFITS

The Company in General Meeting may, upon the recommendation of the Board, resolve:

- (a) that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the Company's profit and loss account or otherwise, as available for distribution, and
- (b) that such sum be accordingly set free from distribution in the manner specified herein below in sub-article (c) as amongst the Shareholders who would have been entitled thereto, if distributed by way of Dividends and in the same proportions.
- (c) The sum aforesaid shall not be paid in cash but shall be applied either in or towards:
 - (i) paying up any amounts for the time being unpaid on any shares held by such Shareholders respectively;
 - (ii) paying up in full, un-issued shares of the Company to be allotted, distributed and credited as fully Paid up, to and amongst such Shareholders in the proportions aforesaid; or
 - (iii) partly in the way specified in sub-article (i) and partly in the way specified in sub-article (ii).
- (d) A share premium account may be applied as per Section 52 of the Act, and a capital redemption reserve account may, duly be applied in paying up of unissued shares to be issued to Shareholders of the Company as fully paid bonus shares.

98. RESOLUTION FOR CAPITALISATION OF RESERVES AND ISSUE OF FRACTIONAL CERTIFICATE

- (a) The Board shall give effect to a Resolution passed by the Company in pursuance of this Article.
- (b) Whenever such a Resolution as aforesaid shall have been passed, the Board shall:
 - (i) make all appropriation and applications of undivided profits (resolved to be capitalized thereby), and all allotments and issues of fully paid shares or Securities, if any; and
 - (ii) generally do all acts and things required to give effect thereto.
- (c) The Board shall have full power:
 - i. to make such provisions, by the issue of fractional certificates or by payments in cash or otherwise as it thinks fit, in the case of shares or Debentures becoming distributable in fraction; and
 - ii. to authorize any Person, on behalf of all the Shareholders entitled thereto, to enter into an agreement with the Company providing for the allotment to such Shareholders, credited as fully Paid up, of any further shares or Debentures to which they may be entitled upon such capitalization or (as the case may require) for the payment of by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to be capitalised of the amounts or any parts of the amounts remaining unpaid on the shares.
- (d) Any agreement made under such authority shall be effective and binding on all such shareholders.

99. DISTRIBUTION OF ASSETS IN SPECIE OR KIND UPON WINDING UP

- (a) If the company shall be wound up, the liquidator may, with the sanction of a special Resolution of the company and any other sanction required by the Act divide amongst the shareholders, in specie or kind the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

- (b) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders.
- (c) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no Shareholder shall be compelled to accept any shares or other Securities whereon there is any liability.

100. DIRECTOR'S AND OTHER'S RIGHTS TO INDEMNITY

Subject to the provisions of Section 197 of the Act, every Director, manager and other Officer or employee of the Company shall be indemnified by the Company against any liability incurred by him and it shall be the duty of the Directors to pay out from the funds of the Company all costs, losses and expenses which any Director, manager, Officer or employee may incur or become liable to by reason of any contract entered into by him on behalf of the Company or in any way in the discharge of his duties and in particular, and so as not to limit the generality of the foregoing provisions against all liabilities incurred by him as such Director, manager, Officer or employee in defending any proceedings, whether civil or criminal in which judgement is given in his favour or he is acquitted or in connection with any application under Section 463 of the Act in which relief is granted by the court and the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Company and have priority as between the Shareholders over all the claims.

101. DIRECTOR'S ETC. NOT LIABLE FOR CERTAIN ACTS

Subject to the provision of Section 197 of the Act, no Director, manager, Officer or employee of the Company shall be liable for the acts, defaults, receipts and neglects of any other Director, manager, Officer or employee or for joining in any receipts or other acts for the sake of conformity or for any loss or expenses happening to the Company through the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortuous act of any Person with whom any monies, securities or effects shall be deposited or for any loss occasioned by an error of judgement or oversight on his part, or for any other loss, damage or misfortune whatsoever which shall happen in the execution thereof unless the same shall happen through negligence, default, misfeasance, breach of duty or breach of trust. Without prejudice to the generality foregoing it is hereby expressly declared that any filing fee payable or any document required to be filed with the registrar of the companies in respect of any act done or required to be done by any Director or other Officer by reason of his holding the said office shall be paid and borne by the Company.

102. INSPECTION BY SHAREHOLDERS

The register of charges, register of investments, register of shareholders, books of accounts and the minutes of the meeting of the Board and Shareholders shall be kept at the Office of the Company and shall be open, during business hours, for such periods not being less in the aggregate than two hours in each day as the Board determines for inspection of any Shareholder without charge. In the event such Shareholder conducting inspection of the abovementioned documents requires extracts of the same, the Company may charge a fee which shall not exceed Rupees ten per page or such other limit as may be prescribed under the Act or other applicable provisions of law.

103. AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION

The Company may amend its Memorandum of Association and Articles of Association in accordance with Sections 13, 14 and 15 of the Act and such other provisions of Law, as may be applicable from time-to-time. The shareholders shall vote for all the equity shares owned or held on record by such shareholders at any annual or extraordinary General meeting of the company in accordance with these Articles.

- (a) The shareholders shall not pass any resolution or take any decision which is contrary to any of the terms of these Articles.
- (b) The Articles of the company shall not be amended unless (i) Shareholders holding not less than 75% of the Equity shares (and who are entitled to attend and vote) cast votes in favour of each such amendment/s to the Articles.

104. SECRECY

No Shareholder shall be entitled to inspect the Company's work without permission of the Managing Director/Directors or to require discovery of any information respectively any details of Company's trading or any matter which is or may be in the nature of a trade secret, history of trade or secret process which may be related to the conduct of the business of the Company and which in the opinion of the Managing Director/Directors will be inexpedient in the interest of the Shareholders of the Company to communicate to the public.

105. DUTIES OF THE OFFICER TO OBSERVE SECRECY

Every Director, Managing Directors, manager, Secretary, Auditor, trustee, members of the committee, Officer, servant, agent, accountant or other Persons employed in the business of the Company shall, if so required by the Director before entering upon his duties, or any time during his term of office, sign a declaration pledging himself to observe secrecy relating to all transactions of the Company and the state of accounts and in matters relating thereto and shall by such declaration pledge himself not to reveal any of such matters which may come to his knowledge in the discharge of his official duties except which are required so to do by the Directors or the Auditors, or by resolution of the Company in the general meeting or by a court of law and except so far as may be necessary in order to comply with any of the provision of these Articles or Law. Nothing herein contained shall affect the powers of the Central Government or any officer appointed by the government to require or to hold an investigation into the Company's affair.

106. PROVISIONS OF THE COMPANIES ACT, 1956 SHALL CEASE TO HAVE EFFECT

Notwithstanding anything contained in these Articles, the provisions of the Companies Act, 1956, as are mentioned under these articles shall cease to have any effect once the said provisions are repealed upon notification of the corresponding provisions under the Act.

PART II

Part II of these Articles includes the rights and obligations of the shareholders of the Company.

In the event of any inconsistency between Part I and Part II of these Articles, the provisions of Part II of these Articles shall prevail. Part II of these Articles shall automatically terminate and cease to have any force and effect and deemed to fall away on and from the date of listing of the Equity Shares on a stock exchange in India, subsequent to an initial public offering of the Equity Shares, without any further action by the Company or its shareholders

TABLE 'F' TO APPLY

1. These Articles shall be called the Articles of Association of Spandana Sphoorty Financial Limited.
2. Unless otherwise specified the "Company" shall mean Spandana Sphoorty Financial Limited.

Subject as provided hereunder, the regulations contained in Table F of Schedule 1 of the Companies Act, 2013 shall apply to this Company in so far as they are applicable to a Public Company limited by Shares. The proviso in Regulation 13(i), Regulation 20(a) and Regulation 65 contained in Table F shall not apply to the Company.

1 DEFINITIONS & INTERPRETATION

1.1 Definitions:

In these Articles, except where the context otherwise requires, (i) capitalised terms defined by inclusion in quotations and/or parenthesis have the meanings so ascribed; and (ii) the following words and expressions shall have the following meanings:

“**The Company**” or “**This Company**” means Spandana Sphoorty Financial Limited.

1.1.1 “Acceptance Notice” shall have the meaning ascribed to such term under Article 14.4.3(c).

1.1.2 “Accounts” means the audited balance sheet and the audited statements of profit and loss of the Company for a Financial Year.

1.1.3 “Act” means the Companies Act, 2013, to the extent notified, and the Companies Act, 1956, to the extent not repealed, and all amendments or statutory modifications thereto or re-enactment thereof, except where otherwise expressly provided.

“**Affiliate**” of a Person (the “**Subject Person**”) means (i) in the case of any Subject Person other than a natural Person, any other Person that, either directly or indirectly through one or more intermediate Persons, Controls, is Controlled by or is under common Control with the Subject Person, and (ii) in relation to a natural person, any Immediate Family of such natural person and any other Person that, either directly or indirectly, is Controlled by

the Subject Person. In relation to JM, Valiant and each of the Investors, the term ‘Affiliate’ would also include entities which are wholly owned, Controlled or managed by such Party, any of their Affiliates or by the general partner or investment manager of such Party. Without limiting the generality of the foregoing, the term “Affiliate” in relation to JM shall include (a) any Person that Controls or acquires Control of JM; (b) JM Financial Investment Managers Limited or its Affiliate; (c) any fund (either present or in future) or trust, where JM Financial Investment Managers Limited and/or its Affiliate(s) is an investment manager or sponsor. Notwithstanding the above, for purposes of these Articles, the portfolio companies of the Investors, JM, Valiant or their respective Affiliates (including the Company) shall not be deemed to be an Affiliate of such Party.

“**Agreed ESOP Scheme**” shall have the meaning ascribed to such term under Article 19.9.1.

“**Allocation Notice**” shall have the meaning ascribed to such term under Article 13.1.4.

“**Alternate Director**” shall have the meaning ascribed to such term under Article 10.3.6.

“**Anti-Corruption Laws**” means all applicable laws and regulations relating to anti-bribery or anti-corruption (including, without limitation, the United States Foreign Corrupt Practices Act of 1977 and the UK Bribery Act 2010, each as amended).

“**Articles**” means these articles of association of the Company, as amended from time to time.

“**Audit Report**” shall have the meaning ascribed to such term under Article 16.3.

“**Big Four Accounting Firms**” means any of the Indian affiliates or associates of: (a) Deloitte Touche Tohmatsu; (b) KPMG; (c) Price Waterhouse Coopers; or (d) EY (formerly, Ernst & Young).

“**Board**” shall mean the board of Directors of the Company, as constituted from time to time, in accordance with applicable Law and the Charter Documents.

“**Business**” shall mean business of providing microfinance loans and such other business activities (assets of which represent at least 10% (ten percent) of the Company’s total assets) undertaken by the Company, its Subsidiaries and its Group Companies, from time to time.

“**Business Day**” means any day other than (i) Saturdays and Sundays, and (ii) any days on which commercial banks in Mauritius, Mumbai or Hyderabad, India are closed.

“**Business Plan**” means the business plan and operating budget for a Financial Year which shall contain the operating performance budget, funding requirements and sources through debt and equity, capital expenditure, operating costs, revenue, expansion of the business of the Company into new states, commencement of new products amongst other key performance indicators.

“**CAR**” shall have the meaning ascribed to such term under Article 13.3.

“**CAR Issuance**” shall have the meaning ascribed to such term under Article 13.3.

“**Charter Documents**” means Memorandum and Articles of the Company.

“**Committees**” shall have the meaning ascribed to such term under Article 10.6.1.

“**Company Liquidation Event**” shall mean any liquidation, winding up, dissolution, insolvency, whether voluntary or involuntary, of the Company.

“**Competing Business**” shall mean any business or activity in India which is the same or competes with the Business.

“**Competitor**” means any Person that engages in the Competing Business.

“**Conforming of Rights**” shall have the meaning ascribed to such term under Article 15.1.10.

“**Consent**” means any notice, consent, approval, authorization, waiver, permit, grant, concession, clearance, license, certificate, exemption, order, registration declaration, filing, report or notice, of, with or to, as the case may be, by any Person (including any Governmental Authority).

“**Contract**” means all written contracts, agreements, engagements, leases, financial instruments, memoranda of understanding, term sheets, undertakings and other written contractual arrangements.

“**Control**” (together with its correlative meanings, “**Controlled by**” and “**under common Control with**”, etc.) means, with respect to any Person (the “**Subject Person**”), the possession, directly or indirectly, of: (i) the power to direct or cause the direction of management or policies of the Subject Person (whether through ownership of voting securities or partnership or other ownership interests, by Contract or otherwise), (ii) the right to appoint the majority of the directors, or (iii) more than 50% (fifty percent) of the shareholding or ownership or capital contribution of the Subject Person.

“**D&O Policy**” shall mean a directors’ and officers’ liability insurance policy issued by an insurance company acceptable to the Investors, in respect of all claims or liabilities resulting from the actions or omissions of a Director to the extent permitted by Law, on terms and conditions acceptable to the Investors.

“**Deed of Adherence**” means a deed to be executed by the transferee of any Equity Securities substantially in the form set out in **Schedule 2** of the Shareholders’ Agreement.

“**Director**” means any director of the Company, including alternate directors, appointed in accordance with applicable Law and these Articles.

“**Director Undertaking**” shall have the meaning ascribed to such term under Article 15.1.6.

“**Drag Along Sale**” shall have the meaning ascribed to such term under Article 15.3.2.

“**Drag Notice**” shall have the meaning ascribed to such term under Article 15.3.3.

“**Drag Price**” shall have the meaning ascribed to such term under Article 15.3.3.

“**Drag Securities**” shall have the meaning ascribed to such term under Article 15.3.2.

“**Drag Transferee**” shall have the meaning ascribed to such term under Article 15.3.2.

“**Drag Trigger Date**” means the period commencing at the expiry of 18 (eighteen) months from the Effective Date.

“**Effective Date**” means March 31, 2017.

“**Encumbrance**” means (i) any mortgage, charge (whether fixed or floating), pledge, lien, hypothecation, assignment, deed of trust, security interest or other encumbrance of any kind securing, or conferring any priority of payment in respect of, any obligation of any Person, including without limitation any right granted by a transaction which, in legal terms, is not the granting of security but which has an economic or financial effect similar to the granting of security under applicable Law, (ii) any voting agreement, interest, option, right of first offer, refusal or transfer restriction, including any non-disposal undertaking or lock-in, in favour of any Person, and (iii) any adverse claim as to title, possession or use.

“**Equity Shares**” means the fully paid up equity shares of the Company each (i) with a face value of INR 10 (Rupees ten), and (ii) carrying 1 (one) vote per equity share.

“**Equity Share Capital**” means the total issued and fully paid-up equity share capital of the Company, calculated on a Fully Diluted Basis.

“**Equity Securities**” means Equity Shares or any other securities, debentures, warrants or options that are, directly or indirectly convertible into, or exercisable or exchangeable into or for Equity Shares.

“**ESOP Scheme**” means the Company’s employee stock option plan/ scheme to be approved and adopted by the Board, from time to time after the Effective Date, and includes the Agreed ESOP Scheme.

“**Excess New Securities**” shall have the meaning ascribed to such term under Article 13.1.3.

“**Existing Shareholder**” means each of the Shareholders of the Company, excluding the Investors.

“**Family-Owned Business Group**” means each of the group mentioned in **Schedule 8** of the Shareholders’ Agreement.

“Financial Year” means a period of 12 (twelve) months commencing from 1st April of any calendar year and ending on the 31st March of the next calendar year, unless otherwise decided by the Company, Investor 1 and the Promoter, in accordance with applicable Laws.

“First Adjourned Board Meeting” shall have the meaning ascribed to such term under Article 10.9.2.

“First Adjourned Shareholders Meeting” shall have the meaning ascribed to such term under Article 11.7.1.

“First Tranche Promoter Secondary Sale Shares” means 3,89,849 (three lakhs eighty nine thousand eight hundred and forty nine) Equity Shares held by the Promoter to be sold to the Investors, within 25 (twenty five) days from the Effective Date, or such other date as may be mutually agreed between the Promoter and the Investors, in accordance with the terms set out in the Promoter Purchase Agreement.

²**“Fully Diluted Basis”** means, in reference to any calculation, that the calculation should be made in relation to the equity share capital of any Person, assuming that all outstanding convertible preference shares or debentures, options, warrants and other Equity Securities convertible into or exercisable or exchangeable for Equity Shares (whether or not by their terms then currently convertible, exercisable or exchangeable), have been so converted, exercised or exchanged to the maximum number of Equity Shares possible under the terms thereof, provided that the following shall not be taken into account for the purposes of determining Fully Diluted Basis: (i) ESOPs or Equity Securities issued pursuant to exercise of ESOPs; (ii) any adjustments for dilution for the Investors pursuant to Article 13.2 (Anti-Dilution), except for determining Fully Diluted Basis for the Investors; (iii) any Equity Securities issued pursuant to the Restructuring and (iv) Promoter Warrants issued to the Promoters.

“Governmental Approval” means any Consent of, from or to any Governmental Authority.

“Governmental Authority” means any nation or government or any province, state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any agency, department, board, commission or instrumentality of India or any political subdivision thereof or any other jurisdiction, any court, tribunal or arbitrator and any securities exchange or body or authority regulating such securities exchange.

“Group Companies” means each of Abhiram Marketing Services Limited and Criss Financial Holdings Limited.

“Helion” means Helion Venture Partners LLC.

“Helion II” means Helion Venture Partners II LLC.

“Immediate Family” means in relation to a natural Person, the spouse, children (biological and adopted) of such Person.

“Investor 1” means Kangchenjunga Limited.

“Investor 2” means Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF 1.

“Investors” means collectively Investor 1 and Investor 2.

“Investor Designee” means Kedaara Capital I Limited or any Affiliate of Kedaara Capital I Limited that may be intimated in writing by Investor 1 to the Company and the Promoter.

“Investor Entry Price” means INR 235.48 (Rupees two hundred thirty five and paise forty eight only).

“Investor Lower Valuation” shall have the meaning ascribed to such term under Article 13.2.

“Investor Nominee Directors” shall have the meaning ascribed to such term under Article 10.3.2.

“Investor Offer Notice” shall have the meaning ascribed to such term under Article 14.5.2.

“Investor Offer Price” shall have the meaning ascribed to such term under Article 14.5.2.

“Investor Proposed Transfer” shall have the meaning ascribed to such term under Article 14.3.5(c).

² Amended vide special resolution at the Extra-ordinary General Meeting of the Company held on 6th March, 2018

“Investor Purchase Agreement” shall have the same meaning ascribed to such term under the Shareholders’ Agreement.

“Investor Reserved Matters” means the matters set out in **Schedule 1**.

“Investor ROFO” shall have the meaning ascribed to such term under Article 14.5.1.

“Investor ROFO Acceptance Notice” shall have the meaning ascribed to such term under Article 14.5.3.

“Investor ROFO Notice” shall have the meaning ascribed to such term under Article 14.5.1.

“Investor ROFO Period” shall have the meaning ascribed to such term under Article 14.5.2.

“Investor ROFO Securities” shall have the meaning ascribed to such term under Article 14.5.1.

“Investor Securities” means the Equity Securities held by the Investors, from time to time.

“Investor Tag Along Offer Period” shall have the meaning ascribed to such term under Article 14.3.5(e).

“Investor Transfer” shall have the meaning ascribed to such term under Article 14.11.1.

“Investor Transferee” shall have the meaning ascribed to such term under Article 14.3.4.

“Investor Transfer Notice” shall have the meaning ascribed to such term under Article 14.3.5(d).

“Independent Director” means a Director who would be considered to be an ‘independent director’ as per applicable Law.

“Indian GAAP” means the generally accepted accounting standards and principles which are recommended by the Institute of Chartered Accountants of India and applied by companies in India in the preparation of their financial statements from time to time and consistently applied and shall also include such other accounting standards and principles as may be made applicable from time to time.

“IPO Costs” shall have the meaning ascribed to such term under Article 15.1.9.

“IPO Trigger Date” means the period commencing at the end of 6 (six) months from the Effective Date.

“JM” means JM Financial Trustee Company Private Limited on behalf of JM Financial India Fund III, having its registered office at 141, Maker Chambers III, Nariman Point, Mumbai – 400 021.

“JM Nominee Directors” shall have the meaning ascribed to such term under Article 10.3.2.

“JM Purchase Agreement” means the share purchase agreement dated as of March 29, 2017 executed by and among the Investors, JM, the Company and JM Financial Investment Managers Limited.

“JM Reserved Matters” means the matters set out in **Schedule 3**.

“JM Threshold” shall mean 6.75% (six point seven five percent) of the Equity Share Capital held, whether individually or collectively, by JM and/or its Permitted Transferees.

“JM Transferee” means any Person to whom JM transfers Equity Securities aggregating 6.75% (six point seven five percent) or more of the Equity Share Capital, in accordance with the terms of these Articles.

“Key Managerial Personnel” means the chief executive officer, the managing director, the chief financial officer, company secretary, Mr. Feroz Khan, and all employees directly reporting to the managing director of the Company.

“Law” means all applicable:

- a. statutes, enactments, acts of legislature or parliament, laws, ordinances, rules, bye-laws, regulations, listing agreements, notifications, guidelines or policies of any applicable jurisdiction; and

- b. administrative interpretation, writ, injunction, directions, directives, judgment, arbitral award, decree, orders or Governmental Approvals of, or agreements with, any Governmental Authority or recognized stock exchange,

as may be in force from time to time.

“Liquidation Preference” shall have the meaning ascribed to such term under Article 19.3.1.

“Lok Purchase Agreement” means the share purchase agreement to be entered into between Lok, the Investors and the Company for the purchase by the Investors of the Equity Shares held by Lok in the Company.

“Lok” means Lok Advisory Services Private Limited.

“Losses” means all actual and direct losses, claims, demands, liabilities, obligations (whether general or special), fines, expenses, damages including interests and penalties with respect thereto and out-of-pocket expenses, including reasonable attorneys’ and accountants’ fees and disbursements.

“Managing Director” shall have the meaning ascribed to such term under Article 10.5.

“Memorandum” means the memorandum of association of the Company, as amended from time to time.

“New Securities” shall have the meaning ascribed to such term under Article 13.1.1.

“New Securities Issuance Price” shall have the meaning ascribed to such term under Article 13.1.2.

“Nominee Director(s)” means the Director(s) nominated by the Shareholders, entitled to such nomination, to be appointed to the Board by the Company in accordance with the provisions of these Articles, and shall include Investor Nominee Directors, JM Nominee Director and the Promoter Nominee Directors.

“Observer” shall have the meaning ascribed to such term under Article 10.3.7.

“OCCRPS Purchase Agreement” shall have the same meaning ascribed to such term under the Shareholders’ Agreement.

“Offeree” shall have the meaning ascribed to such term under Article 14.4.3(a).

“Offer Period” shall have the meaning ascribed to such term under Article 14.4.3(b).

“Offer Price” shall have the meaning ascribed to such term under Article 14.4.3(a).

“Offered Securities” shall have the meaning ascribed to such term under Article 14.4.3(a).

“Office” means the registered office for the time being of the Company.

“Ordinary Course of Business” shall mean the ordinary course of business consistent with past custom and practice, but only to the extent consistent with applicable Law.

“OTPP” means 1925784 Ontario Limited, which is as of the Effective Date, a shareholder of Investor 1.

“Party” or **“Parties”** has the meaning ascribed to the terms in the Shareholders’ Agreement.

“Permitted Transferee” means, at the relevant time:

- a. in relation to the Promoter Group: (i) a member of the Immediate Family of such Promoter Group, and (ii) an entity (other than a trust) which the relevant Promoter Group owns and Controls 100% (one hundred percent) of the legal and beneficial ownership, right, title and interest; (iii) a trust of which the Promoter Group or any of the foregoing is a 100% (one hundred percent) beneficiary;
- b. in relation to the Investors, means an Affiliate of the Investors and with respect to Investor 1, for as long as OTPP is a shareholder of Investor 1, shall also include OTPP and its Affiliates; and
- c. In relation to the Shareholders that are not natural persons (except the Investor), an Affiliate of such Shareholder.

“Person” means a natural person, limited or unlimited liability company, corporation, partnership, Governmental Authority, proprietorship, unincorporated association or organization, trust or other entity, including, without limitation, a Hindu undivided family or any other entity that may be treated as a person under applicable Law.

“Pre-Emptive Exercise Notice” shall have the meaning ascribed to such term under Article 13.1.3.

“Pre-Emptive Offer Notice” shall have the meaning ascribed to such term under Article 13.1.2.

“Pre-Emptive Offer Period” shall have the meaning ascribed to such term under Article 13.1.3.

“Pricing Period” shall have the meaning ascribed to such term under Article 13.1.10(i).

“Promoter” means Mrs. Padmaja Reddy Gangireddy.

“Promoter Group” means Mrs. Padmaja Reddy Gangireddy and VSR.

“Pro Rata Percentage” means the proportion of the Equity Securities proposed to be transferred by a particular Shareholder to the total Equity Securities held by the said Shareholder, on a Fully Diluted Basis.

“Pro Rata Share” with respect to any Shareholder, means the respective proportions in which the Equity Share Capital of the Company is held, from time to time, by the Shareholder.

“Promoter Minimum Shares” means (i) for a period of 3 (three) years from the Effective Date, 6.75% (six point seven five percent) of the Equity Share Capital as of (A) the Effective Date (if Second Tranche Completion is not consummated), or (B) the Second Tranche Completion Date (if Second Tranche Completion is consummated); and (ii) after a period of 3 (three) years from the Effective Date, 4% (four percent) of the Equity Share Capital as on the relevant date.

“Promoter Nominee Directors” shall have the meaning ascribed to such term under Article 10.3.2.

“Promoter Proposed Transfer” shall have the meaning ascribed to such term under Article 14.4.4(a).

“Promoter Proposed Transferee” shall have the meaning ascribed to such term under Article 14.4.4(a).

“Promoter Purchase Agreement” means the share purchase agreement to be entered into between the Promoter, the Investors and the Company for the purchase by the Investors of the Promoter Secondary Sale Shares.

“Promoter Reserved Matters” means the matters set out in **Schedule 2** of these Articles.

“Promoter Sale Securities” shall have the meaning ascribed to such term under Article 14.4.4(a).

“Promoter Secondary Sale” means (i) the sale by the Promoter of 3,89,849 (three lakhs eighty nine thousand eight hundred and forty nine) Equity Shares held by her to the Investors, within 25 (twenty five) days from the Effective Date, or such other date as may be mutually agreed between the Promoter and the Investors, and (ii) the sale by the Promoter of up to 6,24,665 (six lakhs twenty four thousand six hundred and sixty five only) Equity Shares between April 1, 2018 and April 30, 2018, or any such date as may be mutually agreed between the Promoter and the Investors; in both cases in accordance with the terms set out in the Promoter Purchase Agreement.

“Promoter Secondary Sale Shares” means First Tranche Promoter Secondary Sale Shares and the Second Tranche Promoter Secondary Sale Shares collectively.

“Promoter Tag Along Offer Period” shall have the meaning ascribed to such term under Article 14.4.4(c).

“Promoter Tag Along Response” shall have the meaning ascribed to such term under Article 14.4.4(c).

“Promoter Transfer Notice” shall have the meaning ascribed to such term under Article 14.4.4(b).

***“Promoter Warrants”** means 14,88,544 (Fourteen lakh eighty eight thousand five hundred forty four) warrants issued to the Promoter and having such terms as approved by the Board in its meeting dated February 16, 2018.”

“Proposed Issuance” shall have the meaning ascribed to such term under Article 13.1.2.

* Amended vide special resolution at the Extra-ordinary General Meeting of the Company held on 6th March, 2018

“Proposed Recipient” shall have the meaning ascribed to such term under Article 13.1.5.

“Recognized Stock Exchanges” means BSE Limited, the National Stock Exchange of India Limited or other stock exchange, acceptable to Investor 1 and the Promoter.

“Related Party” means, in relation to the Company: (i) any Shareholder of the Company and each of its respective Affiliates and with respect to the Promoter Group, shall also include any Relative of the Promoter Group and any other Person that, either directly or indirectly, is Controlled by such Relative, (ii) any Director of the Company, (iv) any Key Managerial Personnel of the Company, (v) any Affiliate of the Company, (vi) any Group Company, (viii) except for the Promoter Group, the Immediate Family of any Shareholder of the Company, Director, or Key Managerial Personnel of the Company. For the purpose of this definition, “Affiliate” shall also include entities in which the concerned Person has at least 26% (twenty six percent) of the shareholding or ownership or capital contribution of such entity.

“Related Party Contract” means a Contract between the Company and its Related Party.

“Relative” shall have the meaning ascribed to the term in the Act.

“Remaining Shareholders” shall have the meaning ascribed to such term under Article 15.3.2.

“Representatives” means and includes a Party’s directors, officers or employees, advisors, counsels, accountants and other consultants.

“Reserved Matter(s)” means any of the Investor Reserved Matters and/ or the Promoter Reserved Matters and/ or JM Reserved Matters.

“Restructuring” means any one or more transactions involving the Group Companies and the Company, undertaken in order to achieve the Restructuring Objective.

“Restructuring Objective” means the economic consolidation of the businesses of the Group Companies with the Business of the Company.

“Right of First Refusal” shall have the meaning ascribed to such term under Article 14.4.3.

“ROFO Seller” shall have the meaning ascribed to such term under Article 14.5.1. **“SEBI”** means the Securities and Exchange Board of India.

“SEBI Regulations” shall have the meaning ascribed to such term under Article 15.1.1.

“Second Adjourned Board Meeting” shall have the meaning ascribed to such term under Article 10.9.3.

“Second Adjourned Shareholders Meeting” shall have the meaning ascribed to such term under Article 11.7.2.

“Second Tranche Promoter Secondary Sale Shares” means up to 6,24,665 (six lakhs twenty four thousand six hundred and sixty five) Equity Shares held by the Promoter to be sold to the Investors between April 1, 2018 and April 30, 2018, or any such date as may be mutually agreed between the Promoter and the Investors, in accordance with the terms set out in the Promoter Purchase Agreement.

“Second Tranche Completion Date” shall have the meaning ascribed to it in the SSA.

“Shareholder” means any Person who holds any Equity Securities (other than the holders of stock options pursuant to any ESOP Scheme) from time to time.

“Shareholders’ Agreement” means the Shareholders’ Agreement dated March 29, 2017 entered into by and among the Company, Padmaja Reddy, Vijaya Siva Rami Reddy Vendidandi, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, Lok Advisory Services Private Limited, Valiant Mauritius Partners FDI Limited, Helion Venture Partners II LLC, Helion Venture Partners LLC, JM and the Investors.

“SSA” means the Share Subscription Agreement dated March 29, 2017 entered into among the Company, the Promoter and the Investors.

“Strategic Sale” shall have the meaning ascribed to such term under Article 15.2.1.

“Subscribing Shareholder” shall have the meaning ascribed to such term under Article 13.1.3.

“Subscription Date” shall have the meaning ascribed to such term under Article 13.1.4.

“Subsidiaries” means a subsidiary within the meaning of the Act, whether now existing, or incorporated or invested into by the Company at any time after the Agreement Date (as defined in the Shareholders’ Agreement).

“Tag Along Consideration” means the amount equal to the Tag Along Securities multiplied by the Tag Along Price.

“Tag Along Price” means the price per Equity Security at which the selling Shareholder proposes to Transfer the Equity Security to a third party transferee as so negotiated between them.

“Tag Along Response” shall have the meaning ascribed to such term under Article 14.3.5(e).

“Tag Along Right” of a Shareholder means the right but not the obligation of such Shareholder to sell Equity Securities held by it in the event of a proposed Transfer of Equity Securities by one or more other Shareholders.

“Tag Along Securities” means the number of Equity Securities offered by the respective Shareholder(s) under the Tag Along Response to be Transferred to the third party transferee on exercise of their Tag Along Right.

“Tag Transferor” shall have the meaning ascribed to such term under Article 14.3.5(d).

“Tax” means all forms of taxation, duties, levies, imposts, whether direct or indirect, whether central, state or local, including without limitation corporate income–tax, wage withholding tax, fringe benefit tax, value added tax, customs and excise duties, dividend tax, real estate taxes, other municipal taxes and duties, environmental taxes and duties and any other type of taxes or duties, due, payable, levied, imposed upon or claimed to be owed by virtue of any applicable national, regional or local law or regulation and which may be due directly or by virtue of joint and several liability in any relevant jurisdiction (together with any interest, penalties, surcharges, cess or fines relating to them).

“Third Party Price” shall have the meaning ascribed to such term under Article 13.1.5.

“Transaction Documents” means:

- a. the Shareholders’ Agreement;
- b. the SSA;
- c. Investor Purchase Agreement;
- d. JM Purchase Agreement;
- e. Promoter Purchase Agreement;
- f. Promoter Subscription Agreement;
- g. OCCRPS Purchase Agreement;
- h. Lok Purchase Agreement;
- i. any other agreement, instrument, document or deed entered into, or to be entered into, or delivered in connection with the transactions contemplated in the foregoing.

“Transfer” means to sell, give, assign, transfer any interest in trust, mortgage, alienation, encumber, grant a security interest in, amalgamate, merge or suffer to exist (whether by operation of law or otherwise) any Encumbrance on, any securities, shares or interests (including, in relation to the Company, Equity Securities) or any right, title or interest therein or otherwise dispose of securities, shares or interests (including, in relation to the Company, Equity Securities) in any manner whatsoever voluntarily or involuntarily.

“Transfer Notice” shall have the meaning ascribed to such term under Article 14.4.3(a).

“Transferee” shall have the meaning ascribed to such term under Article 14.4.3(a).

“Valiant” means Valiant Mauritius Partners FDI Limited.

“Valuer” shall have the meaning ascribed to such term under Article 13.1.10(ii).

“Variation Notice” shall have the meaning ascribed to such term under Article 13.1.9.

“**VSR**” means Mr. Vijaya Siva Rami Reddy Vendidandi.

“**Valiant**” shall mean Valiant Mauritius Partners FDI Limited, a company organized under the laws of Mauritius, and having its registered office at Suite 2005, Level 2A, Alexander House, 35 Cybercity, Ebene, Mauritius.

“**These Articles**” or “**these Articles**” shall mean these Articles of Association of the Company as modified from time to time in accordance with the terms hereof.

1.2 Interpretation:

In these Articles, unless otherwise specified:

- (i) The terms referred to in these Articles shall, unless defined otherwise or inconsistent with the context or meaning thereof, bear the meaning ascribed to them under the relevant statute/ legislation.
- (ii) References to the number or percentage of Equity Securities held by the Investor herein shall mean and include the Equity Securities of both Investor 1 and Investor 2.
- (iii) Except as provided in Article 21.2, references to a Party shall, where the context permits, include such Party’s respective successors, legal heirs and permitted assigns.
- (iv) The descriptive headings of Articles are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of content thereof and shall not be used to interpret the provisions of these Articles and shall not affect the construction of these Articles.
- (v) Words importing the singular include the plural and vice versa, pronouns importing a gender include each of the masculine, feminine and neuter genders, and where a word or phrase is defined, other parts of speech and grammatical forms of that word or phrase shall have the corresponding meanings.
- (vi) Wherever the words “include,” “includes,” or “including” is used in these Articles, such words shall be deemed to be followed by the words “without limitation”.
- (vii) The terms “hereof”, “herein”, “hereto”, “hereunder” or similar expressions used in these Articles mean and refer to these Articles and not to any particular Article of these Articles, unless expressly stated otherwise.
- (viii) Any date or period as set out in any Article of these Articles (i) may, subject to applicable Law, be extended with the written consent of the Parties, and (ii) shall be of the essence.
- (ix) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of such period is not a Business Day; and whenever any payment is to be made or action to be taken under these Articles is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following.
- (x) The words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any right or interest in or to assets and properties of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible.
- (xi) All references in these Articles to statutory provisions shall be construed as meaning and including references to:
 - (a) Any statutory modification, consolidation or re-enactment made after the Effective Date and for the time being in force;
 - (b) All statutory instruments or orders made pursuant to a statutory provision;
 - (c) Any statutory provisions of which these statutory provisions are a consolidation, re-enactment or modification.
- (xii) Any reference in these Articles, to these Articles or any other agreement or document shall be construed, without limitation, as a reference to these Articles or, as the case may be, such other agreement or

document, in each case as the same may have been, or may from time to time be, amended, varied, assigned, novated, acceded to or supplemented and any reference to any statutory provision shall include such provision and any regulations made thereunder and any statutory re-enactment, modification or replacement thereof.

- (xiii) Any reference to shares of the Company including calculation on a Fully Diluted Basis shall be so calculated taking into account any alteration of the entire Equity Share Capital of the Company pursuant to issue of bonus shares, stock split, sub-division, consolidation or any similar corporate action with respect to the Equity Share Capital.
- (xiv) Where a consent is required in respect of any matter from any Party, such consent may be granted or withheld at the sole discretion of such Party, and if granted, shall be granted subject to such terms and conditions as such Party may, at such time, deem fit to impose.
- (xv) Any reference to “writing” shall include printing, typing, lithography and other means of reproducing words in visible form.
- (xvi) Notwithstanding anything to the contrary, any time limits specified in any provision of these Articles, within which any Party is required to perform any obligations or complete any activity, shall be extended by such period as may be required to comply with any requirement of applicable Law; provided that, the Party that is required to comply with such applicable Law shall, upon informing the other Parties of such extension in writing, act in good faith and take all necessary steps to ensure compliance with such applicable Law within the minimum time possible.
- (xvii) Where any payment obligation of a Party under these Articles (“**Subject Obligation**”) requires Consent (including any Governmental Approval) in order for the Subject Obligation to be performed validly, then the Subject Obligation shall be deemed to include the obligation to apply for and comply with the terms of, all such Consents (including such Governmental Approvals). Provided however, if the Consent is required by the Party receiving the Subject Obligation for the purpose of receiving the Subject Obligation from the other Party, the Party which is receiving the Subject Obligation shall be required to apply for such consent or approval.
- (xviii) The Schedules of these Articles form an integral part of these Articles.
- (xix) In respect of any of the rights under these Articles which are available on the basis of the number of Equity Securities or percentage shareholding on a Fully Diluted Basis held by any Party or on the basis of its Pro Rata Share, such Party shall be entitled to aggregate the Equity Securities held by such Party and its Permitted Transferees.

Save as aforesaid, words or expressions, defined in the Act, shall, if not inconsistent with the subject or context, bear the same meaning in these Articles. Any word or expression not defined in these Articles, shall except where the subject or context forbids, bear the same meaning as contained in the Act.

2 CAPITAL AND INCREASE AND REDUCTION IN CAPITAL

2.1 Amount of Capital*:

Authorized Share Capital: The authorized share capital of the Company shall be as motioned in the Clause V of the Memorandum of Association of the Company.

2.2 Increase in Capital by the Company, and how carried into effect:

Subject to the terms of the Shareholders’ Agreement and these Articles, the Company may from time to time in general meeting increase its share capital by the issue of new shares of such amounts as may be determined by the Shareholders in accordance with the provisions of these Articles.

2.3. Capitalization of Free Reserves:

Subject to the terms of the Shareholders’ Agreement and these Articles, the Company may, in a Shareholders’ meeting, upon the recommendation of the Board, resolve that the existing free reserves (including the amount transferred from the profit and loss account) be capitalized by issue of fully paid or partly paid bonus Shares to the extent of the amount standing to the credit of such free reserves.

* Amended vide special resolution at the Extra-ordinary General Meeting of the Company held on 6th March, 2018

3 PREFERENCE SHARES

3.1 Issue of Redeemable Preference Shares:

- (i) Subject to the provision of section 55 of the Act and the provisions of the Act, the Company shall have the power to issue preference shares in accordance with the provisions of these Articles and the Shareholders' Agreement, which are liable to be redeemed, and the special resolution authorizing such issue shall prescribe the manner, terms and conditions of redemption.
- (ii) Subject to the provision of the Act, no preference shares shall be redeemed, unless they are fully paid up, and except out of the profits of the Company, which would otherwise be available for dividend, or out of the proceeds of a fresh issue of shares made for the purpose of such redemption.
- (iii) The redemption of preference shares under these provisions by the Company shall not be taken as reducing the amount of its authorized share capital.
- (iv) Where in pursuance of these Articles, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares up to the nominal amount of the shares redeemed or to be redeemed.

3.2 Subject to the terms of the Shareholders' Agreement and these Articles, the amount standing to the credit of the capital redemption reserve account may be applied by the Company in paying up un-issued Shares of the Company to be issued to the Shareholders of the Company as fully paid bonus shares, subject to the terms of the Shareholders' Agreement.

3.3 Provisions in the case of Redemption of Redeemable Preference Shares

- (i) Subject to the provisions of section 55 of the Act and the terms of the Shareholders' Agreement, the following provisions shall apply in regard to the redemption of any redeemable preference shares.
- (ii) For the purpose of redemption of preference shares, each holder shall be bound to surrender to the Company the certificate pertaining to the preference shares to be redeemed in accordance with the terms thereof.
- (iii) The Board shall be at liberty to waive the condition of surrender of certificate of the redeemable preference shares upon being satisfied that the same has been lost/ misplaced/ destroyed subject to such terms as to evidence and indemnity as the Board shall decide.
- (iv) The redeemable preference shares shall not confer upon the holders thereof the right to vote upon their shares in person or by proxy at any Shareholders Meeting of the Company save to the extent and in the manner provided by section 47 of the Act.
- (v) The rights, privileges and conditions for the time being attached to the redeemable preference shares may be varied, modified or abrogated in accordance with the provisions of these Articles, subject to the provisions of the Act.

3.4 Cumulative Convertible Preference Shares

Subject to any regulations issued from time to time by the Central Government or the appropriate authority, the Company may issue cumulative convertible preference shares (CCPS) in such manner as the Board and the Shareholders may authorize in accordance with the provisions of these Articles and the Act.

3.5 Reduction of Capital

Subject to the terms of these Articles and the Shareholders' Agreement, the Company may from time to time by special resolution, subject to confirmation by the Tribunal and subject to the provisions of Section 66 of the Act, reduce its share capital and any capital redemption reserve account or share premium account in any manner for the time being authorized by Law in particular, without prejudice to the generality of the foregoing power may do so by: _____

- (i) Extinguishing or reducing the liability on any of its Shares in respect of paid up share capital; or

- (ii) Either with or without extinguishing or reducing liability on any of its Shares, cancel paid up share capital which is lost or is unrepresented by available assets; or
- (iii) Either with or without extinguishing or reducing liability on any of its Shares, pay off any paid up share capital which is in excess of the requirements of the Company;

and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its Authorised Share Capital and of its Shares accordingly.

3.6 Conversion of Share into Stock and Reconversion:

The Company may in a Shareholders' meeting, convert any paid up Share into stock and when any Share shall have been converted into stock, the several holders and of any such stock may thereafter transfer their respective interest therein or any part of such interests in the same manner and subject to the same regulations as, and subject to which Shares from which the stock arise might have been transferred, if no such conversion had taken place, or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into a paid up Share of any denomination.

4 REGISTER OF MEMBERS

The Company shall cause to be kept a register and index of Shareholders in accordance with Section 88 of the Act.

5 ISSUE OF SHARES AT PREMIUM OR DISCOUNT

- 5.1 Subject to the provisions of section 54 of the Act and further subject to the terms of these Articles, the Company may issue sweat Equity Shares of a class of shares already issued.
- 5.2 Subject to the provisions of section 52 of the Act and further subject to the terms of these Articles, the Company may, in a Shareholders' meeting or at a meeting of the Board, as the case may be, issue any shares at a premium.
- 5.3 An application signed by or on behalf of an applicant for Shares in the Company, followed by an allotment of any Shares therein shall be an acceptance of Shares within the meaning of these Articles and every Person who thus or otherwise accepts any Shares and whose name is on the Register of Shareholders shall for the purpose of these Articles be a Shareholder.

6 SHARE CERTIFICATES

- 6.1 The issue of certificates of Equity Securities or of duplicate or renewal of certificates of Equity Securities Shares shall be governed by the provisions of section 46 and other provisions of the Act, as may be applicable and by the rules or notifications or orders, if any, which may be prescribed or made by any competent authority under the Act or rules or any other Law.
- 6.2 The certificate of title of Equity Securities shall be issued under the seal of the Company and shall be signed by such Directors or officers or other authorized persons as may be prescribed by the rules made under the Act from time to time.
- 6.3 Every Shareholder shall be entitled, without payment, to one certificate each for all the Shares/debentures of such class or denomination registered in his name, or if the Directors so approve, (upon paying such fee as the Directors may from time to time determine), to several certificates, each for one or more of such Shares and the Company shall complete and deliver such certificates within the time provided by section 56 of the Act. Every certificate of Shares shall specify the amount paid up on the Equity Securities/ debentures covered thereby and shall be in such form as the Directors shall prescribe or approve. Provided that in respect of a Share held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate of Shares to one of several joint holders shall be sufficient delivery to all such holders.

6.4 Equity Securities to be numbered progressively and no Equity Security to be sub-divided:

The Equity Securities in the capital shall be numbered progressively according to their several denominations and no Equity Security shall be sub-divided. Every forfeited or surrendered Equity Securities shall continue and no Equity Security to bear the number by which the same was originally distinguished.

6.5 Replacement of Equity Security/ Debenture Certificates

- (i) If any certificate is worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof, a new certificate may be issued in lieu thereof, in accordance with the applicable rules prescribed thereunder.
- (ii) If an Equity Security /debenture certificate is lost or destroyed, a new certificate in lieu thereof shall be issued only with prior consent of the Board or a Committee constituted by the Board and on such terms, if any, as to evidence and indemnity as to the payment of out-of-pocket expenses incurred by the Company in investigating evidence, as the Board thinks fit and as provided in the Companies (Share Capital and Debentures) Rules, 2014 (including any amendment or modification of the said rules).

7 CALLS

7.1 Directors to make calls:

The Directors may from time to time, in accordance with the terms of the Promoter Subscription Agreement, and subject to applicable Law, and subject to the terms on which any Equity Securities/ debentures that may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution) make such calls as they think fit upon the Shareholders/ debenture holders in respect of all moneys unpaid on the Equity Securities/debentures held by them respectively and each Shareholder/ debenture holder shall pay the amount of every call so made on him to the Company at the times and places appointed by the Directors in terms of the resolution of the Board. A call may be postponed or revoked as the Board may determine.

7.2 Notice of Calls, extension etc.

- (i) At least one month's notice in writing of any call shall be given through a notice of Company specifying the time and place of payment, and the person to whom such call shall be paid.
- (ii) A call shall be deemed to have been made at the time when the resolution of the Directors authorizing such call was passed and may be made payable by the Shareholders / debenture holders on a subsequent date to be specified by the Directors.
- (iii) The Directors may, from time to time, at their discretion, extend the time fixed for the payment of any call, and may extend such time as to all or any of the Shareholders/ debenture holders who for sufficient cause, as the Directors may deem fit, are fairly entitled to such extension, but no Shareholder/ debenture holder shall be entitled to such extension, save as a matter of grace and favor.

7.3 Installments:

- (i) If by the condition of allotment of any Equity Securities/ debentures, the whole or part of the amount of the issue price thereof is payable by installments on the Shares/debentures every such installment shall, when due, be paid to the Company by the person who, for the time being and from time to time, shall be the registered holder of the Equity Securities/debentures or by his legal representative.
- (ii) Where any such calls are made on a uniform basis all calls on all Equity Securities or debentures falling under the same class shall be made under one series. Explanation: For the purpose of these provisions, Equity Securities of the same nominal value on which different amounts have been paid up shall not be deemed to fall under the same class.

7.4 Liability of Joint holders:

The joint holders of Equity Securities/ debenture shall be severally as well as jointly liable for the payment of all installments and calls due in respect of such Equity Securities/ debentures.

7.5 Calls to Carry Interest:

- (i) If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof or any such extension thereof, the holder for the time being or allottee of the Equity Securities/ debentures in respect of which the call shall have been made or from whom the installment is due, shall pay interest at the rate fixed by the Board, and such interest shall be payable from the day appointed for the

payment thereof or any such extension thereof to the time of actual payment. The Directors may waive payment of such interest wholly or in part.

- (ii) Any sum, which by the terms of issue of an Equity Security /debenture becomes payable on allotment or at any fixed date, whether on account of the nominal value or by way of premium, shall for the purposes of these Articles be deemed to be a call duly made and payable on the date on which by the terms of issue, the same become payable, and in case of non-payment, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

8 LIEN

8.1 Company's right to have first Lien on shares:

The Company shall have a first and paramount lien upon all the Equity Securities and/or debentures (other than fully paid up Equity Securities and/or debentures) registered in the name of each Shareholder and/or debenture holder (whether held singly or jointly with others) in respect of all moneys whether presently payable or not and shall extend to all dividends, interest, rights and bonuses from time to time declared in respect of such Equity Securities and/or debentures. Unless otherwise agreed, the registration of transfer of Equity Securities and/or debentures shall operate as waiver of Company's lien, if any, on such Shares and/or debentures.

8.2 Enforcement of lien by sale of shares:

For the purpose of enforcing such lien, the Board may sell the Equity Securities and/or debentures in such manner as it shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such Equity Securities and/or debentures and may authorize one of their officers or agents to execute a transfer thereof, on behalf of and in the name of such Shareholder/ debenture holder. No sale shall be made until notice in writing of the intention to sell shall have been served on such Shareholder and/or debenture holder or his legal representatives and unless a default shall have been made by him or them in payment, fulfillment or discharge of such debts, liabilities or engagement for 30 (thirty) Days after such notice.

8.3 Application of proceeds of sale:

- (i) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a like lien for sums not presently payable as existed upon the Equity Securities before the sale) be paid to the persons entitled to the Equity Securities and/or debentures at the date of the sale.
- (ii) The Company shall be entitled to treat the registered holder of any Equity Security or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as required by statute) be bound to recognize any equitable or other claim to, or interest in such Equity Securities or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

9 FORFEITURE OF SHARES

9.1 Notice to Shareholders on non-payment:

If any Shareholder fails to pay any call or installment of a call on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may, at any time thereafter, during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

9.2 Form of Notice:

The notice shall name a day not being less than 30 (thirty) Days from the date of the notice and a place, on and at which such call, or installment or such part or other moneys as aforesaid are to be paid. The notice shall also state, that in the event of the non-payment of the call amount with interest at or before the time and at the place appointed, the Equity Securities or debentures in respect of which the call was made or installment or such part or other moneys is or are payable will be liable to be forfeited and/or cancelled as the case may be.

9.3 In default payment, shares to be forfeited:

If the requirements of any such notice as aforesaid shall not be complied with any Equity Security/debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses or other moneys due in respect thereof be forfeited by a resolution of the Board to that effect. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any Shareholder of the Company in respect of his/ her Equity Securities or debentures, either by way of principal or interest, nor any indulgence granted by the Company, in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce forfeiture of such Shares or cancel the allotment of debentures as herein provided. Such forfeiture shall include all dividends declared or interest, paid or any other moneys payable in respect of the forfeited Equity Securities or debentures and not actually paid before the forfeiture/cancellation.

9.4 Notice of forfeiture / cancellation:

When any Equity Security shall have been so forfeited and/or allotment of debenture shall have been so cancelled, notice of the forfeiture/ cancellation, shall be given to the Shareholder/debenture holder in name it stood immediately prior to the forfeiture/cancellation and an entry of the forfeiture/cancellation with the date thereof, shall forthwith be made in the register of Shareholders/debenture holder. But no forfeiture/cancellation shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

9.5 Forfeiture and cancellation of allotment:

Any Equity Security so forfeited shall be deemed to be the property of the Company, and may be sold, re allotted or otherwise disposed of either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit. Upon cancellation of the allotment, the debenture issued shall be deemed to be the property of the Company and may be reissued or allotted to any person, upon such terms and in such manner as the Board shall think fit.

9.6 Any Shareholder, whose Equity Securities have been forfeited shall cease to be a Shareholder in respect of such Equity Securities but, shall notwithstanding forfeiture, be liable to pay and shall forthwith pay to the Company on demand all calls, installments, interest and expenses owing upon or in respect of such Shares at the time of the forfeiture together with interest thereof from time of the forfeiture, until payment, at such rate as the Board may determine and the Board may enforce the payment thereof, if it thinks fit, or deduct from the same, expenses incurred in calling the money due on a debenture while canceling the allotment thereof.

9.7 The forfeiture of an Equity Security shall involve extinction at the time of the forfeiture, of all interest in and all claims and demands against the Company in respect of the Equity Security and all other rights, incidental to the Equity Security, except only such of those rights as by these Articles are expressly saved.

9.8 A declaration in writing by one Director or by the secretary or any other officer authorized by the Directors for the purpose, that the call in respect of an Equity Security or debenture was made and notice thereof given and that default in payment of the call was made that the forfeiture/ cancellation of the Equity Security or debenture was made by a resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such Equity Security or debenture.

9.9 Upon any sale after forfeiture or for enforcing a lien in exercise of the power or reissue of debenture upon cancellation of allotment, the Board may appoint any officer or agent of the Company to execute an instrument of transfer of the Equity Securities sold and cause the purchaser's name to be entered in the Register of Members in respect of the Equity Securities/debentures sold/reissued and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register of Shareholders in respect of such Equity Securities/ debentures the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be in damages only and against the Company exclusively.

9.10 Upon any sale, re allotment or other disposal under the provision of the preceding Articles, the certificate or certificates originally issued in respect of the relative Equity Securities shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting Shareholder) stand cancelled and become null and void and of no effect and the Directors shall be entitled to issue a duplicate certificate or certificates in respect of the said Equity Security to the person or persons entitled thereto.

9.11 The Directors may, subject to the provisions of the Act, accept a surrender of any Equity Security or debenture from or by any Shareholder or debenture holder desirous of surrendering them on such terms as the Board may think fit.

10 THE BOARD

- 10.1 Subject to the provisions of these Articles, the Company shall be under the direction and supervision of the Board.
- 10.2 The rights of the Investors under this Article 10 (*The Board*), including, but not limited to, with respect to appointment of directors, quorum and notices, shall be available (i) to the Investors and JM with respect to each Subsidiary from the Effective Date, and (ii) to the Investors with respect to each Group Company post the Restructuring; and all the provisions and terms and conditions mentioned in this Article 10 (*The Board*) shall be applicable to (i) such Subsidiary (vis-à-vis each of the Investors and JM) and (ii) post the Restructuring, each Group Company (vis-à-vis each of the Investors). Provided however, the rights of JM with respect to each Subsidiary set out in this Article 10 (*The Board*) shall not apply if any Group Company becomes a Subsidiary or if the business of any Group Company is transferred to a Subsidiary.
- 10.3 Directors
- 10.3.1. Size. The maximum number of directors constituting the entire Board shall be 11 (eleven) or such other number as may be agreed upon in writing by the Parties.
- 10.3.2. Composition of the Board.
- (i) The Investor Designee shall have the right to nominate such number of Nominee Directors to the Board as is proportionate to the Pro Rata Share of the Investors in the Company (“**Investor Nominee Directors**”).
 - (ii) Till such time that JM holds at least the JM Threshold, JM shall have the right to nominate 1 (one) Nominee Director on the Board of the Company (“**JM Nominee Directors**”).
 - (iii) Subject to Article 18, the Promoter has the right to nominate 2 (two) persons as Directors of which 1 (one) Director shall be the Promoter (“**Promoter Nominee Directors**”).
 - (iv) Subject to applicable Law, the office of the Managing Director and one Nominee Director of the Investor Designee shall be such that it is not capable of being vacated by retirement or rotation
- 10.3.3. Unless undertaken pursuant to the provisions of the Act, the removal of any of the Directors nominated by the Investor Designee, JM or the Promoter from the Board shall require the relevant Party’s Consent or a notice by the relevant Party to the other Parties for the removal of their respective Nominee Director(s).
- 10.3.4. In the event a Nominee Director resigns or is removed in accordance with Article 10.3.3 or applicable Laws, the relevant Shareholder which appointed the removed Nominee Director shall have the right to nominate such Nominee Director’s successor or replacement, and such successor or replacement Director shall be appointed to the Board within 15 (fifteen) Business Days of nomination by the relevant Shareholder, or in the immediately next meeting of the Board, whichever is earlier.
- 10.3.5. The Directors shall not be required to hold any qualification shares.
- 10.3.6. In the event the relevant Shareholder proposes to appoint an alternate Director (“**Alternate Director**”) to any Nominee Director nominated by it (“**Original Director**”) the Board shall, upon receipt of notice to that effect from the said Shareholder, appoint an Alternate Director in place of such Original Director. Upon the appointment of the Alternate Director, the Company shall, and the Promoter shall cause the Company to, ensure compliance with the provisions of the Act, including by filing necessary forms with the Registrar of Companies and filing necessary notifications. The Shareholder shall also have a right to withdraw its nominated Alternate Director and nominate another Alternate Director in its place. The Alternate Director shall be entitled to receive notice of all meetings and to attend and vote at such meetings in place of the Original Director and generally to perform all functions of the Original Director in the absence of such Original Director. Notwithstanding the aforesaid, it is clarified that for as long as the Promoter is a Director (in accordance with the provisions hereof), the Promoter shall not be entitled to appoint an Alternate Director for herself on the Board.
- 10.3.7. The Investor Designee shall also have the right to appoint 1 (one) person as an observer (“**Observer**”) to the Board of the Company. The Observer shall be entitled to receive the notices, board materials and agenda for all meetings of the Board at the same time such materials are delivered to the Directors, and shall be entitled to remain present at all such meetings. However, the Observer shall not have a right to (i) vote at such meetings or (ii) have his / her views / comments recorded in the minutes of the meeting.

- 10.3.8. The Company shall bear all reasonable expenses including reasonable out of pocket expenses incurred by the Directors (including the Nominee Directors) for attending Board meetings or committee meetings of the Company, in connection with the Directors' performing their duties as Directors of the Company.
- 10.3.9. None of the Investor Nominee Directors and the JM Nominee Directors shall be liable for any action taken in the course of his/her duties and responsibilities as a Director. Each of the Investor Nominee Directors and the JM Nominee Director shall be non-executive directors on the Board of the Company and shall not be involved in the day-to-day management or conduct of the Company. Accordingly, no such Nominee Director shall be named in any correspondence, applications, licenses, approvals, compliance reports or otherwise as the person in charge of or responsible for the operations of the Company or compliance by the Company of any laws or licenses or as an "occupier", "principal officer" or an "officer in default". The Company shall assert such position in any notice, reply, litigation or other proceedings in which any liability is sought to be attached to the Investors and/or JM and/ or their respective Nominee Directors. The provisions of this Article 10.3.9 shall apply *mutatis mutandis* with respect to the Promoter Nominee Directors, if the Promoter no longer holds an executive position in the Company.
- 10.3.10. The composition and size of the Board may be amended from time to time, in accordance with the provisions of these Articles.
- 10.3.11. The Company shall indemnify each Investor Nominee Director, the JM Nominee Director and the Promoter Nominee Director from and against:
- any act, omission or conduct of or by the Company or their employees or agents as a result of which, in whole or in part, any such Nominee Director is made a party to, or otherwise incurs any loss pursuant to, any action, suit, claim or proceeding arising out of or relating to any such conduct; or
 - any action or failure to act undertaken by such Nominee Director at the request of or with the consent of the Company as a consequence of which such Nominee Director suffers or incurs any Losses due to such action, or failure to act, being in breach of any Law or the Charter Documents ; or
 - any action or failure to act undertaken by such Nominee Director at the request of or with the consent of the Company, other than the decision of such Nominee Directors to exercise their voting rights at a meeting of the Board; or
 - contravention of any Law, including law relating to provident fund, gratuity, or the Business of the Company; and any action or proceedings taken against such Nominee Director in connection with any such contravention or alleged contravention; or
 - any Losses (including all costs and expenses of such Nominee Director in relation to responding to enquiries (including attorney fees)) arising out of, in relation to or resulting from such Nominee Director's performance of his duties and responsibilities as a Director.

Provided however, that the Company shall indemnify the Nominee Directors under this Article 10.3.11 only if the D&O Policy does not cover such losses.

10.4 Independent Directors

The Board shall consist of at least 1/3rd (one third) of Independent Directors subject to applicable Law, and the Investor 1 and the Promoter shall have the right to jointly recommend all of the Independent Directors (and which the Board shall consider in good faith).

10.5 Managing Director

The Company shall at all times have a managing director who shall be appointed by the Board ("**Managing Director**"). The Managing Director shall be responsible for the day-to-day management and operations of the Company and shall be under the management and guidance of the Board. The Managing Director shall not take any action or decision contrary to obligations and covenants of the Company set out in these Articles, unless the Board has instructed for such decision or action to be taken.

10.6 Committees

- 10.6.1. The Board may constitute such committees as it may deem fit and proper to assist with the management of specific aspects of the business of the Company consistent with best corporate governance practises

including an audit committee, nomination and remuneration committee, and executive committee (“**Committees**”), as shall be agreed between the Company, the Promoter and Investor 1. The Investor Designee and the Promoter shall have the right to nominate on each Committee such number of Directors as is proportionate to the Investor’s and the Promoter’s Pro Rata Share, respectively, subject to a minimum of 1 (one) member each. At the request of JM, if approved by the Promoter and the Investor 1, the JM Nominee Director shall be appointed on the audit committee and the nomination and remuneration committee.

10.6.2. The meetings of each Committee shall be convened at such frequency as the members of such Committee may decide from time to time. All decisions of the Committees shall be subject to Article 13 (*Reserved Matters*).

10.6.3. The provisions of this Article 11 (*The Board*) in so far as they apply to meetings of the Board shall apply *mutatis mutandis* to meetings of the Committees.

10.7 Notice for Board Meetings

A meeting of the Board may be called by the chairperson of the Board or any other Director. At least 7 (seven) Business Days’ written notice shall be given to each of the Directors of any meeting of the Board provided always that a shorter period of notice may be given by mutual consent of Investor 1 and the Promoter expressed in writing. Such written notice shall be given at the usual address of the Director in India and in case of Directors not ordinarily residing in India or currently out of India, the same shall be given at such address as notified by the concerned Director as a valid address for the service of notices for the time being. Such notice shall be accompanied by copies of any document(s) to be reviewed and discussed at such meeting. Notices may be provided by electronic mail. Notwithstanding the foregoing, in an emergency situation that requires urgent attention of the Board, an emergency meeting of the Board may be convened with at least 2 (two) days’ written notice with the consent of Investor 1 and the Promoter, provided however, at such meeting of the Board no JM Reserved Matters and/ or Promoter Reserved Matters and/ or Investor Reserved Matters shall be taken up or considered, unless the prior written consent of JM and/or the Promoter and/ or the Investor (as the case may be) has been obtained prior to such meeting.

10.8 Agenda

Every notice convening a meeting of the Board shall set out the agenda in full and sufficient detail of the business to be transacted, and matters to be voted on at such meeting, provided that all matters proposed by the Promoter and / or the Investors to be placed on the agenda shall be so included therein and considered at such Board meeting provided further that no such matters shall be placed on the agenda that relate to a JM Reserved Matter and/ or a Promoter Reserved Matter and/ or Investor Reserved Matter, without the prior written consent of JM and/ or the Promoter and/ or Investor 1. The Board shall not at any meeting take up or discuss any matter that is not expressly specified on the agenda for such meeting unless a majority of the Directors present at such meeting, which shall include at least 1 (one) Investor Nominee Director and at least 1 (one) Promoter Nominee Director, vote on such resolution. Provided however, the Board shall not at any meeting take up or discuss any JM Reserved Matter that is not expressly specified on the agenda for such meeting. If any Reserved Matter is proposed to be placed or tabled before the Board, then the agenda shall specifically state that a Reserved Matter is proposed to be so placed or tabled.

10.9 Quorum

10.9.1. Subject to the provisions of the Act, the quorum for all Board meetings shall be 2 (two) Directors or 1/3rd (one third) of the total number of Directors on the Board at any given time, whichever is higher, provided that, at least 1 (one) Investor Nominee Director and 1 (one) of the Promoter Nominee Director shall be required to be present throughout the meeting.

10.9.2. If, within half an hour of the time appointed for the meeting, a quorum is not present, the meeting shall be adjourned and reconvened for the date that falls 7 (seven) Business Days after such adjourned meeting at the same time and place (“**First Adjourned Board Meeting**”). The quorum requirement set out in Article 10.9.1 above shall also be applicable at such First Adjourned Board Meeting.

10.9.3. If, within half an hour of the time appointed for the First Adjourned Board Meeting, a quorum is not present, the meeting shall be adjourned and reconvened for the date that falls 7 (seven) Business Days after the First Adjourned Board Meeting at the same time and place (“**Second Adjourned Board Meeting**”). If, within half an hour of the time appointed for the Second Adjourned Board Meeting, a quorum as set out in Article 10.9.1 is not present, the Directors present at such Second Adjourned Board Meeting shall, subject to Law, constitute a quorum for all matters to be discussed, other than the Reserved Matters.

10.10 Voting

At any Board meeting, each Director may exercise only 1 (one) vote each. The adoption of any resolution of the Board shall require the affirmative vote of a majority of the Directors present at a duly constituted and convened meeting of the Board, provided that the adoption of any resolution on, or in relation to, a Reserved Matter shall require the affirmative vote of a majority of Directors present at a duly constituted meeting of the Board and the affirmative vote of at least 1 (one) Investor Nominee Director and / or at least 1 (one) JM Nominee Directors and / or at least 1 (one) Promoter Nominee Directors (as the case may be), as set out in Article 12 (*Reserved Matters*), to approve such Reserved Matter in accordance with these Articles. The chairman of the Board shall not have a casting vote.

10.11 Circular resolutions of the Board

Subject to Article 12 (*Reserved Matters*), the Board may act either in a meeting or through written circular resolution, or in any other legally permissible manner, on any matter, except matters, which by applicable Law may be acted upon at a Board meeting or exclusively by or with the Shareholders. No circular resolution shall be deemed to have been duly passed by the Board, unless the resolution has been approved in writing by a majority of Directors constituting the Board for the time being and at least 1 (one) Investor Nominee Director and / or at least 1 (one) JM Nominee Director and / or at least 1 (one) Promoter Nominee Directors (as the case may be), as set out in Article 12 (*Reserved Matters*), has voted on and approved the passing of the resolution where such resolution is in relation to a Reserved Matter.

10.12 Minutes

The chairperson shall ensure the minutes of each Board meeting are prepared and provided to each of the Investor Nominee Directors and the JM Nominee Director and the Observer no later than 7 (seven) Business Days following the date of such Board meeting, provided that: (i) the minutes of any Board meeting shall not be considered as final till such time as an Investor Nominee Director and a Promoter Nominee Director has approved the same in writing; and (ii) any objections or comments raised by the Nominee Directors in the meeting have been recorded in the minutes. Provided however, if (i) no comments are received, or (ii) no approval or rejection has been received, by either the Investor Nominee Director or the Promoter Nominee Director, within 10 (ten) Business Days of the receipt of the draft minutes by the Investor Nominee Director or the Promoter Nominee Director (as the case may be), the minutes shall be considered as final.

10.13 Information

The Directors may provide information received from the Company to the Shareholder by whom they have been nominated subject to applicable Law, provided however that the Investor Nominee Directors shall be entitled to provide such information only to the Investors. Subject to Article 12 (*Reserved Matters*), the Board shall be entitled to exercise the rights of the Company under the employment agreements entered into with each of the Key Managerial Personnel.

10.14 Director Disclosure

Subject to applicable Law, each Director is irrevocably authorized by the Company to disclose to its appointing Shareholder any information or records belonging to or concerning the Company, its Subsidiaries (if any) or its or their business and assets.

10.15 Telephonic Participation

If permitted by the Act, Directors may participate in Board meetings by telephone conferencing or any other means of contemporaneous communication, provided that each Director must acknowledge his/her presence for the purpose of the meeting and any Director not doing so shall not be entitled to speak or vote at the meeting. A Director may not leave the meeting by disconnecting his/her telephone or other means of communication unless he/she has previously obtained the express consent of the chairman of the meeting and a Director shall conclusively be presumed to have been present and formed part of the quorum at all times during the meeting unless he/she has previously obtained the express consent of the chairman of the meeting to leave the meeting as aforesaid. The quorum and other requirements applicable to Board meetings in this Article 10 (*The Board*) shall apply to such meetings as well.

10.16 Video Participation

Directors may participate in Board meetings by video conferring or any other means of audio visual communication in accordance with the provisions of the Act. The quorum and other requirements applicable to Board meetings in this Article 10 (*The Board*) shall apply to such meetings as well.

11 SHAREHOLDERS MEETINGS

- 11.1 The rights of each of the Investors and JM under this Article 11 (*Shareholders Meetings*) shall be available to each of the Investors and JM with respect to each Subsidiary. The rights of the Investors under this Article 11 (*Shareholders Meetings*) shall also be available to the Investors with respect to each Group Company post the Restructuring. Provided however, the rights of JM under this Article 11.1 above shall not apply if any Group Company becomes a Subsidiary or if the business of any Group Company is transferred to a Subsidiary.
- 11.2 (i) Not less than 21 (twenty one) days' written notice of every general meeting shall be given to all Shareholders whether in India or outside.
- (ii) A meeting of the Company may be called by giving shorter notice with the mutual written consent of the Promoter and Investor 1, provided however, that no JM Reserved Matters shall be taken up or considered at such meeting convened at a shorter period of notice, without the prior written consent of JM.
- 11.3 Every notice convening a meeting of the Shareholders shall set out the agenda in full and sufficient detail of the business to be transacted, and matters to be voted on, at such meeting and no item or business shall be transacted at such meeting unless the same has been stated in full and sufficient detail in the notice convening the meeting, unless otherwise agreed to by the Promoter and the Investor. A copy of any documents to be reviewed or discussed at such meeting shall accompany such notice unless otherwise agreed to by the Company, the Promoter and Investor 1 in writing, provided that the Promoter and / or Investors may, at any time prior to the meeting, propose any matter(s) to be placed on the agenda and such matter(s) shall be so placed, discussed and acted upon at the meeting unless the matter(s) relate to a JM Reserved Matter and/ or a Promoter Reserved Matter and/ or Investor Reserved Matter, for which a prior written consent of JM and/ or the Promoter and/ or Investor shall be required.
- 11.4 The chairman of the Board shall act as the chairman of all general meetings. The chairman shall not have a second or casting vote.
- 11.5 A Shareholder shall be entitled to exercise its right to vote at general and special meetings by proxy and/or by appointing one or more authorized representatives and such proxy or authorized representatives need not be a Shareholder. Notwithstanding what is stated herein, subject to applicable Law, the voting at any and all meetings of the Shareholders shall only be by poll.
- 11.6 None of OTPP, Ontario Teachers' Pension Plan Board or any of their respective Affiliates shall be entitled to cast any votes for the appointment, removal, reappointment or replacement of Directors in respect of any Equity Shares or other securities of the Company that such parties directly own or hold.
- 11.7 Quorum
- 11.7.1 Subject to the provisions of the Act, the quorum for all general meetings of the Company shall not be less than 2 (two) Shareholders at the beginning and throughout the meetings, provided that, at least 1 (one) representative of Investor 1 and at least 1 (one) representative of the Promoter shall be present throughout each Shareholder meeting. If, within half an hour of the time appointed for the meeting, a quorum as set out in this Article 11.7.1 is not present, the meeting shall be adjourned and reconvened for the date that falls 7 (seven) Business Days after such adjourned meeting at the same time and place ("**First Adjourned Shareholders Meeting**").
- 11.7.2 The quorum requirement set out in Article 11.7.1 above shall also be applicable at such First Adjourned Shareholders Meeting. If, within half an hour of the time appointed for the First Adjourned Shareholders Meeting, a quorum as set out in Article 11.7.1 is not present, the meeting shall be adjourned and reconvened for the date that falls 7 (seven) Business Days after the First Adjourned Board Meeting at the same time and place ("**Second Adjourned Shareholders Meeting**").
- 11.7.3 If, within half an hour of the time appointed for the Second Adjourned Shareholders Meeting, a quorum as set out in Article 11.7.1 is not present, the Shareholders present at such Second Adjourned Shareholders Meeting shall, subject to Law, constitute a quorum for all matters, other than the Reserved Matters.

12 RESERVED MATTERS

- 12.1 No action or decision relating to any of the Investor Reserved Matters shall be taken (whether by the Board, any Committee, the Shareholders or any of their respective employees, officers or managers), unless the prior consent of Investor 1 has been obtained for such Investor Reserved Matter prior to such matter being tabled at any meeting of the

Board, Committee or Shareholders. Further, in the event the consent of Investor 1 has not been obtained prior to any such meeting, the relevant Investor Reserved Matter shall not be tabled at the meeting of the Board, Committee or Shareholders.

- 12.2 No action or decision relating to any of the JM Reserved Matters shall be taken (whether by the Board, any Committee, the Shareholders or any of their respective employees, officers or managers), unless the prior consent of JM has been obtained for such JM Reserved Matter prior to such matter being tabled at any meeting of the Board, Committee or Shareholders. Further, in the event the consent of JM has not been obtained prior to any such meeting, the JM Reserved Matter shall not be tabled at the meeting of the Board, Committee or Shareholders.
- 12.3 No action or decision relating to any of the Promoter Reserved Matters shall be taken (whether by the Board, any Committee, the Shareholders or any of their respective employees, officers or managers), unless the prior consent of the Promoter has been obtained for such Promoter Reserved Matter prior to such matter being tabled at any meeting of the Board, Committee or Shareholders. Further, in the event the consent of Promoter has not been obtained prior to any such meeting, the relevant Promoter Reserved Matter shall not be tabled at the meeting of the Board, Committee or Shareholders.
- 12.4 No action or decision relating to any of the Reserved Matters in respect of the Subsidiaries (if any) shall be taken (whether by the board of directors of the Subsidiaries, any committee, the shareholders of the Subsidiaries or any of their respective employees, officers or managers), without the consent of the respective Shareholder which has an affirmative right with respect to such Reserved Matter.
- 12.5 In the event a decision in relation to any Reserved Matter is made other than in accordance with the provisions of this Article 12 (*Reserved Matters*), such decision and any actions taken pursuant to such decisions shall be *ab initio* null and void.

13 PRE-EMPTIVE RIGHTS, ANTI DILUTION RIGHTS AND MOST FAVOURED RIGHTS

13.1 Pre-Emptive Right

- 13.1.1. The Company shall not issue any Equity Securities of any type or class to any Person, including to any or all of the Shareholders, unless the Company has first offered all the Shareholders the right to subscribe to the whole of the Equity Securities proposed to be issued ("**New Securities**") in accordance with this Article 13 (*Pre-Emptive Rights, Anti-dilution Rights and Most Favored Rights*).
- 13.1.2. Notice. Not less than 15 (fifteen) Business Days before a proposed issuance of New Securities by the Company ("**Proposed Issuance**"), the Company shall deliver to the Existing Shareholders of the Company a written notice of the Proposed Issuance ("**Pre-Emptive Offer Notice**") setting forth (i) the number, type and terms of the New Securities, (ii) the subscription price of such New Securities to be issued ("**New Securities Issuance Price**"), which shall be determined in accordance with Article 13.1.10 (*Pricing for the issuance of New Securities*), and (iii) the consideration to be received by the Company in connection with the Proposed Issuance.
- 13.1.3. Exercise of Rights. Within 15 (fifteen) Business Days following delivery of the Pre-Emptive Offer Notice ("**Pre-Emptive Offer Period**"), any Existing Shareholder ("**Subscribing Shareholder**") may, if it elects to exercise its rights under this Article 13.1 (*Pre-Emptive Right*), give written notice to the Company specifying (i) the number of New Securities, proportionate to its then Pro Rata Share, to be purchased by such Subscribing Shareholder; (ii) such number of maximum additional New Securities such Shareholder is willing to subscribe to, in case of non-subscription or under subscription by any other Shareholder ("**Excess New Securities**") and (iii) the aggregate subscription price payable by such Subscribing Shareholder for the subscription to such New Securities ("**Pre-Emptive Exercise Notice**"). If any Shareholder delivers the Pre-Emptive Exercise Notice notifying its intention to acquire any New Securities, the offer by such Shareholder shall be binding and irrevocable. Failure by any Existing Shareholder to give such notice within the Pre-Emptive Offer Period shall be deemed a waiver by such Existing Shareholder of its rights under this Article 13.1 (*Pre-Emptive Right*) with respect to such Proposed Issuance. Each Shareholder may, at its sole discretion and in accordance with applicable Law, renounce in favour of any of its Affiliates, its right to subscribe to any or all of New Securities, subject to such Affiliate agreeing in writing to be bound by the terms of these Articles applicable to renouncing Shareholder. In the event that such right is exercised by any Shareholder, then the term "Subscribing Shareholder" for the purpose of this Article 13.1 (*Pre-Emptive Right*) shall be deemed to mean and include such Affiliate of the Shareholder, to the extent of the New Securities to be subscribed to by such Affiliate of the Shareholder. Such Affiliate shall execute a Deed of Adherence pursuant to which such Affiliate, shall be granted all the rights available to the Shareholder hereunder and agree to abide by and adhere to the Shareholders' Agreement.

- 13.1.4. Within 7 (seven) days of the expiry of the Pre-Emptive Offer Period, the Company shall intimate vide a written notice to all the Shareholders (“**Allocation Notice**”), (i) the number of New Securities to be offered to each of such Shareholder, based on Pro Rata Share of such Shareholder; and (ii) number of Excess New Securities, if any, to be offered to such Shareholder based on its Pro Rata Share (applicable to the Shareholders who have expressed their willingness to subscribe to the Excess New Securities under the Pre-Emptive Exercise Notice); and (iii) the proposed date for the issuance of the New Securities, not being more than 30 (thirty) Business Days of the date of Allocation Notice (“**Subscription Date**”). On the Subscription Date, the Company shall issue to each of the Shareholders, the New Securities indicated in the Allocation Notice subject to receipt of the relevant consideration for such subscription to New Securities from each of the Shareholders indicated in the Allocation Notice, on the basis of the New Securities Issuance Price.
- 13.1.5. If all the Shareholders do not subscribe to the New Securities at the New Securities Issuance Price or fail to issue an Pre-Emptive Exercise Notice within the Pre-Emptive Exercise Period or if all the New Securities are not subscribed to by the Shareholders, then the Board may obtain from a bona fide third party (not being a Shareholder or its respective Affiliates), acceptable to Investor 1 (“**Proposed Recipient**”), through a Valuer by the Board, a price for subscription to the New Securities or unsubscribed portion thereof (“**Third Party Price**”).
- 13.1.6. If the Third Party Price is equal to or higher than the New Securities Issuance Price, then the Company shall be free to issue the New Securities only to the Proposed Recipient and to issue the Equity Securities to the Proposed Recipient at the Third Party Price, and the Shareholders shall not have a right to participate in such issue to the Proposed Recipient. The Parties agree that the issue of New Securities to the Proposed Recipient as per this Article 13.1 (*Pre-Emptive Right*) shall be completed within a period of 150 (one hundred and fifty) Business Days from the date of the Pre-Emptive Offer Notice or such extended period as may be specified by the Board.
- 13.1.7. (a) the Board has been unable to obtain a Third Party Price from a Proposed Recipient as per Article 13.1.5; or (b) if the Third Party Price is lower than the New Securities Issuance Price; or (c) the Company is unable to issue the New Securities to the Proposed Recipient as per Article 13.1.6 within the period specified therein, then the Board shall consider alternate options for balance funding, subject to the terms of these Articles, wherein all Shareholders shall have the right to subscribe to their Pro-Rata Share of the Equity Securities offered.
- 13.1.8. Consents. If any Subscribing Shareholder is entitled to subscribe to Rights Securities pursuant to the foregoing Articles, the Company shall apply for and obtain all such Consents and take all necessary corporate actions as may be required to issue the Rights Securities to such Subscribing Shareholder within 30 (thirty) Business Days from the date of receipt of the Pre-Emptive Exercise Notice by the Company.
- 13.1.9. Notwithstanding anything contained in this Article 13.1 (*Pre-Emptive Right*), the Investors, JM and the Promoter shall have a right to mutually agree upon and communicate to the Company any other process for issuance of New Securities and depart from the process as provided in this Article 13.1 (*Pre-Emptive Right*) (including determination of subscription price for such Securities), subject, however to all the Shareholders being entitled to participate in such process and subscribe to the Securities proposed to be offered by the Company proportionately (“**Variation Notice**”). In such a case, within 7 (seven) Business Days of receipt of the Variation Notice, the Company shall be bound to follow such process (including the subscription price as agreed by the Investors and the Promoter, if indicated) by approaching all the Shareholders to raise Further Funds and offering them the Securities proportionately by following the process specified in Articles 13.1.2 to 13.1.4 hereof.
- 13.1.10. Pricing for the issuance of New Securities. The price at which the New Securities are proposed to be issued shall be calculated in accordance with the provisions of this Article 13.1.10 (*Pricing for the issuance of New Securities*).
- (i) The Promoter and Investor 1 shall mutually discuss and agree to the price at which the New Securities are to be issued. In case the Promoter and Investor 1 agree to the price at which the New Securities are to be issued within 15 (fifteen) Business Days from the date the Company and/ or the Promoter and the Investor decide to raise further funds (or such other extended period agreed between Investor 1 and the Promoter) (“**Pricing Period**”), the New Securities shall be issued at such mutually agreed price.
- (ii) If the Promoter and Investor 1 are unable to agree to the issue price in the manner as set out in Article 13.1.10 (i) above, the Board shall appoint one of the entities listed in **Schedule 4** of these

Articles (“**Valuer**”) for the purpose of determination of the fair market value of the New Securities. The Board shall appoint a Valuer within 7 (seven) Business Days from the issuance of a written notice from Investor 1 and the Promoter.

- (iii) The Valuer shall calculate the fair market value of the New Securities and shall deliver to the Board a report determining the basis for such calculation. The Valuer shall conduct the valuation exercise and shall deliver the report in accordance with this Article 13.1.10 (iii) within 15 (fifteen) Business Days of its appointment.
 - (iv) The Promoter and Investor 1 hereby agree that (i) the valuation determined by the Valuer shall be the basis for determination of the pricing at which the New Securities shall be issued; and (ii) the Company and the Promoter shall provide all assistance and cooperation to the Valuer in its valuation exercise, including access to books and records and meeting with the management of the Company.
- 13.1.11. Nothing in this Article 13.1 (*Pre-Emptive Right*) shall apply to any issuance or proposed issuance of any Equity Securities set out hereunder:
- (i) Issuance of the Second Tranche Subscription Securities (as defined in the SSA) as per the terms of the SSA;
 - (ii) Issuance of the Equity Securities to the Promoter under Article 20.1 (*Promoter Further Funding*) of these Articles;
 - (iii) Equity Shares issuable upon the exercise or conversion of any Equity Securities;
 - (iv) Equity Shares or Equity Securities issued or issuable in connection with any stock split, stock dividend or recapitalization of the Company;
 - (v) Equity Shares issued or issuable pursuant to the terms of the ESOP Scheme in accordance with these Articles; and
 - (vi) Equity Securities issued or issuable in an IPO approved and undertaken in accordance with these Articles.

13.2 Anti – Dilution

If during the period of 30 (thirty) months commencing from the Effective Date, the Company seeks to raise any fresh capital through the issuance of any New Securities at a valuation which is less than the Investor Entry Price (such lower valuation being hereinafter referred to as the “**Investor Lower Valuation**”), the Investor shall be entitled to a price adjustment, at its sole discretion, through: (i) a fresh issue of Equity Shares at the lowest price permissible under applicable Law; or (ii) adjustment to the conversion formula for the CCPS held by the Investors at such time, or (iii) such other mechanism as may be mutually agreed to between the Company, the Promoter and the Investor; in order to ensure that the Investor’s investment in the Company is reckoned at a revised valuation determined based on a broad based weighted average basis between the Investor Entry Price and the Investor Lower Valuation. Provided however, the provisions of this Article 13.2 (*Anti-Dilution*) shall not apply in case of any fund raise being undertaken by the Company due to a Force Majeure.

For the purpose of this Article 13.2 (*Anti-Dilution*), “**Force Majeure**” shall mean, any act, event or circumstance beyond the control of the Company which affects its operations in the Ordinary Course of Business, including, but not limited to fire, flood, earthquakes, explosion, war, riots, politically motivated strikes, political interference, legal prohibition on the ability to conduct the Business and action or inaction of Government Authority.

13.3 Fund raising through CAR Issuance

Notwithstanding anything to the contrary contained in these Articles, including Article 13 (*Reserved Matters*), the Parties agree that upon the ‘capital adequacy ratio’, as such term is defined under the relevant regulations prescribed by the Reserve Bank of India and applicable to the Company (“**CAR**”), of the Company falling below 20% (twenty percent), the Company shall undertake a further issuance of Equity Securities (“**CAR Issuance**”). Such number of New Securities shall be issued pursuant to such CAR Issuance as shall be required, in the opinion of the Independent Directors, for the Company’s CAR to be equivalent to 20% (twenty percent), and such New Securities shall be offered to all Shareholders at their Pro-Rata Share (and to a third party in case of unsubscribed portion) at the fair market value

of such Equity Securities (as determined by the Independent Directors after consultation with a Valuer). No Nominee Director/ Shareholder shall exercise any rights in a manner that prevents the consummation of the CAR Issuance.

13.4 Most Favored Rights

- 13.4.1. The Company shall not issue any Equity Securities or enter into an agreement to issue Equity Securities, enter into any management agreement or shareholder agreement or any other agreements with any Person, which agreement confers on such Person rights which, considered in the aggregate, are more favourable than rights granted herein to the Investor. In the event the Company confers on such Person such rights which, when so considered, are more favourable than rights granted herein to the Investor, notwithstanding anything in these Articles or Shareholders' Agreement, the Investors may require that the rights of the Investors as provided for in these Articles and the Shareholders' Agreement be modified and amended in accordance with the rights granted to such Person to confer on the Investors rights at least as favourable as those conferred on such Person. In such a case, each of the Shareholders and the Company shall take all necessary steps to amend these Articles to give effect to such modification of rights of the Investors.
- 13.4.2. So long as JM holds at least the JM Threshold, the Company shall not issue any Equity Securities or enter into an agreement to issue Equity Securities, enter into any management agreement or shareholder agreement or any other agreements with any Person proposing to hold less than or equal to 12% (twelve percent) Equity Share Capital, which agreement confers on such Person rights which, considered in the aggregate, are more favourable than rights granted herein to JM. At the option of JM, in the event, the Company and/ or the Promoter Group confer on such Person such rights, which when so considered, are more favourable than rights granted herein to JM, notwithstanding anything in these Articles or the Shareholders' Agreement, JM shall be entitled to require that the rights of JM as provided for in these Articles and the Shareholders' Agreement be modified and amended in accordance with the rights granted to such Person to confer on JM rights at least as favourable as those conferred on such Person. In such a case, each of the Shareholders and the Company shall take all necessary steps to amend these Articles to give effect to such modification of rights of JM.

13.5 Consequence of Contravention

The Parties further agree that any issuance of any Equity Securities in violation of these Articles, including this Article 13 (*Pre-Emptive Rights, Anti-Dilution Rights and Most Favoured Rights*) shall be void *ab-initio*.

14 TRANSFER RESTRICTIONS

14.1 Transfer Provisions Applicable

- 14.1.1. None of the Shareholders nor their respective Permitted Transferees shall Transfer or attempt to Transfer any Equity Securities or any right, title or interest therein or thereto, except as expressly permitted by the provisions of these Articles. Any Transfer or attempt by any of the Shareholders or their respective Permitted Transferees to Transfer any Equity Securities in violation of these Articles shall be null and void *ab initio*, and the Company shall not register any such Transfer. In the event of any Transfer of Equity Securities in accordance with the terms of these Articles and the Shareholders' Agreement, the Company shall duly register without delay, demur or protest any such Transfer in favour of the transferee of the Equity Securities in the Company's register of members. Notwithstanding anything to the contrary contained herein, it is clarified that all Transfers (including to Permitted Transferees and Affiliates) shall be subject to the execution of a Deed of Adherence and subject to the provisions set out herein and in the Shareholders' Agreement.
- 14.1.2. The Parties agree that the Transfer restrictions contained in these Articles shall not be capable of being avoided by the holding of Equity Securities indirectly through a Person that can itself be Transferred in order to indirectly dispose of an interest in the Equity Securities free of such restrictions. Provided however, it is clarified that the limited partners, partners, co-investors and Affiliates of the Investors shall not be restricted, in any manner, from transferring any direct or indirect partnership, equity or economic interest in the Investors to any Persons, subject to such Transfer not resulting in change of Control of such Investor, and that no such transfers shall be subject to any restrictions under these Articles.
- 14.1.3. Notwithstanding what is stated herein, none of the Existing Shareholders shall be permitted to Transfer any of their respective Equity Securities to any Person including any of their respective Permitted Transferees until March 31, 2018; provided however, that such restriction shall not apply to: (i) any transfers by the Investors pursuant to the terms of these Articles, (ii) any transfer of Equity Shares by the Promoter pursuant to the terms of the Promoter Purchase Agreement, and (iii) any transfer of Equity Shares pursuant to the

terms of the JM Purchase Agreement, and (iv) any transfers by Lok pursuant to the terms of the Lok Purchase Agreement.

14.2 Permitted Transfers

Notwithstanding anything contained herein, all or a portion of the Equity Securities held by any of the Shareholders may be Transferred to one or more of their respective Permitted Transferees subject to compliance with the following:

- 14.2.1. Each Permitted Transferee of any Shareholder to whom the Equity Securities are being Transferred shall execute a Deed of Adherence simultaneous with such Transfer and in any event within 21 (twenty one) days from the date of the Transfer. Irrespective of the date of execution of the Deed of Adherence as mentioned above, the Permitted Transferee shall be automatically subject to all the obligations of the transferring Shareholder from the date of becoming a Shareholder upon Transfer of the Equity Securities by any Shareholder to such Permitted Transferee.
- 14.2.2. If the Permitted Transferee is going to cease to be a Permitted Transferee of the transferring Shareholder, the Permitted Transferee shall Transfer the Equity Securities acquired pursuant to this Article 14.2 (*Permitted Transfers*) back to (i) the transferring Shareholder or (ii) a Permitted Transferee of the transferring Shareholder, prior to such Permitted Transferee ceasing to be a Permitted Transferee, provided however that if the Equity Securities are transferred to a different Permitted Transferee as provided in para (ii) above, such transfer shall be required to comply with the requirements of Article 14.2.1.
- 14.2.3. In case of transfer of any Equity Securities by the Promoter Group or JM or the Investors (as the case may be), the Promoter Group or JM or the Investors (as the case may be) shall, upon and after such Transfer, continue to remain liable as the primary obligor of all the obligations of the Promoter Group or JM or the Investors (as the case may be) under these Articles and the Promoter Group or JM or the Investors (as the case may be) shall be liable and responsible for the performance by such Permitted Transferee of its obligations under these Articles.

14.3 Transfers by the Investor

- 14.3.1. Subject to the provisions of Article 14.2 (*Permitted Transfers*) above, Article 14.3.2 and Article 14.3.5 below, the Investor Securities shall be freely transferable by the Investors and /or its Permitted Transferees. In the event that the Investors or any of its Permitted Transferees proposes to Transfer any of the Investor Securities, the Promoter and the Company shall, subject to Article 14.3.2, provide all co-operation and assistance to the Investors and such Permitted Transferee(s), including (i) providing any potential transferee and its authorized Representatives with reasonable access to Company information (including all properties, assets, corporate, financial and other records, reports, books, Contracts and commitments of the Company) and to discuss and consult with respect to its business, actions plans, budgets and finances with the Directors and executive officers of the Company, as may be reasonably requested by the Investor, and (ii) providing any reasonable assistance that may be required for obtaining any Consents required for such transfer.
- 14.3.2. The obligations of the Promoter and the Company set out in sub-paragraphs (i) and (ii) of Article 14.3.1 shall be applicable in the following manner:
 - a. Subject to the Investors proposing to transfer at least 6.75% (six point seven five percent) of the Equity Share Capital, such obligations shall each such transfers proposed by the Investors; and
 - b. Such obligations shall only be limited to being undertaken twice a year with respect to transfers of less than 6.75% (six point seven five percent)) of the Equity Share Capital proposed by the Investors.
- 14.3.3. The Investors and/ or a Permitted Transferee shall not sell the Equity Securities held by it to any Person for a period of 6 (six) months from the Effective Date, except to a Permitted Transferee, without the prior consent of the Promoter, except as provided under Article 14.3.5 of these Articles.
- 14.3.4. Any Person that acquires Equity Securities pursuant to a purchase from the Investor ("**Investor Transferee**") shall be entitled to the following rights (in relation to the Equity Securities thus acquired, as well as any additional Equity Securities acquired from any other Shareholder as a part of the same transaction):
 - a. In the event the Investor Transferee holds less than 6.75% (six point seven five percent) of the Equity Share Capital, such Investor Transferee shall be entitled to the rights set out under Article 18.2 (*Information Rights*), Article 16.1.7 (*IPO*), Article 14.4.4 (*Investor and JM Tag Along Right*), and Article 14.1 (*Pre-Emptive Right*), in each case at the discretion of the Investor, and shall be subject to all

obligations that have been expressed herein to be applicable to all Shareholders shall also be applicable to such Investor Transferee;

- b. In the event that the Investor Transferee holds between 6.75% (six point seven five percent) and less than 22% (twenty two percent) of the Equity Share Capital, such Investor Transferee shall be entitled to the following rights, at the discretion of the Investor: (i) the rights referred to under Article 14.3.4(a) above and (ii) the rights that shall be no more favourable than the rights that are available to JM under the terms of these Articles, and shall be subject to all obligations that have been expressed herein to be applicable to all Shareholders shall also be applicable to such Investor Transferee;
- c. In the event that the Investor Transferee holds 22% (twenty two percent) or above and up to 25% (twenty five percent) of the Equity Share Capital, such Investor Transferee shall be entitled to the following rights, at the discretion of the Investor: (i) the rights referred to under Article 14.3.4(b) above; (ii) right to appoint 1 (one) Director on the Board and such Director shall have all the rights as are available to the Investor Nominee Director under these Articles; and (iii) right under Article 13 (*Reserved Matters*) with respect to the matters set out under Paras 1, 3, 6, 7, 9, 10, 11, 14, 15, 16, 17, 20 and 21 of **Schedule 1**, in each case, at the discretion of the Investor, and shall be subject to all obligations that have been expressed herein to be applicable to all Shareholders shall also be applicable to such Investor Transferee;
- d. In the event that the Investor Transferee holds in excess of 25% (twenty five percent) of the Equity Share Capital, such Investor Transferee shall be entitled to all of the rights that are available to the Investors under these Articles, except Article 16.3 (*Drag Along Right*), in each case, at the discretion of the Investor and shall be subject to all obligations that have been expressed herein to be applicable to all Shareholders and the obligations under Article 14.4.4 (*Investor and JM Tag Along Right*) shall also be applicable to such Investor Transferee; and
- e. Following the Transfers above, the transferring Investor and/ or its Permitted Transferees shall only have the rights available, and obligations applicable to an Investor Transferee under this Article 14.3.4, depending on its post transfer percentage of Equity Share Capital.

14.3.5. JM and Promoter Tag Along Right

- a. Promoter Tag Along Right. In the event of a proposed Transfer by the Investors of any Investor Sale Securities (as defined under Article 14.3.5(c)) to a Person other than its Permitted Transferee, within a period of 60 (sixty) months from the Effective Date and the Promoter has not provided its consent for such Transfer as set out in Article 14.3.3 above, in such case, the Promoter shall have a Tag Along Right to sell such number of Equity Securities held by it as is equal to the Pro Rata Percentage to the Investor Proposed Transferee at the Tag Along Price and on the same terms and conditions as agreed for with the Investor Proposed Transfer.
- b. JM Tag Along Right. In the event of a proposed Transfer by the Investors of any Investor Sale Securities to a Person other than its Permitted Transferee, JM shall have a tag along right to sell such number of Equity Securities held by it as is equal to the Pro Rata Percentage of the Investor Sale Securities to the Investor Proposed Transferee at the Tag Along Price and on the same terms and conditions as agreed for the Investor Proposed Transfer, provided that in the event that the Investors in a single transaction or series of transactions proposes to Transfer such number of Equity Securities, that is equivalent to 50% (fifty percent) of the Equity Share Capital at the time of the Investor Proposed Transfer (“**JM Tag Transfer Threshold**”), provided that all Equity Securities Transferred by the Investors till such date shall be taken into account for the purposes of determining the JM Tag Transfer Threshold, JM shall have the right to sell up to all the Equity Securities held by JM to the Investor Proposed Transferee pursuant to exercising its Tag Along Right under this Article 14.4.4 (*Investor and JM Tag Along Right*).
- c. “**Investor Sale Securities**” under this Article 14.3.5 (*JM and Promoter Tag Along Right*), for (I) the purposes of the Tag Along Right of the Promoter set out in Article 14.3.5(a), shall mean such number of Equity Securities that are in excess of 50% (fifty percent) of the Investor Securities as of (A) the Effective Date (if Second Tranche Completion is not consummated) and (B) Second Tranche Completion Date (if Second Tranche Completion is consummated), and for (II) the purposes of the JM Tag Along Right set out in Article 14.3.5(b) shall mean, any Equity Securities held by the Investor. The transferee of such Investor Sale Securities is referred to as, the “**Investor Proposed Transferee**” and the transfer pursuant to this Article 14.3.5 (*JM and Promoter Tag Along Right*) shall be referred to as “**Investor Proposed Transfer**”.

- d. The Investors shall give notice of the Investor Proposed Transfer to each of the Promoter (only to the extent required under Article 14.3.5(a)) and JM (being collectively referred to as the “**Tag Transferor**”), setting forth: (i) the name and identity of the Investor Proposed Transferee; (ii) the number of Equity Securities proposed to be Transferred by the Investor and the number of Equity Securities the Investor owns; (iii) the Tag Along Price; (iv) the other terms and conditions of the Investor Proposed Transfer; (v) a representation that no consideration is being provided to the Investor and / or their Permitted Transferees (holding Equity Securities in the Company), as may be applicable, that is not reflected in the Tag Along Price; and (vi) the expected date of consummation of the Investor Proposed Transfer (“**Investor Transfer Notice**”). For the purpose of this Article 14.3.5 (*JM and Promoter Tag Along Right*) the term “**Investor Proposed Transfer**” shall mean the proposed transfer of Equity Securities held by the Investors or its Permitted Transferee, pursuant to Article 14.3.5(a) or 14.3.5(b), as the case may be.
- e. In the event any Tag Transferor elects to exercise the Tag Along Right, the Tag Transferor shall deliver a response (“**Tag Along Response**”) within a period of 15 (fifteen) Business Days of receipt of the Investor Transfer Notice (“**Investor Tag Along Offer Period**”), indicating its desire to exercise its rights and specifying the Tag Along Securities. If the Tag Transferor issues the Tag Along Response, the same shall be binding and irrevocable on such Tag Transferor. It is hereby clarified that in the event the Tag Transferor fails to deliver the Tag Along Response within the Investor Tag Along Offer Period, it shall be deemed that the Tag Transferor has rejected the Tag Along Right under this Article 14.3.5 (*JM and Promoter Tag Along Right*).
- f. The Investor shall not sell any Equity Securities held by it to the Investor Proposed Transferee unless the Investor Proposed Transferee contemporaneously purchases and pays for the Tag Along Securities in accordance with the provisions of this Article 14.3.5 (*JM and Promoter Tag Along Right*)). If (i) the Investor has not issued the Investor Transfer Notice (in accordance with this Article 14.3.5 (*JM and Promoter Tag Along Right*))) or (ii) if the Tag Transferor has elected to exercise their Tag Along Right within the Investor Tag Along Offer Period by delivering to the Tag Along Response and the Investor Proposed Transferee refuses or fails to purchase the Tag Along Securities; the Investor shall not make the Investor Proposed Transfer, and if purported to be made, such Transfer shall not be binding on, or recorded by the Company.
- g. The closing of any Transfer of the Tag Along Securities under this Article 14.3.5 (*JM and Promoter Tag Along Right*)) shall occur within 30 (thirty) days from the date of the expiry of the Investor Tag Along Response. At the closing, the Investor Proposed Transferee shall purchase: (i) all of the Tag Along Securities from the Tag Transferor, at a price per Equity Security equal to the Tag Along Price; and (ii) all of the Investor Sale Securities from the Investor at a price per Equity Security equal to the Tag Along Price. At such closing, (a) the Investor Proposed Transferee shall pay the Tag Along Consideration to the Tag Transferor and any requisite stamp duty; and (b) the Tag Transferor shall deliver original share certificates (to the extent applicable) representing the Tag Along Securities, accompanied by duly executed instruments of transfer or shall transfer the Tag Securities from its demat account to the Investor Proposed Transferee’s demat account, as the case may be; and (c) the Company shall take all steps to amend the Charter Documents to record the rights of the Investor Proposed Transferee. The Tag Transferor shall deliver the Tag Along Securities to the Investor Proposed Transferee free and clear of any Encumbrance (other than Encumbrances arising hereunder) and, if requested by the Investor Proposed Transferee, the Tag Transferor shall represent and warrant that it is the beneficial and record owner of such Tag Along Securities, free from all Encumbrances (other than Encumbrances arising hereunder). At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of the Tag Along Securities to the Investor Proposed Transferee.
- h. In the event that (i) the Tag Transferor does not issue a Tag Along Response during the Investor Tag Along Offer Period; or (ii) the Tag Transferor refuses to exercise its Tag Along Right, the Investor shall, upon expiry of the Investor Tag Along Offer Period, be entitled to complete the Investor Proposed Transfer of the Investor Sale Securities to the Investor Proposed Transferee, at the Tag Along Price and on the same terms as set out in the Investor Transfer Notice, within 45 (forty five) days from the expiry of the Investor Tag Along Offer Period. It is clarified that the Tag Along Right of the Promoter and JM shall again apply with respect to any Transfer of Equity Securities by the Investor to the Investor Proposed Transferee, if the Transfer is not completed within the aforesaid period of 45 (forty five) days following the expiry of the Investor Tag Along Offer Period. The Investor Proposed Transferee shall agree to be bound by the terms and conditions of these Articles as applicable to the Investor and pursuant thereto, shall execute a Deed of Adherence simultaneously with the purchase of the Investor Sale Securities, the Equity Securities held by the Investor, which shall not exceed the number of Equity Securities set out under the Investor Transfer Notice.

14.4 Transfer of Equity Securities by the Promoter Group

14.4.1. The Promoter Group:

- a. Subject to Article 14.4.2 (b) below, shall be entitled to Transfer to a transferee (i) up to 8,41,383 (eight hundred forty one thousand three hundred eighty three) Equity Securities at any time post the Effective Date (and such transferee shall be subject to all obligations, and entitled to all rights, applicable to any other Shareholder under these Articles with the same Shareholding); or (ii) subject to consent of Investor 1, such other Equity Securities held by the Promoter; in each case, subject to the right of first refusal of the Investors, in accordance with Article 14.4.3 (*Investor Right of First Refusal*) (and such transferee shall be subject to such obligations, and entitled to such rights, as may be acceptable to the Investor 1). Further, it is agreed that the 8,41,383 (eight hundred forty one thousand three hundred eighty three) Equity Securities shall be in addition to the Promoter Secondary Sale Shares, however notwithstanding the aforesaid, the 8,41,383 (eight hundred forty one thousand three hundred eighty three) Equity Securities form part of such 19,21,436 (nineteen lakhs twenty one thousand four hundred and thirty six) Equity Securities, which if proposed to be Transferred (in a single transaction or series of transactions) by the Promoter Group, shall entitle the Investors and JM to exercise their Tag Along Right with the Promoter Group in accordance with Article 14.4.4.(a) below.
- b. Shall be entitled to Transfer Equity Securities pursuant to the Promoter Secondary Sale and the provisions of Article 14.4.4 (*Investor and JM Tag Along Right*) shall not apply to such Transfer; and
- c. Shall be entitled to Transfer Equity Securities pursuant to Article 15.3.3 (*JM and Promoter Tag Along Right*), Article 16.1 (*IPO*), Article 16.2 (*Strategic Sale*) and Article 16.3 (*Drag Along Right*);

14.4.2. Except for the Transfers covered under Article 14.4.1, the following restrictions shall apply on any Transfer of Equity Securities by the Promoter Group:

- a. Investor consent: Till such time as the Investor together with its Permitted Transferees is the largest holder of Equity Securities on a Fully Diluted Basis, no member of the Promoter Group shall Transfer any of the Equity Securities held by any of them without the prior written consent of Investor 1.
- b. The Promoter Group shall not be permitted to Transfer any of their Equity Securities to a Competitor and the Promoter Group shall not transfer or assign any special rights, including any of its rights under these Articles to such Transferee.
- c. Upon the Investors together with its Permitted Transferees ceasing to be the largest holder of Equity Securities on a Fully Diluted Basis and till such time as the Investors continue to hold at least 6.75% (six point seven five percent) of the Equity Share Capital, the Promoter Group shall not Transfer such Pro-Rata Equity Securities (as defined herein below) without the prior written consent of Investor 1.

For the purpose of this Article 14.4.2 (d), “Pro-Rata Equity Securities” shall be computed as per the formula set out hereunder:

Percentage number of Equity Securities held by the Investors (on a Fully Diluted Basis) on the said date	X	Percentage number of Equity Securities held by the Promoter Group on the said date (on a Fully Diluted Basis)
Percentage number of Equity Securities held by the Investors (on a Fully Diluted Basis) as on the First Tranche Completion Date or the Second Tranche Completion Date (if consummated)		

14.4.3. Investor Right of First Refusal. Subject to Article 14.4.1, the Promoter Group shall have the right to Transfer up to 8,41,383 (eight lakhs forty one thousand three hundred and eighty three) Equity Securities of the Company, subject to a right of first refusal of the Investors (“**Right of First Refusal**”).

- a. Transfer Notice. If any member of the Promoter Group receives a *bona fide* offer from a third party (“**Offeree**”) to purchase its Equity Securities and the Promoter proposes to accept such offer, the Promoter Group shall send written notice (“**Transfer Notice**”) to the Investor, which notice shall state: (i) the name of the transferring Promoter Group, (ii) the identity of the proposed transferee (“**Transferee**”), (iii) the number of Equity Securities to be Transferred (“**Offered Securities**”) (which

shall not exceed the number of Equity Securities set out above), (iv) the amount in cash of the proposed transfer consideration per Offered Security (“**Offer Price**”), (v) all other terms and conditions of the proposed Transfer, (vi) a representation that no other consideration is being provided to the Promoter Group in relation to the offer, and shall offer to sell to the Investors all and not less than all of the Offered Securities on the same terms as those made by such third party in the offer and as set out in the Transfer Notice, and (vii) if such proposed Transfer by the Promoter Group is of at least 19,21,436 (nineteen lakhs twenty one thousand four hundred and thirty six) Equity Securities together with all Equity Securities Transferred by the Promoter Group till such date, details of the Promoter Tag Along Response received under Article 14.4.4 (*Investor and JM Tag Along Right*) and if no such notice is received, a confirmation of the same.

- b. Right of First Refusal. The Investors shall have the Right of First Refusal, exercisable in its sole discretion within a period of 30 (thirty) days from the date of receipt of the Transfer Notice (“**Offer Period**”) to purchase all and no less than all of Offered Securities pursuant to the Notice and upon the other terms and conditions set forth in the Transfer Notice. The Investors may assign to a Permitted Transferee or identify any third party to acquire the Offered Securities
- c. Exercise of the Right of First Refusal. The Right of First Refusal shall be exercisable by it by issuing written notice of exercise (“**Acceptance Notice**”) within the Offer Period to the Promoter Group. An Acceptance Notice shall be irrevocable and shall be binding on the Investors to purchase the Offered Securities. The failure of the Investors to give an Acceptance Notice within the Offer Period shall be deemed to be a waiver of its Right of First Refusal.
- d. Sale to Third-Party Purchaser. If the Investors has not delivered an Acceptance Notice, indicating its intent to purchase all the Offered Securities, to the Promoter Group within the Offer Period, or if the Investors has rejected the offer made by the Promoter Group in the Transfer Notice, then the transferring Promoter Group may Transfer all and not less than all the Offered Securities to the Transferee identified in the Transfer Notice on the terms and conditions set forth in the Transfer Notice; provided, however, that (a) such sale is *bona fide*, (b) the aggregate price for the sale to the Transferee is calculated on a price per Equity Security equal to the Offer Price and the sale is on terms and conditions set forth in the Transfer Notice, and (c) the Transfer is made within 45 (forty five) days following the Offer Period. If such a Transfer does not occur pursuant to the terms and conditions set forth in the Transfer Notice and within the time period mentioned in the preceding sentence, the restrictions provided for herein shall again become effective, and the process set out herein shall become applicable again *de novo*.
- e. Closing. The closing of the purchase of the Offered Securities by the Investors shall be held at the registered office of the Company within 60 (sixty) Business Days from the Acceptance Notice. At such closing, the transferring Promoter Group shall deliver certificates representing the Offered Securities, accompanied by duly executed instruments of transfer or duly executed transfer instructions to the relevant depository participant, if applicable. Such Offered Securities shall be free and clear of any Encumbrance (other than Encumbrances arising hereunder, pursuant to these Articles or attributable to actions by the Offeree), and the transferring Promoter Group shall so represent and warrant and shall further represent and warrant that it is the beneficial and record owner of such Offered Securities. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of the Offered Securities to the Investor. Post-closing of such Transfer, the Promoter shall notify JM of the same, subject to JM being a Shareholder of the Company at such time.

14.4.4. Investor and JM Tag Along Right

- a. Subject to Article 14.4.1, in the event a proposed Transfer by the Promoter Group (in a single transaction or series of transactions) is of at least 19,21,436 (nineteen lakhs twenty one thousand four hundred and thirty six) Equity Securities together with all Equity Securities Transferred by the Promoter Group till such date (except the Promoter Secondary Sale Shares) (“**Promoter Sale Securities**”) to any Person (“**Promoter Proposed Transferee**”) (“**Promoter Proposed Transfer**”), the Investors and JM shall have a Tag Along Right to sell up to all the Equity Securities held by them to the Promoter Proposed Transferee at the Tag Along Price and on the same terms and conditions as agreed for the Promoter Proposed Transfer and the Promoter Group shall procure that the Promoter Proposed Transferee purchases such Equity Securities of the Investors and JM in accordance with the terms of this Article 14.4.4 (*Investor and JM Tag Along Right*).
- b. The Promoter Group shall give notice of the Promoter Proposed Transfer to the Investors and JM setting forth: (i) the name, address, identity of the Promoter Proposed Transferee and also stating that the Investors may be the Promoter Proposed Transferee pursuant to Article 14.4.3 (*Investor Right of First*

Refusal); (ii) the number of Equity Securities proposed to be Transferred and the number of Equity Securities the Promoter Group together with their Permitted Transferees then own; (iii) the Tag Along Price; (iv) the other terms and conditions of the Promoter Proposed Transfer, (v) a representation that no consideration is being provided to the Promoter Group and / or their Permitted Transferees (holding Equity Securities in the Company), as may be applicable, that is not reflected in the Tag Along Price, provided that the Promoter Group and their Permitted Transferees holding Equity Securities in the Company shall not undertake any Transfer of their Equity Securities for any consideration other than cash consideration; and (vi) the expected date of consummation of the Promoter Proposed Transfer (“**Promoter Transfer Notice**”).

- c. In the event the Investors and/ or JM elect to exercise the Tag Along Right, the Investors and/ or JM shall deliver a tag along response (“**Promoter Tag Along Response**”) within a period of 30 (thirty) Business Days of receipt of the Promoter Transfer Notice (“**Promoter Tag Along Offer Period**”), agreeing/ rejecting the Tag Along Right, indicating the number of Tag Along Securities. If the Investors and/ or JM accept the Tag Along Right by delivering its respective acceptance, the same shall be binding and irrevocable. It is hereby clarified that in the event the Investors and/ or JM fail to deliver the Promoter Tag Along Response within the Promoter Tag Along Offer Period, it shall be deemed that the the Investors and/ or JM (as the case may be) has rejected the tag along right under this Article 14.4.4 (*Investor and JM Tag Along Right*).
- d. Following the earlier of: (i) the receipt of the Promoter Tag Along Response, or (ii) the expiry of the Promoter Tag Along Offer Period, the Promoter Group shall issue a Transfer Notice under Article 14.4.3(a) to the Investors along with details of the Promoter Tag Along Response, if any received under Article 14.4.4(c).
- e. The Promoter Group shall not be entitled to sell any Promoter Sale Securities to the Promoter Proposed Transferee unless the Promoter Proposed Transferee contemporaneously purchases and pays for the Tag Along Securities in accordance with the provisions of this Article 14.4.4 (*Investor and JM Tag Along Right*). If (i) the Promoter has not given the Promoter Transfer Notice, or (ii) if the Investors and/ or JM have elected to exercise the Tag Along Right and the Promoter Proposed Transferee refuses or fails to purchase the Tag Along Securities; then the Promoter Group shall not make the Promoter Proposed Transfer, and if purported to be made, such Transfer shall be void and shall not be binding on the Company.
- f. The closing of any Transfer of the Tag Along Securities under this Article 14.4.4 (*Investor and JM Tag Along Right*) shall occur within 30 (thirty) days from the date of the expiry of the Promoter Tag Along Response. At the closing, the Promoter Proposed Transferee shall purchase: (i) all of the Tag Along Securities from the Investors and/ or JM (as the case may be), at a price per Equity Security equal to the Tag Along Price; and (ii) all of the Promoter Sale Securities from the Promoter Group at a price per Equity Security equal to the Tag Along Price. At such closing, (a) the Promoter Proposed Transferee shall pay the Tag Along Consideration in full in readily available funds to the Investors and/ or JM (as the case may be) and any requisite stamp duty; and (b) the Investors and/ or JM shall deliver certificates (to the extent applicable) representing the Tag Along Securities, accompanied by duly executed instruments of transfer or duly executed transfer instructions to the relevant depository participant, as the case may be; and (c) the Promoter and the Company shall take all steps to amend the Charter Documents to record the rights of the Promoter Proposed Transferee. The Investors and/ or JM shall deliver the Tag Along Securities to the Promoter Proposed Transferee free and clear of any Encumbrance (other than Encumbrances arising hereunder) and, if requested by the Promoter Proposed Transferee, the Investors and/ or JM shall represent and warrant that it is the beneficial and record owner of such Tag Along Securities, free from all Encumbrances (other than Encumbrances arising hereunder). The Investors and/ or JM shall not be required to make any representations or warranties other than as expressly contemplated by this Article 14.4.4(f) At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of the Tag Along Securities to the Promoter Proposed Transferee.
- g. In the event that (i) the Investors and / or JM do not issue a Promoter Tag Along Response during the Promoter Tag Along Offer Period, or (ii) the Investors and / or JM reject the right to exercise their respective tag along rights pursuant to this Article 14.4.4 (*Investor and JM Tag Along Right*); then the Promoter Group shall, upon expiry of the Promoter Tag Along Offer Period, be entitled to complete the Promoter Proposed Transfer of the Promoter Sale Securities to the Promoter Proposed Transferee within a period of 45 (forty five) days following the expiry of the Promoter Tag Along Offer Period, at the Tag Along Price and on the same terms as set out in the Promoter Transfer Notice. It is clarified that the Tag Along Right of the Investors and JM shall again apply with respect to any Transfer of Equity Securities by the Promoter Group to the Promoter Proposed Transferee, if the Transfer is not completed within the

aforesaid period of 30 (thirty) days following the expiry of the Promoter Tag Along Offer Period. The Promoter Proposed Transferee shall agree to be bound by the terms and conditions of these Articles as applicable to the Promoter (and to the extent of the Transfer of their Equity Securities) and pursuant thereto, shall execute a Deed of Adherence simultaneously with the purchase of the Promoter Sale Securities.

14.5 Investor Right of First Offer

- 14.5.1. In the event any of the Shareholders (other than the Promoter and except under the Promoter Purchase Agreement) (“**ROFO Seller**”) desires to Transfer any of the Equity Securities held by them (“**Investor ROFO Securities**”) to any Person, the Investors shall have a right of first offer (the “**Investor ROFO**”) with respect to such Transfer as provided in this Article 14.5 (*Investor Right of First Offer*). Such ROFO Seller shall first deliver to the Investor 1 a written notice (“**Investor ROFO Notice**”) offering to sell all the Investor ROFO Securities to the Investors.
- 14.5.2. If the Investors is interested in purchasing the Investor ROFO Securities, the Investors shall, within 21 (twenty one) Business Days from the date of receipt of the Investor ROFO Notice (“**Investor ROFO Period**”), deliver to the ROFO Seller a written notice of its offer to purchase the Investor ROFO Securities, and the price which it is willing to pay per Investor ROFO Securities (“**Investor Offer Price**”), along with terms and conditions (“**Investor Offer Notice**”).
- 14.5.3. If the Investor Offer Price and terms and conditions set out in the Investor Offer Notice are acceptable to the ROFO Seller, the ROFO Seller shall within 30 (thirty) Business Days from the date of receipt of the Investor Offer Notice, deliver a notice to the Investors accepting the offer contained in the Investor Offer Notice (“**Investor ROFO Acceptance Notice**”). An Investor ROFO Acceptance Notice shall be irrevocable and binding on the ROFO Seller and the Investor. The sale of the Investor ROFO Securities to the Investors shall take place at the registered / corporate office of the Company within 10 (ten) Business Days from the date of the Investor ROFO Acceptance Notice.
- 14.5.4. If no Investor Offer Notice has been received by the ROFO Seller within the Investor ROFO Period or if an Investor Offer Notice is received within the Investor ROFO Period but has been rejected in writing by the ROFO Seller, the ROFO Seller shall be free to Transfer all the Investor ROFO Securities to any third party within 45 (forty five) days from the end of the Investor ROFO Period or the date of the rejection notice, whichever is later, at a price which is not less than the Investor Offer Price, and terms and conditions which are no less favourable than the terms and conditions offered by the Investors under the Investor Offer Notice.

- 14.6 Except as provided in Article 14.4.1 (a) and (b), without the prior written consent of Investor 1, no Transfer of Equity Securities by the Existing Shareholders (except JM) to any Person shall take place at a price lower than the Fair Market Value of the Company, as determined by one of the Valuer, acceptable to Investor 1 using internally acceptable valuation methodologies.

14.7 JM Transfer

- 14.7.1. JM Prohibited Transfers. Notwithstanding anything contained in this Article 14 (*Transfer Restrictions*), JM and its Permitted Transferees shall not Transfer any of its Equity Securities to (i) a Competitor for a period of 4 (four) years from the Effective Date, (ii) a Family-Owned Business Group, or (iii) a banking company registered with the Reserve Bank of India, without the prior written consent of both the Promoter and Investor 1.
- 14.7.2. A JM Transferee shall be entitled to all rights available to, and subject to all obligations applicable to, JM under these Articles and the Shareholders’ Agreement, subject to the JM Transferee continuing to hold at least the JM Threshold.

- 14.8 Subject to the provisions contained in this Article 14 (*Transfer Restrictions*) including, Articles 14.1 (*Transfer Provisions Applicable*), 14.5 (*Investor Right of First Offer*), 14.6 and 14.7 (*JM Prohibited Transfers*), the Equity Securities held by JM and/or its Permitted Transferee shall be freely transferable by JM and its Permitted Transferee and no restrictions on Transfer contained in these Articles and the Shareholders’ Agreement shall apply to any Transfer of the Equity Securities held by JM and/or its Permitted Transferee.

- 14.9 In the event JM or any of its Permitted Transferees propose to Transfer any of the Equity Securities held by them in accordance with the provisions of this Article 14 (*Transfer Restrictions*), the Company shall, not exceeding once in a Financial Year, provide all co-operation and assistance to JM and such Permitted Transferee(s) by: (i) providing any potential transferee and its authorised Representatives with reasonable information with respect to the Company and

its properties, assets, corporate, financial and other books and records, provided that such Transfer (whether individually or together with other Shareholders) shall be for at least 6.75% (six point seven five percent) of the Equity Share Capital and (ii) providing any reasonable assistance that may be required for obtaining any Consents for such transfer.

14.10 If the Equity Securities held by JM (together with its Permitted Transferee) are equal to at least the JM Threshold, then with respect to a single Transfer of Equity Securities equal to or in excess of the JM Threshold by JM (together with its Permitted Transferee, if any) pursuant to the terms of these Articles, the Company shall provide such representations and warranties with respect to the business and operations of the Company to the transferee of such Equity Securities, without any recourse for liability towards the Company and in any and all cases, the aggregate liability of the Company in respect of such representations and warranties shall not exceed INR 1,000 (Indian Rupees one thousand only).

14.11 Representations and Warranties for transfers and further funding:

14.11.1. With respect to a transfer of Investor Securities pursuant to the terms of these Articles including Article 14.3 (*Transfers by the Investor*), Article 16.2 (*Strategic Sale*) and Article 16.3 (*Drag Along Right*) (“**Investor Transfer**”): (i) if the Promoter sells any Equity Securities pursuant to such Investor Transfer, the Company and the Promoter shall provide such representations, warranties, covenants and indemnities with respect to the business and operations of the Company to the transferee of Investor Securities, provided that the indemnity obligations of the Promoter *vis-à-vis* the buyer shall be pro-rata to the purchase consideration received by the Promoter and to the extent of consideration received by other selling Shareholders, there should be no recourse for liability towards the Promoter; and (ii) if the Promoter does not sell any Equity Securities pursuant to such Investor Transfer, the Promoter and the Company shall provide such representations, warranties and covenants with respect to the business and operations of the Company and the Company shall provide such indemnities (without any recourse for liability towards the Promoter) with respect to the business and operations of the Company to the transferee of Investor Securities.

14.11.2. With respect to any Person investing in the Company by way of subscription to Equity Securities to a new investor, the Company and the Promoter shall provide such representations, warranties, covenants and indemnities with respect to the business and operations of the Company to such new investor, provided that the indemnity obligations of the Promoter *vis-à-vis* such new investor shall be proportionate to the Promoter’s then existing Pro-Rata Share.

15 EXIT

15.1 IPO

15.1.1. The Company, the Promoter and the Investors agree that it is their intention to undertake an IPO of the Company acceptable to the Investor, at the earliest possible time. In view thereof, the Company and the Promoter shall take steps to complete a IPO at any time post the IPO Trigger Date, in accordance with applicable Law and all applicable guidelines and regulations promulgated by SEBI from time to time (“**SEBI Regulations**”). The Company shall cause such IPO to be consummated by way of listing of the Equity Shares of the Company on one or more Recognized Stock Exchanges.

15.1.2. The Company shall and the Promoter shall cause the Company to take all such steps and do all such acts, deeds, matters and things as may be required, and extend all cooperation to each other and the investment banks, lead managers, underwriters and other Persons as may be required for the purpose of expeditiously making and completing an IPO, including:

- a. undertaking the requisite corporate actions (including passing the requisite resolutions at the Board and shareholders meetings);
- b. appointing intermediaries and advisors (including legal and financial) to facilitate the process;
- c. providing reasonable access to various intermediaries and advisors (including legal and financial), to the documents, offices and facilities of the Company, in order to provide adequate disclosures under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 or other applicable Law;
- d. extending all such co-operation to the IPO merchant banker, the syndicate members, underwriters and all other advisors;
- e. providing all necessary information and documents necessary to prepare the offer documents;

- f. preparation of all necessary marketing material and documents to position the Company appropriately for the IPO;
 - g. filing all requisite documents with appropriate Governmental Authorities;
 - h. obtaining any necessary consents in relation to the IPO;
 - i. providing all necessary resources and personnel (including senior management personnel) to ensure compliance of the obligations set out herein;
 - j. filing the draft red herring prospectus with SEBI and providing true, fair and correct responses to SEBI's observations on the draft red herring prospectus and finalizing and filing the red herring prospectus within 14 (fourteen) days of the receipt of SEBI observations;
 - k. finalizing the financial statements of the Company as required for the IPO and ensuring that the Company's auditors co-operate with the managers and other advisors to the offer and provide all required certifications and comfort letters in customary form;
 - l. satisfying the minimum promoter's contribution requirement;
 - m. signing the final draft red herring prospectus prior to the same being filed with the SEBI;
 - n. complying with and completing all necessary formalities to ensure listing; and
 - o. doing such other acts, deeds and things as may be required to be done by the Company and the Promoter under applicable Law or as reasonably requested by the Investors to facilitate the consummation of the IPO.
- 15.1.3. The Company and the Promoter shall, and hereby undertake that they shall execute, do and take all such steps as may be in its powers to execute, do and take or procure to be executed, taken or done and to execute all such further documents, agreements and deeds and do all further acts, deeds, matters and things as may be required to undertake the IPO, to facilitate the IPO process and to do everything else necessary that is necessary or desirable in order to achieve the IPO post the IPO Trigger Date.
- 15.1.4. The Company, the Promoter and the Investors will explore the possibility of undertaking such IPO without a designated 'promoter' and will discuss this in good faith with the merchant bankers to be engaged with respect to the IPO. As part of the IPO, subject to applicable Law and based on the views expressed by the merchant bankers to the IPO, if any Equity Securities of the Company are required to be locked-in or required to be subject to any lock – in or or required to be subject to any Encumbrance, as applicable to 'promoters' in respect of any IPO, the Promoter Group shall be responsible for meeting such lock-in and/or Encumbrance requirements by offering or making available Equity Securities held by them in the Company for the purposes of any mandatory lock-in as applicable to 'promoters' in respect of any IPO provided that the Promoter Group shall not be required to lock-in more than 50% (fifty percent) of the Equity Securities held by the Promoter Group at such time.
- 15.1.5. The Company shall ensure that the Investors and/ or JM shall not be classified as a 'promoter' of the Company for any reason whatsoever. The Promoter undertakes that, as long as (i) the Promoter holds an executive position in the Company, or (ii) holds at least the Promoter Minimum Shares, it shall comply with all obligations imposed under Law in relation to promoters. Subject to (i) or (ii) above, the Company and the Promoter undertake not to designate the Investors and/ or JM as a "promoter" of the Company or make any declaration or statement, either directly or indirectly, in filings with regulatory or Governmental Authorities, offer documents or otherwise mentioning the Investors and/ or JM as a "promoter". In the event a Governmental Authority, rules, holds or adjudicates that the Investors and/ or JM is/ are "promoter(s)" of the Company, or requires the Company to categorize the Investors and/ or JM as "promoter" of the Company in any filings or documents, the Company shall immediately inform the Investors and/ or JM of the same in writing and the Company and the Promoter Group further undertake to do all things reasonably required, take all reasonable steps and make all appropriate representations in consultation with the Investors and/ or JM so that the Investors and/ or JM is/ are not considered "promoter(s)".
- 15.1.6. The Investors and JM shall not be required to give any representation, warranty or indemnity whatsoever in connection with the IPO, including to the IPO merchant banker, other than warranties that: (i) the Equity Shares, offered for sale by the Investors and JM in the IPO are free from Encumbrances and that the Investors and JM have legally valid title to such Equity Shares, and (ii) the authority and capacity of the Investors and

JM to participate in such offer for sale. To the extent that any of the Promoter Nominee Directors, or the Investor Nominee Directors or the JM Nominee Directors are required under applicable Law to give any other representation, warranty, indemnity or covenant (collectively, “**Director Undertaking**”) in connection with the IPO, the Company shall reimburse, indemnify, defend and hold harmless such Nominee Director(s) on written demand, from and against any and all losses, damage, liability or other costs or expenses whatsoever arising out of, in relation to or resulting from such Director Undertaking.

- 15.1.7. Any IPO shall be by way of issuance of new Equity Securities and / or sale of existing Equity Securities. The Promoter Group, the Investors and JM shall have the right (but not the obligation) to offer, as a part of such offer for sale, all or part of the Equity Shares held by each of them, on the same terms and conditions, including the price, on which the Equity Shares of the Company are listed in the IPO. In the event the Promoter Group, the Investors or JM wishes to offer any Equity Shares held by any of them for sale in the IPO as provided herein, then the Company shall undertake all necessary steps to ensure that such Equity Shares are offered for sale in the IPO. Subject to the lock-in requirements as set out in Article 15.1.4, the Promoter Group, Investors and JM shall have the right (but not the obligation), exercisable at each of their sole discretion, to offer Equity Securities held by each of them in the *inter se* Pro-Rata Share, respectively in any IPO, provided that JM shall not be permitted to offer a higher percentage of Equity Securities held by it than the percentage of Equity Securities proposed to be offered by the Investors in any IPO. Further, (unless agreed otherwise mutually by the Investor, JM and the Promoter) the Investor, JM and the Promoter undertake to offer such number of their Equity Shares proportionately for sale pursuant to the IPO as may be required to meet the minimum offer requirement under Law for listing of the Equity Shares of the Company in an IPO, if such minimum offer requirement is not fulfilled after taking into account the number of Equity Shares proposed to be offered by the Investors and/or JM and/ or the Promoter, for sale in accordance with this Article 15.1.7.
- 15.1.8. All matters with respect to any IPO including the timing, offer price per Equity Share, size of the issuance, stock exchange of listing, mode, parameters, valuation, selling shareholders, underwriters, legal advisors and other matters and/or terms of any IPO, shall be subject to the prior written consent of Investor 1.
- 15.1.9. The Company shall bear all fees, costs and expenses of such IPO including, without limitation, all registration, filing, qualification and similar fees (other than underwriting commission and discounts) and all printers, attorneys’ and accounting fees and disbursements (“**IPO Costs**”). Notwithstanding the aforesaid, the Shareholders of the Company participating in the IPO and the Company, in case of fresh issue of shares by the Company in such IPO, shall bear such portion of IPO Costs which is proportionate to its participation in the IPO.
- 15.1.10. In the event that, the IPO does not complete such that the entire issued Equity Share Capital of the Company is not admitted to trading on a Recognized Stock Exchange by the end of a period of 12 (twelve) months of the Investors or the Promoter or JM having consented to any alteration to their respective rights as set out in these Articles and/or the rights attaching to the Equity Securities held by each of them (such alterations being, collectively, the “**Conforming of Rights**”):

then each of the Investor, the Promoter and JM shall have the right to issue a notice to the Company requiring it to take all steps required to place them in the same position and possess the same preferential and other rights the Investors and/ or the Promoter and/ or JM (as the case may be) had the benefit of immediately prior to the Conforming of Rights. Upon the Investors and/ or the Promoter and/ or JM serving such notice to the Company, the Company shall ensure that, within 30 (thirty) days of receipt of such notice by the Investors and/ or the Promoter and/ or JM (as the case may be), undertake all necessary actions to ensure that the Investors and/ or the Promoter and/or JM are placed in the same position and all rights the Investors and/or the Promoter and/ or JM had the benefit of prior to the Conforming of Rights are reinstated in the form and manner acceptable to the Investors and/ or the Promoter and/ or JM.

- 15.1.11. Notwithstanding anything contained in these Articles and/or any other Transaction Documents, the Company hereby agrees and undertakes that irrespective of what is stated in this Article 15.1 (*IPO*), if any Shareholder is required by Law to drop any of the rights set out in this Agreement, they will appropriately discuss with the various regulatory authorities and ensure that minimum changes or variations are made to the rights of the Shareholders. The Company shall further take all reasonable actions (including making relevant filings for Consents with Governmental Authorities) to ensure that the relevant Shareholders shall at all times continue to have the right to appoint the nominee directors irrespective of such IPO.

15.2 Company Sale Rights.

- 15.2.1. Post the IPO Trigger Date, the Investors and the Promoter shall have the right to jointly undertake a strategic sale, merger, consolidation, amalgamation, reconstruction or any other form of restructuring, business transfer or asset transfer, which may involve the transfer of the whole of the assets, business, undertaking or other properties of the Company or its Subsidiaries or all of the Equity Securities of the Company or any Subsidiaries of the Company, or any combination thereof, in each case to any Person, including a Competitor (“**Strategic Sale**”), provided that if the Strategic Sale is undertaken by way of a merger or amalgamation with (i) an Affiliate of any of the Investors or the Promoter, or (ii) a portfolio company of any of the Investors; the prior written consent of each of JM and Valiant shall be required.
- 15.2.2. If the Investors and the Promoter exercises its rights pursuant to Article 15.2 (*Company Sale Rights*), the Company, the Promoter and each of the Shareholders shall, and shall ensure that each of their respective Permitted Transferees that hold any Equity Securities in the Company, cooperate in, and shall take all actions that the Investors deems reasonably necessary to complete the Strategic Sale, including voting their respective Equity Securities (or executing and delivering any written Consents in lieu thereof) in favour of the Strategic Sale and against any action or proposal that may prevent, hinder or impede the completion of the Strategic Sale, procuring any Governmental Approvals or Consents necessary to complete the Strategic Sale and not exercising any dissent or similar rights to which they may be entitled in connection with the Strategic Sale.
- 15.2.3. The Company, the Promoter and the other Shareholders shall, and shall ensure that each of their respective Affiliates that hold any Equity Securities in the Company shall, enter into definitive agreements as are customary for transactions of the nature of the proposed Strategic Sale and the Promoter, the Shareholders and their respective Permitted Transferees that hold any Equity Securities in the Company agree to give or make customary warranties, representations, covenants and indemnities in connection with the Strategic Sale and agree to explore options to obtain insurance coverage for the same.

15.3 Drag Along Right

- 15.3.1. If an IPO or a Strategic Sale has not occurred till the Drag Trigger Date, the Investors shall have the right exercisable in their sole discretion, to call upon the Promoter and each of the other Shareholders and each of their respective Permitted Transferees to sell all (but not part) of the Equity Securities held by them in the Company in exercise of the Investor’s drag along right under this Article 15.3 (*Drag Along Right*) to any Person, including a Competitor.
- 15.3.2. If the Investors exercises its rights pursuant to Article 15.3.1, then the Investors shall have the right, exercisable in its sole discretion, to require the Shareholders other than the Investors (“**Remaining Shareholders**”) to Transfer and cause their Permitted Transferees to sell to all (but not part) of the Equity Securities held by them (“**Drag Securities**”) in accordance with the provisions of this Article 15.3 (*Drag Along Right*) (“**Drag Along Sale**”) provided the Investors proposes to sell all (but not part) of the Investor Equity Securities to a Person other than a Permitted Transferee (“**Drag Transferee**”).
- 15.3.3. The Investors may, at any time after the expiry of the Drag Trigger Date, furnish to the Remaining Shareholders a written notice (“**Drag Notice**”) notifying them of: (i) its proposal to sell all the Investor Securities to a Drag Transferee and its decision to exercise its rights under this Article 15.3 (*Drag Along Right*); and (ii) the price per Equity Share (“**Drag Price**”) offered by the Drag Transferee.
- 15.3.4. Upon the issuance of the Drag Notice, the remaining Shareholders shall be required to Transfer the Drag Securities to the Drag Transferee, at a price per Equity Security equal to the Drag Price and (subject to Article 15.3.6) on the same terms and conditions as the Investor.
- 15.3.5. The closing of the purchase of the Drag Securities by the Drag Transferee, from the Remaining Shareholders and their Permitted Transferees shall take place simultaneously with the closing of the purchase of Investor Securities by the Drag Transferee. At such closing, the Remaining Shareholders shall deliver certificates representing the Drag Securities (to the extent applicable), accompanied by duly executed instruments of transfer or duly executed transfer instructions to the relevant depository participant. Such Drag Securities to be sold shall be free and clear of any Encumbrance. At such closing, all of the parties to the transaction shall execute such additional documents as may be necessary or appropriate to effect the sale of the Drag Securities to the Drag Transferee.
- 15.3.6. The Shareholders undertake to obtain all corporate approvals and consents required for the transfer of the Drag Securities to the Drag Transferee. If requested by the Drag Transferee, and if the Promoter still holds an executive role in the Company, the Promoter shall provide to the Drag Transferee services reasonably

requested by the Drag Transferee which may be required for transition of Control of the Company from the Promoter to the Drag Transferee for a mutually agreed period, which shall not be more than 2 (two) years in any event and on terms mutually agreed thereat, which in relation to any executive engagement with the company shall be in no event less than the compensation then payable by the Company to the Promoter as per the terms of employment applicable as on such date and reasonably taking into account any inflation linked increase.

- 15.4 The Parties agree that each of the rights of the Investors under these Articles, and in particular the rights of the Investors under Articles 15.2 (*Company Sale Rights*) and 15.3 (*Drag Along Right*) of these Articles, are independent rights of the Investors and are mutually exclusive, and each such right may be exercised by the Investor, at its sole discretion, either individually or together with the other rights available to it under this Article 15 (*Exit*).

15.5 Co-operation

The Company and the other Shareholders undertake to do all such reasonable acts, deeds, matters and things as may be required for sale of any Equity Securities held by the Investors under this Article 15 (*Exit*), to the extent applicable, including without limitation: (i) providing the proposed transferee with access to such documents and information and provide copies of documents including confidential information, as may be reasonably required by such proposed transferee for legal, commercial, financial and technical due diligence of the Company and its Subsidiaries (if any), (ii) preparing and sharing a business plan with the proposed transferee (if so requested by the Investor and/ or JM as the case may be), (iii) providing investment bankers with such documentation and information as may be required by the investment bankers to arrive at appropriate valuations, obtaining all necessary consents (statutory or otherwise) (to the extent required in the proposed Transfer), and (iv) participating in the discussions held and meeting with the proposed transferee and provide any other cooperation as is advised to be necessary by the investment bankers.

16 RELATED PARTY CONTRACTS

- 16.1 Any and all transactions entered into by the Company and/ or its Subsidiaries (if any) with Related Parties on or after the Effective Date shall be on an arm's length basis and shall be subject to the prior written consent of the Investor.
- 16.2 Further, the Company shall, and the Promoter shall cause the Company to, ensure that it does not and its Subsidiaries do not enter into any transaction or agreement with third parties in which any Director and/ or its Subsidiaries (if any) or a Related Party has a material interest unless such transaction or agreement is on an arm's length basis.
- 16.3 The Board shall formulate such policies and procedures to ensure that best corporate governance procedures are followed by the Company while entering Related Party Contracts. Every quarter, the Board shall be presented with an audit report detailing the Related Party Contracts entered into by the Company and the price at which the Contract has been entered into as against the market price for such Contracts ("**Audit Report**"). The Audit Report shall also set out the purpose of entering into the Related Party Contract with the rationale as to reason the Contract could not be entered into with another Person who is not a Related Party.
- 16.4 On the basis of the above, the Investor and the Promoter shall mutually decide which Related Party Contracts should be continued, modified or discontinued.

17 INFORMATION RIGHTS

- 17.1 Any Shareholder (including a transferee of Equity Securities) holding more than 10% (ten per cent) of the Equity Share Capital, in addition to such information that any Director of the Company is entitled to obtain, be entitled to receive from the Company (for the purpose of this Article 17 (*Information Rights*) (reference to "Company" shall include the Subsidiaries and the Group Companies), the following information:
- 17.1.1. Unaudited quarterly financial statements, including statements of income, cash flow statements and statements of changes in shareholders' equity, of the Company all in reasonable detail and stating in comparative form the figures as of the end of and for the comparable quarters of the preceding Financial Year and budgeted figures for the quarter, certified by the chief financial officer of the Company within 45 (forty five) days of the end of each quarter;
- 17.1.2. Annual audited financial statements of the Company within 90 (ninety) days following the closure of the preceding Financial Year including the related consolidated statements of income, statements of changes in shareholders' equity and statements of cash flows of the Company for such Financial Year, all in reasonable detail and stating in comparative form the figures as at the end of and for the previous Financial Year accompanied by an opinion of the external auditor of the Company, which opinion shall state that such auditor's audit was conducted in accordance with Indian GAAP and that it is not subject to any qualification

resulting from a limit on the scope of the examination of the financial statements or the underlying data or which could be eliminated by changes in the financial statements or the notes thereto or by the creation of or increase in a reserve or a decreased carrying value of assets;

- 17.1.3. Monthly operational reports (management information system reports) of the Company within 15 (fifteen) days of the end of each month detailing key operational performance indicators and statistics in a form reasonably satisfactory to the Investor;
 - 17.1.4. Minutes of the Board (to the Shareholders having Nominee Directors on the Board) and shareholders' meetings of each of the Company, within 10 (ten) days of the concerned meeting;
 - 17.1.5. Agenda of the Board (to the Shareholders having Nominee Directors on the Board) and Shareholders' meetings of each of the Company, simultaneously with circulation to the Directors;
 - 17.1.6. Business Plan as approved in accordance with these Articles within 10 (ten) days of such approval;
 - 17.1.7. A written notification setting out sufficient details of any material claims or litigations filed or threatened (in writing) by or against the Company or any circumstances which may give rise to the same (including any claims, investigations or litigation relating to service deficiency or medical negligence or any claims, investigations or litigations by any Governmental Authority against the Company), within 7 (seven) Business Days from the date on which either the Company becomes aware of the same;
 - 17.1.8. A written notification of any event likely to have a material impact on the Business, operations of the Company within 7 (seven) Business Days from the date on which either the Company or the Promoter become aware of the same;
 - 17.1.9. A written notification of any withdrawal of any lending facility by a lender of the Company within 1 (one) Business Day from the date on which the Company becomes aware of the same;
 - 17.1.10. A written notification of any receipt of any notice of breach of, or default under, or termination of, any material Contract from a counterparty to such material Contract, within a period of 3 (three) Business Days from receipt of such notice by any Group Entity;
 - 17.1.11. A written notification of any change in any Key Managerial Personnel and any employees directly reporting to the Managing Director, within 15 (fifteen) Business Days from the date on which either the Company becomes aware of the same; and
 - 17.1.12. Such additional information as may be requested from time to time by the Investors within 3 (three) Business Days of making such request.
- 17.2 Any Shareholder (including a transferee of Equity Securities) holding more than 2% (two percent), but less than 10% (ten per cent) of the Equity Share Capital shall be entitled to obtain from the Company the information:
- 17.2.1. Unaudited quarterly financial statements, including statements of income, cash flow statements and statements of changes in shareholders' equity, of the Company all in reasonable detail and stating in comparative form the figures as of the end of and for the comparable quarters of the preceding Financial Year and budgeted figures for the quarter, certified by the chief financial officer of the Company within 45 (forty five) days of the end of each quarter;
 - 17.2.2. Annual audited financial statements of the Company within 90 (ninety) days following the closure of the preceding Financial Year including the related consolidated statements of income, statements of changes in shareholders' equity and statements of cash flows of the Company for such Financial Year, all in reasonable detail and stating in comparative form the figures as at the end of and for the previous Financial Year accompanied by an opinion of the external auditor of the Company, which opinion shall state that such auditor's audit was conducted in accordance with Indian GAAP and that it is not subject to any qualification resulting from a limit on the scope of the examination of the financial statements or the underlying data or which could be eliminated by changes in the financial statements or the notes thereto or by the creation of or increase in a reserve or a decreased carrying value of assets;
 - 17.2.3. Minutes of the Board and shareholders' meetings of each of the Company, within 10 (ten) days of the concerned meeting;

- 17.2.4. Agenda of the Board and Shareholders' meetings of each of the Company, simultaneously with circulation to the Directors;
- 17.2.5. Business Plan as approved in accordance with these Articles within 10 (ten) days of such approval;
- 17.2.6. A written notification of any event likely to have a material impact on the Business, operations of the Company within 7 (seven) Business Days from the date on which either the Company or the Promoter become aware of the same;
- 17.2.7. A written notification of any change in any Key Managerial Personnel and any employees directly reporting to the Managing Director, within 15 (fifteen) Business Days from the date on which either the Company becomes aware of the same;
- 17.2.8. Monthly operational reports (management information system reports) of the Company within 15 (fifteen) days of the end of each month detailing key operational performance indicators and statistics in a form reasonably satisfactory to the Investor; and
- 17.2.9. A written notification setting out sufficient details of any material claims or litigations filed or threatened (in writing) by or against the Company or any circumstances which may give rise to the same (including any claims, investigations or litigation relating to service deficiency or medical negligence or any claims, investigations or litigations by any Governmental Authority against the Company), within 7 (seven) Business Days from the date on which either the Company becomes aware of the same.

17.3 The Company shall permit and shall cause to be permitted the Investors and their respective representatives, counsel, accountants and other consultants, at the said Shareholders' expense during working hours and upon providing prior notice of 2 (two) Business Days to the Company:

- 17.3.1. access to the books and records, facilities, properties, management, employees, accounting and legal advisors of the Company and its Subsidiaries, (if any);
- 17.3.2. to conduct an audit on the financial affairs of the Company and its Subsidiaries (if any);
- 17.3.3. to examine of books and records of the Company and its Subsidiaries (if any);
- 17.3.4. to inspect the premises, branches from where the Company and/ or its subsidiaries (if any) perform their operations, and properties and assets of the Company and its Subsidiaries (if any); and
- 17.3.5. to hold discussions regarding the business, operations, conditions, actions, plans, budgets and finances of the Company and its Subsidiaries (if any) with their directors, Key Managerial Personnel auditors and / or legal advisors.

17.4 The Company shall comply with all reasonable requests made by the Investors as to any details to be included and the formats or additional reporting information with respect to the financial statements, minutes and other documents to be furnished by the Company under this Article 18 (*Information Rights*).

18 FALL AWAY OF RIGHTS

The rights of the Promoter and/or JM and/ or the Investors, except those identified under Clause 14 (as applicable) of the Shareholders' Agreement and incorporated in these Articles, shall automatically fall away in accordance with the provisions of Clause 14 of the Shareholders' Agreement.

19 OTHER COVENANTS

19.1 Promoter Further Funding

- 19.1.1. The Investor and the Promoter hereby undertake that they shall not take any action which shall be in contravention to the terms of the Promoter Subscription Agreement.

19.2 Business Practices and Compliance

- 19.2.1. The Company covenants, undertakes and represents that on and from the Effective Date, it shall not and shall not permit any of its Subsidiaries and the Group Companies, to or any of its or their directors, officers, managers, employees, independent contractors, representatives or agents to promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, any non-United States official, in each case, in violation of Anti-Corruption Laws or of any other applicable anti-bribery or anti-corruption laws.
- 19.2.2. The Company further covenants, undertakes and represents that, with effect from the Effective Date, it shall cause itself and each of its Subsidiaries and Group Companies (Pursuant to the Restructuring) to maintain systems of internal controls acceptable to the Investors (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the Anti-Corruption Laws or any other applicable anti-bribery or anti-corruption laws.

19.3 Liquidation Preference

- 19.3.1. In the event there occurs a Company Liquidation Event, then, subject to applicable Laws, the total proceeds from such Company Liquidation Event remaining after discharging or making provision for discharging the liabilities of the Company shall be distributed as follow: (i) first, to the Investor; (ii) second, to JM, and (iii) last, to the other Shareholders of the Company (except Investors and JM) in proportion to their Equity Securities in the Equity Share Capital ("**Liquidation Preference**").
- 19.3.2. The amount to be paid to the Shareholders upon the occurrence of a Company Liquidation Event in the Liquidation Preference would be equal to the higher of: (i) the amount of investment by the said Shareholders' in the Company plus all accrued and unpaid dividends, or (ii) proceeds proportionate to their Equity Share Capital.

19.4 Accounts and Auditors

The Company shall keep proper, complete and accurate books of account in Indian Rupees in accordance with Indian GAAP. An annual audit of the books of accounts, records and affairs of the Company shall be made each year immediately following the close of the Financial Year by the auditor of the Company within a period of 90 (ninety) calendar days after the end of each Financial Year. The Company shall maintain a system of accounting adequate to identify its material assets, liabilities and transactions and to permit the preparation of financial statements in accordance with Indian GAAP. The Company further undertakes to make such annual reporting to the Investors as may be required by the Investors for any statutory and Tax filings required to be made by the Investors or their Affiliates, parent/group companies in the respective jurisdiction of their incorporation and/or listing. The Company shall have their Accounts audited in accordance with such standards by reputable firms of international accountants, to be mutually agreed among the Promoter and Investor 1 and as may be appointed by the board. The statutory auditors of the Company shall be any 1 (one) of the Big Four Accounting Firms.

19.5 Insurance

The Company shall keep insured at all times and maintain insurance policies in a sufficient amount and with such coverage as is mutually agreed to between Investor 1 and the Promoter. Such policies shall be sufficient to cover liabilities in relation to product liabilities, fire, acts of God that the facilities of the Company could be subject to. The Company shall obtain and maintain (i) D&O Policies; and (ii) fidelity and keyman insurance policy in relation to the Promoter.

19.6 Compliance with Laws

The Company shall, and the Promoter shall ensure that the Company shall, comply with all Laws applicable to the Company. The Company shall not, and the Promoter shall ensure that the Company does not, incur any liabilities, or undertake any activities, other than in relation to their business.

19.7 Business Plan

The Managing Director of the Company shall deliver a draft annual Business Plan for the ensuing Financial Year not less than 30 (thirty) days prior to the end of the previous Financial Year and table such draft Business Plan at a meeting of the Board of the Company. The Business Plan shall be approved by the Board before the beginning of the said Financial Year and shall be subject to the prior written consent of Investor 1.

19.8 Increase in Authorised Capital

The Company and the Promoter shall take all steps as may be necessary to increase its authorized share capital as shall be sufficient for the issuance of the Equity Shares on the conversion of the CCPS, including, without limitation, obtaining requisite shareholder approval(s) for any necessary amendment to the Charter Documents, so that the Company can issue the Equity Shares on the conversion of the CCPS to the Investors on the Conversion Date.

19.9 ESOP Scheme

- 19.9.1. The Company shall adopt a stock option scheme comprising of 20,68,650 (twenty lakhs sixty eight thousand six hundred and fifty) Equity Shares (“**Agreed ESOP Scheme**”), in order to incentivize Key Managerial Personnel of the Company, other than the Promoter, and such other key employees as may be mutually decided by the Company, Promoter and the Investors, in consultation with JM. The Company, Promoter and Investor 1 shall jointly decide the various terms and conditions of the Agreed ESOP Scheme including its size and distribution. It is however, agreed that the strike-price of the options under the Agreed ESOP Scheme shall not be lower than the Investor Entry Price. Any persons acquiring Equity Shares pursuant to exercise of the stock options issued pursuant to the ESOP Scheme shall not, without the prior written consent of the Promoter and Investor 1, directly or indirectly Transfer any equity options held by them in the Company.
- 19.9.2. It is also agreed to by all the Parties that upon exercise of the options under the ESOP Scheme, the shareholding of the Shareholders in the Equity Share Capital of the Company would be diluted and reduced proportionately following issuance of Equity Shares pursuant to the exercise of the options granted in accordance with the ESOP Scheme.

20 INTENT AND EFFECT OF THESE ARTICLES AND THE SHAREHOLDERS’ AGREEMENT

- 20.1 The Parties undertake to ensure that they, their representatives, proxies and agents representing them at the general meetings of the Shareholders shall at all times exercise their votes and, through their respective Nominee Directors (or alternate directors) at Board meetings and otherwise to the extent permitted by Law, act in such manner so as to comply with, and to fully and effectually implement, the spirit, intent and specific provisions of these Articles and the Shareholders’ Agreement. Each Shareholder shall exercise its shareholder and board level voting and contractual rights, and shall take all other actions necessary, to give effect to the provisions of these Articles and the Shareholders’ Agreement and
- 20.2 The Shareholders shall exercise their voting rights on their Equity Shares and shall take all other action necessary or required, to ensure that at all times the articles of association and memorandum of association of each of the Subsidiaries facilitate, and do not conflict with, the provisions of these Articles, and require the approval of the Company or the Board of the Company in order for each of the Reserved Matters, which approval shall be granted in terms of Article 12 (*Reserved Matters*).
- 20.3 Each of the Parties undertakes with each other to fully and promptly observe and comply with the provisions of these Articles to the intent and effect that each and every provision thereof shall be enforceable by the Parties hereto *inter se* and in whatever capacity.

21 Assignment and successors

- 21.1 Except as provided in these Articles, without the Investor 1’s consent, each of the Parties (excluding JM) including the Promoter and the Company shall not be entitled to, nor shall they purport to, assign, transfer, charge or otherwise deal with all or any of their rights and/or obligations under these Articles nor grant, declare, create or dispose of any right or interest in it, in whole or in part. The Investors and JM shall be entitled to assign, transfer, charge or otherwise deal with all or any of its rights and/or obligations under these Articles and to grant, declare, create or dispose of any right or interest in it, in whole or in part, without the consent of the other Parties, in accordance with the provisions of these Articles. For the avoidance of doubt, subject to the terms of these Articles, it is clarified that the Investors and JM shall be entitled to assign any or all of its rights and/or transfer any or all of its obligations hereunder to any Person with the simultaneous transfer of their respective Equity Securities, transferred in terms of these Articles.
- 21.2 Notwithstanding anything to the contrary contained herein, or in any other Transaction Document, the legal heirs or successors of the Promoter shall not be liable or responsible for the obligations of the Promoter, in case of any permanent disability or death of the Promoter.

22 Termination

- 22.1 The provisions of these Articles shall cease to apply vis-à-vis any Shareholder, who ceases to hold any Equity Securities, provided that nothing herein shall prejudice any rights or obligations of a Person who becomes a party to the Shareholders' Agreement by executing a Deed of Adherence pursuant to a Transfer of Equity Securities to such Person by such erstwhile Shareholder. For avoidance of doubt, any reference to such Shareholder who either, ceases to hold Equity Securities or has Transferred a part of total Equity Securities held by it to a Person in accordance with these Articles and the Shareholders' Agreement, by executing a Deed of Adherence, subject to provisions of Article 15, shall be deemed to include a reference to such transferee of such transferring Shareholder, without a requirement to amend these Articles.

SCHEDULE 1

INVESTOR RESERVED MATTERS

The following actions of the Company shall require the affirmative vote of Investor 1:

1. Any future issuance or allotment of Equity Securities, except (i) Second Tranche Subscription Securities (as defined in the SSA); and (ii) a CAR Issuance;
2. Any Transfer of Equity Securities by the Existing Shareholders other than JM, except any Transfer in accordance with the terms of these Articles;
3. Any change in capital structure of the Company, including by way of repurchase, redemption, buy - back or cancellation any equity securities or equity linked securities and any rights attached thereto or otherwise permitting any change in the class rights for any equity securities or equity linked securities, undertaking any stock splits or stock consolidations, or modifying or adopting any employee stock option plan, including issuance of any Equity Securities in relation to an IPO, provided, however, that a CAR Issuance shall not be an Investor Reserved Matter;
4. Any appointment/removal of Independent Directors to/from the Board and any change in the composition of the Board of the Company;
5. Any proposal, decision or plan for any IPO, reverse merger or any induction of strategic or financial partners;
6. Any business restructuring, merger, amalgamations and acquisitions, de-merger, re-organization and/ or disposition of assets of the Company other than those contemplated under the Business Plan (including both acquisition and disposal);
7. Creation of subsidiaries of the Company, selling or otherwise disposing of any equity securities of any Subsidiary, amending the rights of the Company in any Subsidiary, entering into any joint venture agreements or profit sharing agreements;
8. Approval and adoption of the Business Plan and any deviations thereof in excess of 10% (ten percent);
9. Borrowings or providing guarantees other than those approved under Business Plan (provided, however, that a deviation of 10% (ten percent) or less shall not be an Investor Reserved Matter);
10. Capital expenditures, or raising of any debt, other than as approved under Business Plan (provided, however, that a deviation of 10% (ten percent) or less shall not be an Investor Reserved Matter);
11. Investments (including follow on investments) made by the Company either in the form of loans or subscription to equity instruments, otherwise than in the Ordinary Course of Business;
12. Write-off of any receivables, loans and advances investments or inventories by the Company in excess of INR 5,00,00,000 (Rupees five crores only) per Financial Year;
13. Any Contracts between the Existing Shareholders and their Affiliates, and the Company in excess of INR 2,00,00,000 (Rupees two crores only);
14. Any material expansions, diversification, investments, divestments, or any other change in the Business;
15. Declaration of dividends or any other form of distribution to the Shareholders;
16. Any adverse material change in the scope, nature and/or activities of the Business;
17. Any amendment to these Articles, the Memorandum or the Shareholders' Agreement, or any change in the rights of the Equity Securities;
18. Modification to any ESOP Scheme or adoption of any ESOP Scheme;
19. Appointment or removal and determination of the terms of employment of the Managing Director, chief executive officer and any other persons who are the Key Managerial Personnel of the Company, and any significant changes in the terms of their employment agreements.

20. Any steps or action taken by the Company towards liquidation, winding-up, insolvency whether voluntary or involuntary;
21. Any change in the statutory auditors of the Company and any material change in the accounting methods or policies adopted or followed by the Company; and
22. Commencement or the settling of any litigation, arbitration or other proceeding which, in the reasonable opinion of the Investor, is material to the Business.

SCHEDULE 2

PROMOTER RESERVED MATTERS

The following actions of the Company shall require the affirmative vote of the Promoter:

1. Any future issuance and allotment of Equity Securities, provided such issuance (i) is at a per Equity Security valuation below the Investor Entry Price (increased by an IRR of 15% (fifteen percent), and (ii) the Investors and/ or their respective Affiliates intend to acquire any Equity Security in such issuance;
2. (A) Any other change in capital structure of the Company, by way of repurchase, redemption, buy - back or cancellation of any equity securities or equity linked securities, and (B) change of any rights attached to any Equity Security, provided that such change impacts the Promoter and/ or the Equity Securities held by the Promoter adversely, not being in the nature of issue of New Securities in accordance with the terms of the Shareholders' Agreement, and excluding any issuance, allotment in relation to a CAR Issuance;
3. Any appointment/removal of Independent Directors to/from the Board, provided that if the Promoter no longer holds an executive position in the Company, such matter shall not be a Promoter Reserved Matter;
4. Investments (including follow on investments) made by the Company either in the form of loans or subscription to equity instruments, otherwise than in the Ordinary Course of Business;
5. Any amendment to these Articles, the Memorandum or the Shareholders' Agreement, or any change in the rights of the Equity Securities, provided that such change impacts the Promoter and/ or the Equity Securities held by the Promoter adversely;
6. Any Contracts between (i) the Affiliates of any of the Investors or the portfolio companies of any of the Investors on the one hand and (ii) the Company on the other hand, in excess of INR 2,00,00,000 (Rupees two crores only);
7. Modification to any ESOP Scheme or adoption of any ESOP Scheme, provided that if the Promoter no longer holds an executive position in the Company, such matter shall not be a Promoter Reserved Matter;
8. Appointment or removal and determination of the terms of employment of the Managing Director, chief executive officer and any other persons who are the Key Managerial Personnel of the Company, and any significant changes in the terms of their employment agreements, provided that (i) if the Promoter holds any executive positions stated herein in the Company, the said matter with respect to the appointment or removal or determination of terms of such executive position shall not be a Promoter Reserved Matter; and (ii) if the Promoter no longer holds any executive position in the Company; none of the foregoing shall be a Promoter Reserved Matter.
9. Any steps or action taken by the Company towards liquidation, winding-up, insolvency whether voluntary or involuntary;
10. Any change in the statutory auditors of the Company, if the statutory auditor to be appointed is not from among the Big Four Accounting Firms; and
11. Any material change in the accounting methods or policies adopted or followed by the Company, provided however that if such change in the accounting methods or policies is on the recommendation of one of the Big Four Accounting Firms, such matter shall not be Promoter Reserved Matter.

SCHEDULE 3

JM RESERVED MATTERS

1. Any steps or action taken by the Company towards liquidation, winding-up, insolvency whether voluntary or involuntary.
2. Any merger, amalgamation, de-merger, re-organization and / or disposition of all or substantially all assets of the Company either (i) with, or in favour of, a Person Controlled by the Investors, or (ii) in favour of any Person at a per Equity Security valuation below the Investor Entry Price (increased by an IRR of 15% (fifteen percent)) prior to the expiry of 4 (four) years from the Effective Date.
3. Any proposal to selectively reduce capital by cancellation only of equity or equity-linked instruments held by JM, or any buyback of Equity Securities other than the Equity Securities held by JM.
4. Any amendment to these Articles, the Memorandum or the Shareholders' Agreement, or any change in the rights of the Equity Securities held by JM, provided that such change impacts the rights of JM herein, and/ or the Equity Securities held by JM, adversely.
5. Any material investment or divestment (other than in the Ordinary Course of Business) in excess of an aggregate of INR 200,00,00,000 (Rupees two hundred crores) in any Financial Year.
6. Any Contracts between (i) an Affiliate of the Investors on one hand and the Company on the other, in excess of an aggregate of INR 1,00,00,000 (Rupees one crore) in any Financial Year, or (ii) a portfolio company of the Investors on one hand and the Company on the other, other than Contracts that are at arm's length.
7. Any proposal to appoint the statutory auditor of the Company, if such proposed appointee is not one of the Big Four Accounting Firms.

SCHEDULE 4

VALUER

1. Bank of America Merrill Lynch
2. Goldman Sachs
3. Morgan Stanley
4. JP Morgan
5. Deutsche Bank
6. Kotak Mahindra Capital Company
7. Axis Capital
8. Credit Suisse
9. Rothschild
10. Citigroup
11. Lazard
12. Any one of the Big Four Accounting Firms

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The copies of the following contracts which have been entered or are to be entered into by our Company (not being contracts entered into in the ordinary course of business carried on by our Company or contracts entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material will be attached to the copy of the Red Herring Prospectus which will be delivered to the RoC for registration. Copies of the contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office between 10.00 a.m. and 5.00 p.m. on all Working Days from date of the Red Herring Prospectus until the Bid/ Offer Closing Date (except for such documents executed after the Bid/ Offer Closing Date).

A. Material Contracts for the Offer

1. Offer Agreement dated June 25, 2018 between our Company, the Selling Shareholders, the GCBRLMs and the BRLMs.
2. Registrar Agreement dated June 22, 2018 between our Company, the Selling Shareholders and the Registrar to the Offer.
3. Escrow Agreement dated [●] between our Company, the Selling Shareholders, the Registrar to the Offer, the GCBRLMs, the BRLMs, the Syndicate Members, the Escrow Collection Bank(s) and the Refund Bank(s).
4. Share Escrow Agreement dated [●] between the Selling Shareholders, our Company and the Share Escrow Agent.
5. Syndicate Agreement dated [●] between our Company, the Selling Shareholders, the GCBRLMs, the BRLMs and the Syndicate Members.
6. Underwriting Agreement dated [●] between our Company, the Selling Shareholders and the Underwriters.
7. Monitoring Agency Agreement dated [●] between our Company and the Monitoring Agency.

B. Material Documents

1. Certified copies of the Memorandum of Association and Articles of Association of our Company as amended.
2. Certificate of incorporation dated November 11, 2003 issued by the Registrar of Companies, Andhra Pradesh to our Company, in its former name, being Spandana Sphoorty Innovative Financial Services Limited.
3. Fresh certificate of incorporation dated January 3, 2008 issued by the Registrar of Companies, Andhra Pradesh to our Company consequent upon change of name of our Company to Spandana Sphoorty Financial Limited.
4. Resolutions of the Board of Directors dated June 14, 2018, authorizing the Offer and other related matters.
5. Shareholders' resolution dated June 14, 2018, authorizing the Offer and other related matters.
6. Consent letter dated June 18, 2018 from the Individual Promoter authorizing her portion of the Offer for Sale.
7. Consent letter dated June 18, 2018 from VSRRV authorizing his portion of the Offer for Sale.
8. Resolution of the board of directors of Kangchenjunga dated June 6, 2018, read with consent letter dated June 18, 2018, authorizing the Offer for Sale.
9. Resolution of the board of directors of Kedaara AIF – 1 dated May 21, 2018, read with consent letter dated June 18, 2018, authorizing its portion of the Offer for Sale.
10. Consent letter dated June 18, 2018 from Valiant authorizing its portion of the Offer for Sale.
11. Consent letter dated May 25, 2018 from Helion II authorizing the Offer for Sale.
12. Consent letter dated May 25, 2018 from Helion authorizing the Offer for Sale.
13. Copies of the annual reports of our Company for the Fiscals 2018, 2017, 2016, 2015 and 2014.
14. Consent letter dated June 25, 2018 from ICRA Limited.

15. Report titled “Microfinance Sector in India” dated June 11, 2018 prepared by ICRA Limited.
16. The examination report dated May 15, 2018 of the Statutory Auditors, on our Company’s Restated Financial Statements, included in this Draft Red Herring Prospectus.
17. The statement of special tax benefits dated June 15, 2018 from the Statutory Auditors.
18. Consent letter dated June 25, 2018 from the Statutory Auditors for (a) the examination report dated May 15, 2018 of the Statutory Auditors, on our Company’s Restated Financial Statements, included in this Draft Red Herring Prospectus; and (b) the statement of special tax benefits dated June 15, 2018 from the Statutory Auditors.
19. Consent of the Directors, the GCBRLMs, the BRLMs, the Syndicate Members, Domestic Legal Counsel to our Company, Domestic Legal Counsel to the GCBRLMs and the BRLMs, International Legal Counsel to the GCBRLMs and the BRLMs, Indian Legal Counsel to the Corporate Promoter Selling Shareholder, Registrar to the Offer, Escrow Collection Bank(s), Public Offer Account Bank(s), Refund Bank(s), Monitoring Agency, Bankers to our Company, Company Secretary and Compliance Officer, and Chief Financial Officer as referred to in their specific capacities.
20. Due diligence certificate dated June 25, 2018, addressed to SEBI from the GCBRLMs and the BRLMs.
21. OCCRPS Share purchase agreement dated March 21, 2017 entered into between 37 banks/ financial institutions listed in the schedule to the agreement, ICICI Bank Limited, India Infoline Finance Limited, Kangchenjunga and Kedaara AIF – 1 and our Company.
22. Share Purchase Agreement dated March 27, 2017 entered into amongst Padmaja Gangireddy, Kangchenjunga, Kedaara AIF – 1, India Infoline Finance Limited and our Company.
23. Share subscription agreement dated March 29, 2017 entered into amongst Padmaja Gangireddy, Kangchenjunga, Kedaara AIF – 1 and our Company.
24. Share Purchase Agreement dated March 29, 2017 entered into amongst JM Financial Trustee Company Private Limited on behalf of JM Financial India Fund III, JM Financial Investment Managers Limited, Kangchenjunga, Kedaara AIF – 1 and our Company.
25. Shareholders’ Agreement dated March 29, 2017 read with the amendment agreement dated April 16, 2018 entered into amongst Kangchenjunga, Kedaara AIF – 1, Padmaja Gangireddy, Vijaya Siva Rami Reddy Vendidandi, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, JM Financial Trustee Company Private Limited, Lok Advisory Services Private Limited, Valiant Mauritius Partners FDI Limited, Helion Venture Partners II LLC, Helion Venture Partners LLC and our Company.
26. Amendment Agreement dated June 21, 2018 entered into amongst Kangchenjunga, Kedaara AIF – 1, Padmaja Gangireddy, Vijaya Siva Rami Reddy Vendidandi, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, JM Financial Trustee Company Private Limited, JM Financial Products Limited, Valiant Mauritius Partners FDI Limited, Helion Venture Partners II LLC, Helion Venture Partners LLC and our Company.
27. Waiver letter dated June 21, 2018 entered into amongst Kangchenjunga, Kedaara AIF – 1, Padmaja Gangireddy, Vijaya Siva Rami Reddy Vendidandi, Bala Deepti Gangireddy, Spandana Employees Welfare Trust, JM Financial Trustee Company Private Limited, JM Financial Products Limited, Valiant Mauritius Partners FDI Limited, Helion Venture Partners II LLC, Helion Venture Partners LLC and our Company.
28. Promoter subscription agreement dated March 31, 2017 was entered into between the Kangchenjunga, Kedaara AIF - 1, Padmaja Gangireddy and our Company.
29. Share Purchase Agreement dated April 24, 2017 entered into amongst Padmaja Gangireddy, Kangchenjunga, Kedaara AIF – 1 and our Company.
30. Share Purchase Agreement dated April 27, 2017 entered into amongst Lok Advisory Services Private Limited, Kangchenjunga, Kedaara AIF - 1 and our Company.
31. Master Restructuring Agreement dated September 24, 2011 entered into amongst certain banks/ financial institutions listed in the schedule to the agreement, ICICI Bank Limited and our Company.
32. Settlement agreement dated March 21, 2017 entered into between certain banks/ financial institutions listed in the schedule to the agreement as existing lenders, ICICI Bank Limited, IDBI Trusteeship Services Limited and our Company.

33. Memorandum of understanding dated December 9, 2013 entered into between Abhiram Marketing and our Company read with supplemental agreements dated December 31, 2013, September 20, 2014 and March 31, 2016.
34. In-principle listing approvals dated [●] and [●], issued by BSE and NSE, respectively.
35. Tripartite agreement dated September 15, 2009, between our Company, NSDL and the Registrar to the Offer.
36. Tripartite agreement dated May 18, 2018, between our Company, CDSL and the Registrar to the Offer.
37. SEBI observation letter dated [●].

Any of the contracts or documents mentioned in this Draft Red Herring Prospectus may be amended or modified at any time if so required in the interest of our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We hereby certify and declare that all relevant provisions of the Companies Act, rules and regulations thereof and guidelines issued by the Government of India or the regulations or guidelines issued by SEBI, established under section 3 of the SEBI Act, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, the SCRA, SCRR, the SEBI Act or rules or regulations made there under or guidelines issued, as the case may be. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY DIRECTORS OF OUR COMPANY

Deepak Calian Vaidya

(Non-Executive Chairman and Independent Director)

Padmaja Gangireddy

(Managing Director)

Bharat Dhirajlal Shah

(Non-Executive, Independent Director)

Jagadish Capoor

(Non-Executive, Independent Director)

Abanti Mitra

(Non-Executive, Independent Director)

Sunish Sharma

(Non-Executive Director)

Ramachandra Kasargod Kamath

(Non-Executive Director)

Kartikeya Dhruv Kaji

(Non-Executive Director)

Amit Sobti

(Non-Executive Director)

Darius Dinshaw Pandole

(Non-Executive Director)

SIGNED BY CHIEF FINANCIAL OFFICER

Deepak Goswami

Place: Hyderabad

Date: June 25, 2018

DECLARATION

The undersigned Selling Shareholder confirms that all statements and undertakings specifically confirmed or undertaken by her in this Draft Red Herring Prospectus about or in relation to herself and her portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, including any of the statements made by or relating to our Company, any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

SIGNED BY THE INDIVIDUAL PROMOTER SELLING SHAREHOLDER

Padmaja Gangireddy

Date: June 25, 2018

DECLARATION

The undersigned Selling Shareholder hereby confirms that all statements and undertakings specifically confirmed or undertaken by him in this Draft Red Herring Prospectus about or in relation to himself and his portion of the Offered Shares, are true and correct. The undersigned Selling Shareholder assumes no responsibility for any other statements, including any of the statements made by or relating to our Company, any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

SIGNED BY THE SELLING SHAREHOLDER

Vijaya Siva Rami Reddy Vendidandi

Date: June 25, 2018

DECLARATION BY THE CORPORATE PROMOTER SELLING SHAREHOLDER

Kangchenjunga hereby confirms that all statements and undertakings specifically confirmed or undertaken by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Kangchenjunga assumes no responsibility for any other statements, including any of the statements made by or relating to our Company, any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

SIGNED FOR AND BEHALF OF KANGCHENJUNGA LIMITED

Name: Santosh K Gujadhur

Designation: Director

Date: June 25, 2018

DECLARATION

Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF - 1, a fund registered under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 as a category II Alternative Investment Fund and acting through its Trustee, IDBI Trusteeship Services Limited hereby confirms that all statements and undertakings specifically made or confirmed by Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF - 1 in this Draft Red Herring Prospectus, about or in relation to itself as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Kedaara Capital Alternative Investment Fund – Kedaara Capital AIF - 1, a fund registered under the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 as a category II Alternative Investment Fund and acting through its Trustee, IDBI Trusteeship Services Limited assumes no responsibility for any other statements including statements made by the Company or any other person(s) in this Draft Red Herring Prospectus.

SIGNED FOR AND BEHALF OF KEDAARA CAPITAL ALTERNATIVE INVESTMENT FUND – KEDAARA CAPITAL AIF - 1 AND ACTING THROUGH ITS TRUSTEE, IDBI TRUSTEESHIP SERVICES LIMITED

Name: Rishiraj Khajanchi

Designation: Authorized Signatory, Investment Manager, Kedaara Capital Advisors LLP

Date: June 25, 2018

DECLARATION

Helion hereby confirms that all statements and undertakings specifically confirmed or undertaken by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Helion assumes no responsibility for any other statements, including any of the statements made by or relating to our Company, any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

SIGNED FOR AN ON BEHALF OF HELION VENTURE PARTNERS LLC

Name: Dourvesh Kumar Chumun

Designation: Director

Date: June 25, 2018

DECLARATION

Helion II hereby confirms that all statements and undertakings specifically confirmed or undertaken by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Helion II assumes no responsibility for any other statements, including any of the statements made by or relating to our Company, any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

SIGNED FOR AND ON BEHALF OF HELION VENTURE PARTNERS II LLC

Name: Dourvesh Kumar Chumun

Designation: Director

Date: June 25, 2018

DECLARATION

Valiant hereby confirms that all statements and undertakings specifically confirmed or undertaken by it in this Draft Red Herring Prospectus about or in relation to itself, as a Selling Shareholder and its portion of the Offered Shares, are true and correct. Valiant assumes no responsibility for any other statements, including any of the statements made by or relating to our Company, any other Selling Shareholder or any other person(s) in this Draft Red Herring Prospectus.

SIGNED FOR AND ON BEHALF OF VALIANT MAURITIUS PARTNERS FDI LIMITED

Name: Mahmad Tahleb Rujub

Designation: Director

Date: June 25, 2018