

S.M.I.L.E. MICROFINANCE LIMITED

NOTICE is hereby given that the Twenty Seventh (27th) Annual General Meeting of S.M.I.L.E. MICROFINANCE LIMITED will be held on Tuesday, the **09th day of May 2023, @ 05.00 PM IST** through Hybrid meeting- "both in Physical as well as Video Conferencing ('VC') / Other Audio Visual Means ('OAVM')" to transact the following business:

Venue for attending the Annual General Meeting in person/ Physical:- Hotel V Grand, Sambakulam, Mattuthavani to Surveyor Colony Road, Madurai, Tamil Nadu- 625007, INDIA.

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Audited Financial Statements of the Company as at March 31, 2022 together with the Reports of the Directors and Auditors thereon;
2. To appoint a Director in place of Mr. J Bradley Swanson (holding DIN: 02872123), who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS

3. **To consider, and if thought fit, to pass with or without modification the following resolution as ordinary resolution.**

Remuneration to Mr. Murali Srinivas P (DIN: 00554309), Former Managing Director of the Company.

"RESOLVED THAT Pursuant to provisions of Section 197 read with Part I and Section I of Part II of Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof), consent of the members be and is hereby accorded for payment of remuneration to Mr. Murali Srinivas P [DIN: 00554309], Former Managing Director of the Company, on the terms and conditions including remuneration as mentioned below for the Financial year 2021-2022 and 2022-2023, ex-gratia amount plus Annual performance incentive / special incentive if any, as decided by the Board of Directors.

Description	Amount in (Rs.) Per month for F.Y. 2021-2022 & 2022-2023
Basic Pay	2,22,600
House Rent Allowance	1,11,300
Conveyance Allowance	1,600
Medical Allowance	1,250
Special Allowance	33,850
Educational Allowance	400
Total salary per month	3,71,000

4. **To consider and, if thought fit, to give assent / dissent to the following resolution, as an Ordinary Resolution:**

Appointment of Mr. V T Prabakaran as the Managing Director and CFO of the Company

RESOLVED THAT Pursuant to the provisions of Section 196 and other applicable provisions if any of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), consent of the members be and is hereby accorded for appointing Mr. V T Prabakaran (DIN: 10106320), as a Managing Director and CFO of the Company for a period of five (5) years with effect from 09th May 2023, on the terms and conditions as specified in the Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013 annexed to this notice.:

RESOLVED FURTHER THAT the Board be and is hereby authorized to alter and vary the terms and conditions of appointment and / or remuneration, and on the terms and conditions as may be agreed by the Board from time to time in this respect and the same not exceed the limits specified under Section 197, and Schedule V of the Companies Act, 2013 (including any statutory modifications or re-enactments thereof, for the time being in force).

5. **To consider and, if thought fit, to give assent / dissent to the following resolution, as an Ordinary Resolution:**

Payment of the Special Incentive to the senior management staff

RESOLVED THAT pursuant to the resolutions passed by Board of Directors at their meeting held on April 10, 2023, applicable provisions of the Companies Act, 2013, and the Rules made thereunder (including any statutory modifications or re-enactment(s) thereof, for the time being in force) consent of members be and is hereby accorded for payment of incentive out of

1% on the slump sale consideration received by the company, distributed to the Senior Management Staff, as given below:

Incentive Payment relating to sale of Microfinance Business undertaking

S.No.	Name of the Staffs	Designation at the time of sale	Incentive Amount (in INR)
1.	Murali Srinivas P	MD & CEO	34,00,000
2.	V.T. Prabakaran	CFO	15,00,000
3.	R. Venkatasubramanian	Company Secretary	5,00,000
4.	N. Balaji	Head-HR & Admin	5,00,000
5.	K. Karthikeya Prabu	AGM-D & DT	4,00,000
6.	G. Parthasarathy	Head-Accounts	3,00,000
7.	S. Sivakumar	Head-IST	3,00,000
8.	R. Raja Raman	Head-IAD	2,00,000
9.	J. Mohan	Legal Officer	1,00,000
10.	S.K.V. Somasundaram	DGM-Ops	2,00,000
11.	K. Ilangovan	DGM-Ops	1,00,000
12.	P. Muppakkarai	DGM-IAD	1,00,000
13.	R. Balamurugan	Senior Manager-HRD	1,00,000
14.	K. Selvaganesh	Senior Manager-HRD	1,00,000
15.	R.K. Vijay Balaji	Chief Manager-MIS	1,00,000
16.	Sridhar Babu Ch.	Chief Manager-Finance & Accounts	1,00,000
17.	J. Johnson Nesappa	Chief Manager-Ops	1,00,000
18.	P. Sethupathi	AGM-HR (RO-Madurai)	1,00,000
19.	V. Vijaykumar	Senior Manager-PMD	1,00,000
		Total	83,00,000

RESOLVED FURTHER THAT the consent of the Shareholders be and is hereby accorded for payment of the balance incentive of Rs.28.00 lakh (Rs.111 lakh - Rs.83 lakh) to be distributed in two tranches, as may be decided by the Board, which shall coincide with the distribution of Accumulated profits / Share capital to the shareholders.

- By order of the Board -
For **S.M.I.L.E. MICROFINANCE LIMITED**
Sd/-
Aleem Remtula
Director
DIN: 02872107

Place: Chennai
Date: 10th April 2023

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

This Explanatory Statement forms part of, and should be read together with, the Notice of Meeting.

Item no. 3

The Board of Directors have approved the remuneration of Mr. Murali Srinivas P, former Managing Director of the Company, who resigned and was relieved on 31st March, 2023, along with ex-gratia amount plus Annual performance incentive/ special incentive, if any, paid by the Company.

{Remuneration of Rs. 3.71 lakh per month for the Financial Year 2021-2022 and 2022-2023}

{Ex-gratia - Rs. 3.71 lakh for the Financial Year 2022-2023}

{Variable Pay- Rs. 21.75 lakh for the period November 2021 to March 2023}

{Incentive- Rs. 34.00 lakh- (Please refer to Item No.5 of the Special Business)}

The aggregate of the remuneration as aforesaid is within the maximum limits as laid down under Section 197 and all other applicable provisions, if any, of the Act read with Schedule V to the Act, as amended and as in force from time to time.

No Director, Key Managerial Personnel, or their relatives, are interested or concerned in the resolution.

The Board of Directors recommends the Ordinary Resolution set out at Item No. 3 of the Notice for approval by the Members.

Item No. 4

The Board of Directors, at their meeting held on 10th April, 2023 had appointed Mr. V T Prabakaran (DIN 10106320) as Additional director (who was appointed as "Chief Financial Officer" of the Company with effect from 01th April, 2015),

He shall be appointed Managing Director & CFO for a period of five (5) years with effect from May 19, 2023.

(i) The Company has received a notice in writing along with consent under the provisions of Section 160 of the Companies Act, 2013, read with Rule 8 of Companies (Appointment & Qualification of Directors) Rules, 2014, proposing his candidature for the office of Managing Director and CFO,

(ii) Intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules, 2014, to the effect that he is not disqualified under sub section (2) of Section 164 of the Companies Act, 2013, and

(iii) Notice of interest in Form MBP-1 in terms of section 184 (1), and other applicable provisions of the Companies Act, 2013 and other applicable regulations of Reserve Bank of India.

Brief profile of Mr. V T Prabakaran:

Mr.V T Prabakaran is the Chief Financial Officer of SMILE since April 2015. He has extensive banking experience; served Canara Bank, a leading nationalized bank, for about 24 years. While in the Bank, had a mix of rural, urban and metropolitan exposure, branch banking and administrative exposure. Has expertise in credit appraisals, recovery and legal matters. Has successfully completed the assignment of introducing the Bank's systems and procedures in the Lakshmi Commercial Bank branches of Haryana State, taken over by Canara Bank and also setting up of two new branches of the Bank, one in Haryana State and one in Tamil Nadu State. As Head of Finance Department in two manufacturing companies in Chennai, he has handled resources planning & mobilization, accounts, statutory audit and statutory compliance. Has more than a decade of experience in the Microfinance sector.

Minimum Remuneration:

Notwithstanding anything herein contained, in the event of loss or inadequacy of profits in any financial year during the period of his office as the Managing Director and CFO, the Company will, subject to applicable laws and such sanctions and approvals as may be required, pay remuneration to Mr. V T Prabakaran as decided by the Board.

Other Terms:

The Managing Director and CFO will perform his duties as such with regard to all work of the Company and will manage and attend to such business and carry out the orders and directions given by the Board from time to time in all respects and conform to and comply with all such directions and regulations as may from time to time be given and made by the Board.

The Managing Director and CFO shall act in accordance with the Articles of Association of the Company and shall abide by the provisions contained in Section 166 of the Act with regard to duties of directors. He shall not be paid any sitting fee for attending the meetings of the Board or Committee thereof.

The office of the Managing Director and CFO may be terminated by the Company or by him by giving the other 3 (three) months' prior notice in writing.

The principal location at which the Managing Director and CFO shall perform services for the Company will be the Registered Office, Chennai, Tamilnadu and also would work remotely from other locations.

The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. V T Prabakaran as the Managing Director and CFO the remuneration payable to him. The terms and conditions are as proposed by the Board of Directors at their meeting held on 10th April, 2023.

Given his expertise, knowledge and experience, the Board considers the appointment of Mr. V T Prabakaran as the Managing Director and CFO to be in the interest of the Company and in view of the provisions of Sections 196, 197, 198, 203 and any other applicable provisions of the Companies Act, 2013, recommends the Ordinary Resolution as set out in the accompanying notice for the approval of the Shareholders.

Except Mr. V T Prabakaran, being an appointee, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution.

Item no. 5

Payment of the Special Incentive to the senior management staff:

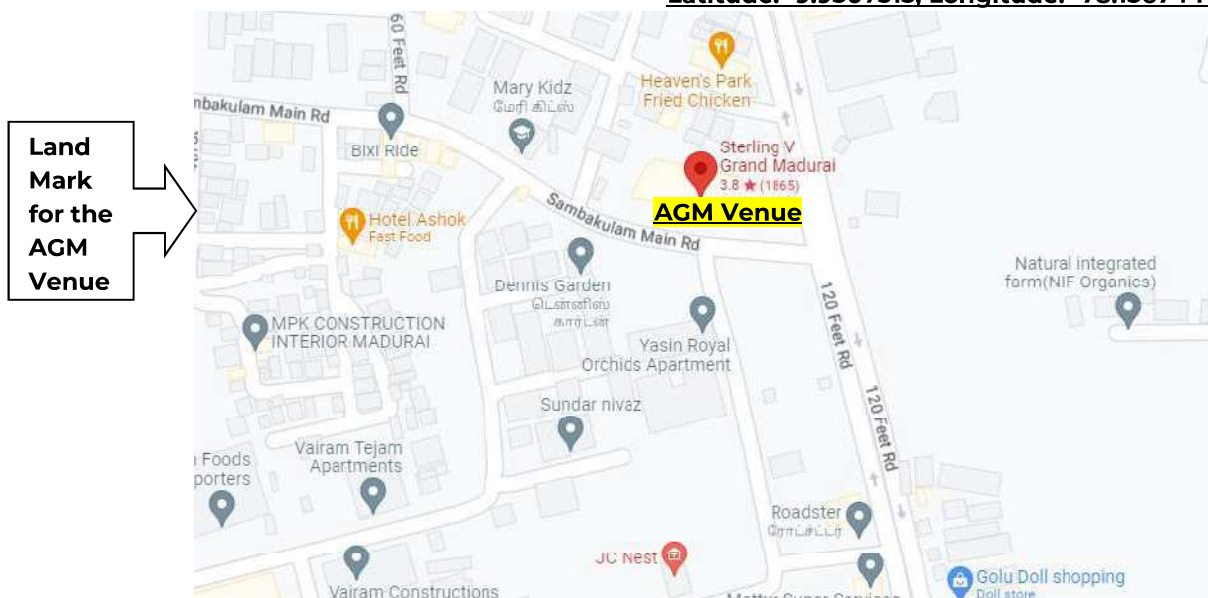
The sale of microfinance business undertaking was completed successfully and the deal was closed on 12th April, 2022. In recognition of the active involvement of the senior management staff, the Board proposed this special incentive. The shareholders are requested to approve this special incentive, so as to encourage and motivate them.

Except Mr. V T Prabakaran, being one of the beneficiaries, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested, financially or otherwise, in the resolution.

- By order of the Board -
For S.M.I.L.E. MICROFINANCE LIMITED
Sd/-
Aleem Remtula
Director
DIN: 02872107

Place: Chennai
Date: 10th April 2023

Latitude:- 9.9507513; Longitude:- 78.1567441



Notes:

1. In view of the COVID 19 pandemic, the Ministry of Corporate Affairs vide its Circular dated 5th May, 2020 read with Circulars dated 8th April, 2020 and 13th April, 2020 and 13th January, 2021 and December 28, 2022 (collectively referred to as 'Circulars'), has introduced certain measures enabling companies to convene their Annual General Meetings (AGM/ Meeting) through Video Conferencing (VC) or Other Audio Visual Means (OAVM) and also send notice of the Meeting and other correspondences related thereto, through electronic mode. In compliance with the said requirements of the MCA Circulars, electronic copy of the Notice along with the Annual Report for the financial year ended 31st March, 2022 consisting of financial statements including Board's Report, Auditors' Report and other documents required to be attached therewith (Collectively referred to as Notice) have been sent only to those members whose e-mail ids are registered with the Company or the Registrar and Share Transfer Agent or the Depository Participant(s) through electronic means and no physical copy of the Notice has been sent by the Company to any member. The Notice of the 27th AGM of the Company inter alia indicating the process and manner of e-voting has also been hosted on the website of the Company www.sfltd.in and on the website of CDSL at www.evotingindia.com.
2. Explanatory statements as required under Section 102 of the Companies Act, 2013 with respect to Item No.3, 4 and 5 specified above are annexed hereto.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the company. Member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder. Proxies in order to be effective must be deposited at the registered office of the company, duly completed and signed not less than 48 (forty eight) hours before the annual general meeting. However, corporate members are required to send to the Company/ RTA/ Scrutinizer, a certified copy of the Board Resolution, pursuant to section 113 of the Companies Act 2013, authorizing their representative to attend and vote at the Meeting through VC.
4. The facility for Shareholders to join the AGM in the VC/OAVM mode will be kept open to join 15 minutes before and 15 minutes after the scheduled time of the commencement of the Meeting. The Shareholders can join the AGM by following the procedure mentioned herein below in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to atleast 1000 Shareholders on 'first come first serve' basis. This will not include large Shareholders (i.e. Shareholders holding 2% or more), Promoters, Directors, Key Managerial Personnel, the Chairperson(s) of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of 'first come first serve' basis, by adhering to the Covid protocol
5. The attendance of the Shareholders attending the AGM through both in Physical and VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.
6. The Shareholders, seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before 03rd May, 2023, through Email to compliance@sfltd.in. The same will be replied by/on behalf of the Company suitably.
7. The Register of Members, Directors, Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available electronically for inspection by the members during the Annual General Meeting.
8. Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number on all correspondences with the Company. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, mandate, nomination, power of attorney, change of address, etc., to their respective Depository Participant (DP). Members holding shares in physical mode are requested to intimate the same to Registrar &

Share Transfer Agents of the Company (RTA) M/s. **Cameo Corporate Services Limited**, "Subramanian Building", No.1, Club House Road, and Chennai-600 002.

9. Pursuant to Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as may be amended from time to time, as amended, and MCA Circulars dated April 8, 2020, April 13, 2020, May 5, 2020, January 13, 2021 and December 28, 2022 the Company is pleased to provide e- voting facility to the members to cast their votes electronically on all resolutions set forth in this Notice.

The Company has engaged the services of Central Depository Services (India) Limited (CDSL) to provide e-voting facility. The Company has appointed Mr. V Esaki, V Esaki & Associates, Practicing Company Secretary [ACS 30353, COP No. 11022] to act as the Scrutinizer, for conducting scrutiny of the votes cast.

Notice convening the 27th Annual General Meeting and the Annual Report 2021-22 is also available on the CDSL's website: www.cdslindia.com.

The e-voting facility is available at the link: www.evotingindia.com.

The e-voting facility will be available during the following voting period:

Commencement of e-voting	End of e-voting
06th May 2023, Saturday, at 9:00 A.M. (IST)	08th May 2023, Monday, at 5:00 P.M. (IST)

During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 02nd May, 2023 may cast their vote electronically. The e-voting module shall be disabled by CDSL thereafter. A person who is not a member of the Company as on cutoff date should treat the Notice for information purpose only.

Only those Shareholders, who will be present at the AGM through VC/OAVM facility and who had not cast their vote by remote e-voting prior to the AGM and are otherwise not barred from doing so, shall be eligible to vote through e-voting system during the AGM. In the case of joint holders, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company shall be entitled to vote through remote e-voting or e-voting during the AGM.

The members desiring to vote through electronic mode may refer to the detailed procedure on e-voting given hereinafter.

Shareholders who have already voted prior to the meeting date would not be entitled to vote during the AGM.

THE INTRUCTIONS OF SHAREHOLDERS FOR E-VOTING AND JOINING VIRTUAL MEETINGS ARE AS UNDER:

- i. The e-voting period begins on 06th May 2023, Saturday, at 9:00 A.M and ends on 08th May 2023, Monday, at 5:00. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 02nd May, 2023 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- ii. Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- iii. Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to **all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants**. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

- iv. Login method for e-Voting and joining virtual meetings **for Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with CDSL	<ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The URL for users to login to Easi / Easiest are https://web.cdslindia.com/myeasi/home/login or visit www.cdslindia.com and click on Login icon and select New System Myeasi. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the e-voting is in progress as per the information provided by company. On clicking the e-voting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers i.e. CDSL/NSDL/KARVY/LINKINTIME, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page or click on https://evoting.cdslindia.com/Evoting/EvotingLogin The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the e-voting is in progress and also able to directly access the system of all e-Voting Service Providers.
Individual Shareholders holding securities in demat mode with NSDL	<ol style="list-style-type: none"> 1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS "Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting
Individual Shareholders (holding securities in demat mode) login through their Depository Participants	<p>You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</p>

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e. CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at 022-23058738 and 22-23058542-43.
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30

Login method for e-Voting and joining virtual meetings for Physical shareholders and shareholders other than individual holding in Demat form.

- Log on to the e-voting website: www.evotingindia.com.
- Click on "Shareholders" tab.
- Now Enter your User ID
 - a) For CDSL: 16 digits beneficiary ID,
 - b) For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c) Members holding shares in Physical Form should enter Folio Number registered with the Company.

(OR)

Alternatively, if you are registered for CDSL's **EASI/EASIEST** e-services, you can log-in at <https://www.cdslindia.com> from [Login - Myeasi](#) using your login credentials. Once you successfully log-in to CDSL's **EASI/EASIEST** e-services, click on **e-Voting** option and proceed directly to cast your vote electronically.

- (i) Next enter the Image Verification as displayed and click on Login.
- (ii) If you are holding shares in Demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (iii) If you are a first time user kindly follow the steps given below.

For Physical shareholders and other than individual shareholders holding shares in Demat.	
PAN	Enter your 10 digit alpha-numeric PAN issued by the Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none"> ➤ Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. ➤ In case the sequence number is less than 8 digits enter the applicable number of 0's (zero) before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details or Date of Birth (DOB)	Enter the Dividend Bank details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to log in. <ul style="list-style-type: none"> ➤ If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (iii).

- (iv) After entering these details appropriately, click on "SUBMIT" tab.
- (v) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (vii) Click on the EVSN of SMILE Microfinance Limited on which you choose to vote.

- (viii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (ix) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (x) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
- (xiii) If a Demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xiv) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Please follow the instructions as prompted by the mobile app while voting on your mobile.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL ADDRESSES ARE NOT REGISTERED WITH THE DEPOSITORIES FOR OBTAINING LOGIN CREDENTIALS FOR E-VOTING FOR THE RESOLUTIONS PROPOSED IN THIS NOTICE:

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to **Company/RTA email id**.

2. For Demat shareholders -, please provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to **Company/RTA email id**.

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM THROUGH VC / OAVM ARE AS UNDER:

1. Shareholder will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
2. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.
3. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
4. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
5. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance atleast **7 days prior** to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **7 days prior** to meeting mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.
6. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting. The Company reserves the right to restrict the number of questions and number of speakers, depending upon the availability of time as appropriate for smooth conduct of the AGM.

INSTRUCTIONS FOR SHAREHOLDERS FOR E-VOTING DURING THE AGM ARE AS UNDER:-

1. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.

2. Only those shareholders, who are present in the AGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the AGM.

If any Votes are cast by the shareholders through the e-voting available during the AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders shall be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

3. Shareholders who have voted through Remote e-Voting will be eligible to attend the AGM. However, they will not be eligible to vote at the AGM.

(xv) **Note for Non – Individual Shareholders and Custodians**

- Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates.
- A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
- After receiving the login details a Compliance User should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
- The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
- A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- Alternatively Non Individual shareholders are required to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; compliance@sfltd.in (designated email address by company) , if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

- (xvi) If you have any queries or issues regarding attending AGM & e-Voting from the e-Voting System, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com or contact 022-23058738 and 022-23058542/43

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call on 022-23058542/43.

General Instructions

1. The remote e-voting shall not be allowed beyond the abovementioned date and time.
2. Once the vote on the resolution is cast by the shareholder, whether partially or otherwise, the shareholder shall not be allowed to change it subsequently or cast the vote again.
3. Any person who have acquired shares and become members of the company after the electronic dispatch of the notice and holding shares as on cut-off date, i.e. 02nd May 2023 and who have updated their PAN with the Company/DP, should follow the instructions as above mentioned in (i) to (xix) to vote through e-voting and those who have not updated their PAN with the Company/DP, can send a mail to compliance@sfltd.in and investor@cameoindia.com to obtain sequence number and they will have to follow the instructions as above mentioned in (i) to (xix) to vote through e-voting.
4. The voting rights of members shall be in proportion to their shares in the paid-up equity share capital of the Company as on cut-off date. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting and e-voting during the AGM.
5. The Scrutinizer shall, immediately after the conclusion of remote e-voting and e-voting during the general meeting, would unblock and count the e-votes cast in the presence of at least two witnesses not in the employment of the Company and make, not later than three days of conclusion of the meeting, a consolidated Scrutinizer's report of the total votes cast

in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.

6. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.sfltd.in and on the website of CDSL www.cdslindia.com immediately after the result is declared.
7. Subject to the receipt of requisite number of votes through remote e-voting and voting during the meeting, the Resolutions proposed in the Notice shall be deemed to have been passed on the date of the meeting, i.e., Tuesday, 09th May 2022.

To

**The Members,
S.M.I.L.E. Microfinance Limited.**

Your Directors are pleased to present the twenty seventh Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your Company for the financial year ended, 31st March 2022.

FINANCIAL SUMMARY

(Rs. in Lakh)

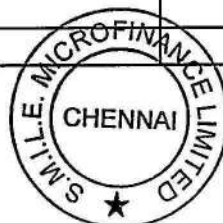
Particulars	2021-22	2020-21
Interest Income	6,863.36	11,615.26
Other Income	16.98	42.72
Total Income	6,880.34	11657.98
Less:		
Expenses	9,543.46	12,886.45
Profit before Tax	-2,663.12	-1,228.47
Less		
Provisions for:		
Income Tax	---	351.11
Short provision for tax relating to prior years	-140.82	-40.41
Deferred Tax	-382.74	-651.25
Profit after Tax	-2,139.56	-887.92
Add:		
Other Comprehensive Income	42.46	70.76
Total Comprehensive Income for the Year	2,097.10	-817.16
Add:		
Balance b/f from previous years	6,275.58	7,163.50
Amount available for Appropriation	4,136.02	6,275.58
Appropriations:		
Statutory Reserve	---	---
Dividend & Distribution Tax	---	---
Balance carried to Balance Sheet	(2,097.10)	(817.16)
Equity Share Capital	1733.96	1733.96
Reserves	9,779.95	11,877.05

FINANCIAL OVERVIEW:

During the year, your company earned a GROSS INCOME of Rs. 68.80 Cr (Previous Year Rs. 116.57 Cr) and PROFIT BEFORE TAX (PBT) of Rs. -26.63 Cr (Previous Year Rs. -12.28 Cr), with expenditures of Rs. 95.43 Cr (Previous Year Rs. 128.86 Cr). The Company incurred a Net Loss of Rs. 20.97 Cr due to higher Loan Loss Provision made. (Previous year LAT Rs. 8.17 Cr). The amount transferred to Statutory Reserve is Rs. NIL Cr (Previous year Rs. NIL Cr).

OPERATIONAL REVIEW

Year ended March 31	2022	2021
Number of Branches	144	144
Number of Members	283,651	3,03,876
Number of employees	813	880
Number of States	7	7
Amount Disbursed (₹ In Crore)	234.38	334.04
Portfolio Outstanding (₹ In Crore)	326.86	475.80



TRANSFER TO RESERVES:

Due to loss in FY2021-22, the Company has not transferred any amount to Statutory Reserves 20% of the Comprehensive Income in accordance with the provisions of Section 45 – IC of Reserve Bank of India Act, 1934.

CAPITAL ADEQUACY:

The Capital Adequacy Ratio of the company was 37.75% as of March 31, 2022 as against the minimum capital adequacy requirements of 15% stipulated by RBI.

GRADING AND CREDIT RATING:

Acuite Ratings has assigned ACUIE BBB+ rating to SMILE in September 2020 for Long Term Bank Facilities of Rs. 250 crore. It has re-assigned ACUIE BBB in March 2021 further it has re-assigned ACUTE BBB in August 2021.

ICRA Limited has re-assigned [ICRA] BBB- (pronounced ICRA triple B minus) rating to SMILE in December 2020 for Long Term Bank Facilities of Rs. 250 crore.

CARE Ratings has re-assigned CARE BBB- (pronounced CARE triple B minus) rating to SMILE in November 2021 for Long Term Bank Facilities of Rs. 250 crore.

Since all the borrowings has prepaid by SMILE, CARE Ratings has with drowned its' rating in April 2022 on the request of SMILE.

Code of Conduct Assessment (COCA) Grading & Rating:

SMERA has assigned combined COCA Grading and Rating of M2C2 in July 2021

LOAN OBTAINED AND DISBURSED:

During the Year under review, the Company obtained funds amounting to Rs. 151.00 Cr through Term Loan and the Company disbursed 0.59 lakh loans (previous year 1.02 lakh loans) amounting to Rs. 234.38 Cr (previous year Rs. 334.05 Cr). Average loan size marginally increased to Rs. 39,596 from Rs. 32,789 in the previous year.

ASSETS UNDER MANAGEMENT (AUM):

The total Loan Assets under management of the Company declined to Rs. 326.86 Cr (Previous year Rs. 475.80 Cr), a decrease of Rs.148.94 Cr (-31%), due to Covid-19 impact on businesses;

Current Year: Loan Assets under management Rs. 326.86 Cr (Own Book Portfolio Rs. 300.89 Cr + BC Rs. 25.98 Crore).

Previous Year: Loan Assets under management Rs. 475.80 Cr (Own Book Portfolio Rs. 453.75 Cr + Securitisation Rs. 21.19 Crore + Off Book Portfolio (Direct Assignment) Rs. 0.86 Crore).

SECURITISATION:

During the year, the Company has not done securitization deals. In respect of securitisation deals of the Company done in the previous year, the Company had collected the receivables and made payment to the investors to the extent of Rs.31.49 Cr.

DIRECT ASSIGNMENTS:

During the year, the Company has not done any direct assignments deals.



ARREARS / PORTFOLIO AT RISK (PAR) / WRITE-OFF:

During the year, there were challenges in collecting the repayment from the borrowers since their livelihood has been seriously impacted on account of Covid-19. However, due to effective follow up and monitoring and the strategies adopted by the Company, the PAR and arrears after write-off remained at Rs. 67.34 Crore representing 22.38% of the portfolio; PAR >30 days amounted to Rs.61.72 Crore representing 20.51% of the Portfolio. The Company has made a provision of Rs. 50.56 Crore, under ECL method considering the impact of macro-economic factors including COVID 19. Provision under R.B.I. prudential norms amount to Rs. 47.22 Crore. Bad Debts written off during the year is Rs NIL Crore (Previous year Rs 6.29 Crore).

LOAN SERVICING:

During the year, the Company serviced all its Loans and made Principal repayments of Rs.247.28 Cr to all its funding Banks & Financial Institutions. In respect of securitized assets and direct assignment, the Company had collected the dues from borrowers and made payment to the investors to the extent of Rs.31.49 Cr.

MICROFINANCE SECTOR SCENARIO:

As per the report from Sa-Dhan, an RBI-recognised self-regulatory organisation (SRO) for microfinance institutions (MFIs), the Indian microfinance industry witnessed a growth of over 13 percent in the last quarter of fiscal year 2021-22, while the year-on-year (YoY) growth stood at 5 percent for the industry.

The total portfolio of all lenders rose to Rs 2,62,598 crore in March 2022, compared to Rs 2,32,126 crore in December 2022. While the industry disbursed total loan of Rs 85,667 crore in the final quarter, up from Rs 69,231 crore in the third quarter.

The outbreak of the COVID-19 pandemic badly hurt the microfinance industry. But thanks to the recent changes affected by the Reserve Bank of India (RBI) in the guidelines, the industry is showing signs of recovery.

While growth has been consistent for the non-banking financial companies (NBFCs), small finance banks or NBFC-MFIs for the past one year, banks in the microfinance sector have failed to perform well. The portfolio of banks has decreased by 7 percent, although NBFC-MFIs have shown a significant growth of 19 percent and that of not-for-profit MFIs (NFPs), 30 percent.

DIVIDEND:

The Company did not consider any dividend payment for the current Financial Year.

TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND:

There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2022.

SHARE CAPITAL:

The paid up equity capital as on March 31, 2022 was Rs.17,33,96,390/-. During the year under review, the Company has not issued any equity share and shares with differential voting rights nor granted stock options /sweat equity.

FIXED DEPOSITS:

The Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.



PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013. The detail of the investments made by company is given in the notes to the financial statements.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an Internal Control System, commensurating with the size, scale and complexity of its operations. The scope and authority of the Internal Audit function is defined in the Internal Audit Manual. To maintain its objectivity and independence, the Internal Audit function reports to the Chairman of the Audit Committee of the Board and to the Managing Director.

The Internal Audit Department monitors and evaluates the efficacy and adequacy of internal control system in the Company, its compliance with operating systems, accounting procedures and policies at all locations of the Company.

Based on the report of internal audit function, process owners undertake corrective action in their respective areas and thereby strengthen the controls. Significant audit observations and recommendations along with corrective actions thereon are presented to the Audit Committee of the Board.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:**(A) Conservation of energy:**

The Company has continued to adopt measures to conserve electrical energy by installing Capacitors & Power Factor Meter in its Corporate Office and also by replacing incandescent bulbs and tube lights with CFL/LED lighting. The Company ensures that all Electrical Equipments are being serviced periodically so that the consumption of energy is minimized and that all electrical appliances are religiously switched off when not in use.

(B) Technology absorption:

The Company is using BR.Net application software with effect from 2013. This has enabled the Company to handle increased volume of operations and also service the increasing number of loan beneficiaries efficiently.

(C) Foreign exchange earnings and Outgo:

During this Financial Year, the Company has incurred foreign exchange expenditure.

Expenditure Incurred in Foreign Currency	
Particulars	For the year ended 31st March, 2022 Amount in Lakh
Reimbursement of Travelling Expenses	NILL

DIRECTORS AND KEY MANAGERIAL PERSONNEL:

During the FY 2021-22 1) Mr. Suresh K Krishna, (DIN: 01217401) Non-Executive Independent Director was resigned from office w.e.f. 23th September, 2021 and 2) Mr. R Venkatasubramanian, (PAN: AJGPV8188H) Company Secretary & Compliance Officer of the Company was resigned from office w.e.f 31st March, 2022. Current Board of Directors and Key Managerial Personnel of the Company is given in the below table:



S.No.	Name of the Director/Key Managerial Personnel	Designation
1.	Mr. Murali Srinivas P	Managing Director & CEO
2.	Mrs. Indrani Bhagwan Singh	Non-Executive Director
3.	Mr. J Bradley Swanson	Non-Executive Director
4.	Mr. Aleem Remtula	Non-Executive Director
5.	Mr. Rajan Samuel	Independent Director
6.	Ms. Aparna Narendra Sharma	Independent Director
7.	Mr. V S Padmanaban	Non-Executive Director
8.	Mr. V T Prabakaran	Chief Financial Officer

DECLARATION OF INDEPENDENT DIRECTORS:

The Independent Directors have submitted their disclosures to the Board that they fulfil all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

As per the provisions of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, every individual who has been appointed as an independent director in a company, on the date of commencement of the above rules shall within a period of three months from the date of commencement apply to Indian Institute of Corporate Affairs for inclusion of his name in the data bank for such period till he continues as Independent Director of any Company. Accordingly, the Independent Directors of the Company have enrolled in the database.

As per the above provisions, every independent director shall submit a declaration of compliance of sub-rule (1) and sub-rule (2) to the Board, each time he submits the declaration required under sub-section (7) of section 149 of the Act. Since the Ministry of Corporate Affairs, vide Companies (Appointment and Qualification of Directors) Second Amendment Rules, 2020, has now extended the period of Five months to seven months for registering with Indian Institute of Corporate Affairs, the declaration could not be obtained.

Further, the time available for passing online proficiency self-assessment test is one year from the date of inclusion of the name of the Directors in the data bank. The Board of Directors is not in position to provide an opinion with regard to the proficiency of the Independent Directors as ascertained from the online proficiency self-assessment test conducted by the institute which is required under Rule 8(5)(iii) of the Companies (Accounts) Rules, 2014.

MEETINGS:

During the year 9 Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. During the lockdown period and after business resumed, the board met almost every week to assess the changing conditions and to advise the management. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

AUDIT COMMITTEE:

Composition as at 31st March 2022

Mr. Rajan Samuel, Independent Director (Chairman of the Committee)
 Ms. Aparna Sharma, Independent Director
 Mr. J Bradly Swanson, Non-Executive Director
 Mr. V S Padmanaban, Non-Executive Director



The Audit Committee met five (5) times during the Financial Year 2021-22. The details of which are given in the Corporate Governance Report.

DIRECTORS RETIRING BY ROTATION:

To comply with the provisions of Section 152 of the Companies Act, 2013 ('CA 2013') Mrs. Indrani Bhagwan Singh, Director shall retire by rotation at the ensuing AGM and being eligible, offered for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

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

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

NOMINATION & REMUNERATION POLICY:

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

The Company's microfinance business was acquired by Northern Arc Capital Limited as a going concern, on a "Slump Sale" basis for an aggregate consideration of INR.115 Crore on 12th April 2022 being the closing date as per the Business transfer agreement dated 22nd February 2022 entered in to between the Company and Northern Capital Limited.

RELATED PARTY TRANSACTIONS:

During the financial year there were no related party transactions made by the company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large. Form AOC-2 is attached as "Annexure A" to Directors' Report.

DETAILS OF SUBSIDIARY, ASSOCIATE AND JOINT VENTURE OF THE COMPANY:

The Company doesn't have any subsidiary, associate and joint venture.

AUDITORS' REPORT:

The observation made in the Auditors' Report read together with relevant notes thereon are self-explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.



AUDITORS:**I. Statutory Auditors:**

The Statutory Auditors of the Company, M/s P.B. Vijayaraghavan & Co., Chartered Accountants (Firm registration number: 004721S), were appointed in the Annual General Meeting of the Company held on December 30, 2021 as Statutory Auditors of the Company to hold office for a term of five years until the conclusion of the Annual General Meeting to be held in 2026.

II. Secretarial Auditor:

Mr. CS Esaki, Practicing Company Secretary (ACS No. 30353 and Certificate of Practice No. 11022) was appointed as the Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2021-22 as required under Section 204 of the Companies Act, 2013 and the Rules made there under. The Secretarial Audit Report for FY 2021-22 is attached as "Annexure B" to Directors' Report.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE:

There are no significant material orders passed by the Regulators, Courts or Tribunals which would impact the going concern status of the Company and its future operations.

INTERNAL FINANCIAL CONTROLS:

In pursuant to the Section 134(5) (e) of the Companies Act, 2013, the Board has properly laid down its internal financial controls and has ensured that the controls are not only adequate but are also operating effectively. The Company is following an effective internal control system commensurate with its size and operations. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels.

It also ensures the adoption of all policies & procedures for orderly and efficient conduct of its business, including adherence to the Company's Policy, the safeguarding of its assets, prevention and detection of fraud & error, the accuracy & completeness of the accounting records and the timely preparation of reliable financial information.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management, the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2021-22.

VIGIL MECHANISM:

The Company has a vigil mechanism in the form of Risk Management Committee and Whistle Blower Policy to deal with instance of fraud and mismanagement, if any.

Strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern.

RISK MANAGEMENT:

The Board of Directors of the Company has formed a board risk management committee to frame, implement, and monitor the risk management plan for the Company. The committee is responsible for reviewing the risk management plan, ensuring its effectiveness and verifying adherence to various risk parameters. The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring. The Risk Management Committee



reviews various risks with which the organization is exposed including Credit Risk, Interest Rate Risk, Liquidity Risk and Operational Risk.

ANNUAL PERFORMANCE EVALUATION OF THE BOARD:

A formal evaluation of the performance of the Board, the Chairman and the individual Directors was carried out by the Company led by the Nomination & Remuneration Committee. The evaluation was done using individual questionnaires. As part of the evaluation process, the performance evaluation of Board as a whole was done by the Directors of the Board. The performance evaluation of the Non-Independent directors was done by every other Director. The performance evaluation of the Independent Directors was done by the Board excluding the Director being evaluated. The Directors expressed satisfaction with the evaluation process.

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:

The Company has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Company seeks to ensure that all such complaints are resolved within defined timelines. The Company has not received any complaint during the period. The Annual returns for the same is also been submitted.

EXTRACT OF ANNUAL RETURN:

Pursuant to Section 134 (3)(a) and Section 92 (3) of the CA 2013, read with Rule 12 of the Companies(Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2022 has been updated in form MGT 7 and uploaded in the website of the Company:- www.sfttd.in

CORPORATE GOVERNANCE:

The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders, guided by a strong emphasis on transparency, accountability and integrity.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

In compliance with Section 135 of the CA 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) in 2014 and the composition and function thereof are mentioned in the Corporate Governance Report. The Board adopted the CSR Policy, formulated and recommended by the CSR Committee.

Annual Report on Corporate Social Responsibility (CSR) Activities:

<p>1. A brief outline of the company's CSR policy As a responsible and socially committed organization, SMILE strives to improve the social welfare and the quality of life of the communities in which it operates. SMILE commits itself that it will not discriminate beneficiaries of CSR based on membership, gender, caste or creed. SMILE works for and strives to:</p> <ul style="list-style-type: none"> ✓ Support the health, education and community welfare activities. ✓ Protect the environment by adopting "Go Green" culture in work place. 	<p>2. Composition Mr. P Murali Srinivas, Managing Director & CEO Mr. Rajan Samuel, Independent Director Mrs. Indrani Bhagwan Singh, Non- Executive Director Mr. VS Padmanaban, Non- Executive Director</p> <p>3. The Company CSR Policy has hosted in the website of the Company:- www.sfttd.in</p> <p>4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable:- NA</p> <p>5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies(Corporate Social Responsibility Policy)</p>
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- ✓ Provide suitable facilities to people with special needs and facilitate their requirements
- ✓ Partner with community development authorities to promote, support and participate in community development initiatives

Rules, 2014 and amount required for set off for the financial year, if any :- NIL

6. Average net profit of the Company for the last 3 financial years Rs. 14.02 Crore

7. Prescribed CSR Expenditure (2% of the amount as in above) allocated Rs. 28.04 lakh

8. (a) CSR amount spent or unspent for the financial year:

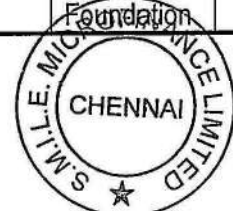
Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.
NIL					

(b) Details of CSR amount spent against ongoing projects for the financial year:

(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)	(9)	(10)	
Sl	Name of the Project	Item from the list of activities in Schedule VII to the Act.	State	Dist.	Project duration.	Amount allocated for the project (in Rs.)	Amount spent in the current financial Year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)	Mode of Implementation Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
										Name	CSR Registration no.
NIL											

(c) Details of CSR amount spent against other than ongoing projects for the financial year:-

(1)	(2)	(3)	(4)		(5)	(6)	(7)	
Sl	Name of the Project	Item from the list of activities in Schedule VII to the Act.	State	Dist.	Amount spent for the project (in Rs.)	Mode of Implementation Direct (Yes/No).	Mode of implementation - Through implementing agency.	
							Name	CSR Registration no.
1.	Vocational Guidance & Training Centre	Employment enhancing vocational skills	TN	Chennai & Madurai	2,23,940	Yes	---	---
2.	Awareness & Digital Literacy Programs	Awareness programs & Skill Development	---	All India	15,00,000	No	4Tune Factory Foundation	CSR00015739
		Awareness program	TN	Madurai	24,000	Yes	---	---
3.	Conducting a study on	Education; Eradication of poverty	---	All India	2,00,000	No	Dvara Research Foundation	CSR00016498



	Household Finance for common benefit							
4.	Conducting a Study on Impact of Microfinance on Income Enhancement and Livelihood Promotion	Education; Eradication of poverty	---	All India	8,35,000	No	Sa-Dhan Association	CSR00003618
5.	Livelihood & Disaster relief	Livelihood & Disaster relief	TN	Chennai & Madurai	22,000	Yes	---	---
	Total				28,04,940			

(d) Amount spent in Administrative Overheads : Nil

(e) Amount spent on Impact Assessment, if applicable : Nil

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) : Rs.28,04,940

(g) Excess amount for set off, if any

Sl	Particular	Amount (in Rs.)
1	Two percent of average net profit of the company as per section 135(5)	28,04,940
2	Total amount spent for the Financial Year	28,04,940
3	Excess amount spent for the financial year [(ii)-(i)]	Nil
4	Surplus arising out of the CSR projects or program or activities of the previous financial years, if any	Nil
5	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9. (a) Details of Unspent CSR amount for the preceding three financial years: Nil

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details): Nil

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): Nil



ACKNOWLEDGEMENTS:

The Board of Directors wishes to place on record its sincere thanks for the wholehearted support extended by the Company's Lenders and Bankers, Statutory Authorities, the Reserve Bank of India and all external agencies. The Board also wishes to record its sincere appreciation for the commitment of its employees at all levels in successfully tackling the challenges faced by the Company during this Year and for their continued efforts to achieve the Company's goals.

-By order of the Board-

For S.M.I.L.E. MICROFINANCE LIMITED



**MURALI SRINIVAS. P
MANAGING DIRECTOR & CEO**

**Place: London
Date: 12-09-2022**



For S.M.I.L.E. MICROFINANCE LIMITED



**RAJAN SAMUEL
DIRECTOR**

**Place: Bangalore
Date: 12-09-2022**

Annexure- A

FORM NO. AOC -2

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

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

1. Details of contracts or arrangements or transactions not at Arm's length basis. NIL
2. Details of contracts or arrangements or transactions at Arm's length basis:

S.No	Name (s) of the Related Party	Designation	Nature of Arrangements	Transaction value as at 31 st March, 2022 (In Rs.)
1.	Mr. Murali Srinivas P	Managing Director & CEO	Remuneration	44,52,000
			Exgratia & Incentive	---
			Variable Pay	18,00,000
2.	Mrs. Indrani Bhagwan Singh	Non-Executive Director	Sitting Fees	4,50,000
3.	Mr. V S Padmanaban	Non-Executive Director	Sitting Fees	3,75,000
4.	Mr. Rajan Samuel	Independent Director	Sitting Fees	6,00,000
5.	Mr. Suresh K Krishna (resigned w.e.f. 23 rd September 2021)	Independent Director	Sitting Fees	1,50,000
6.	Ms. Aparna Narendra Sharma	Independent Director	Sitting Fees	4,75,000
7.	Mr. V T Prabakaran	Chief Financial Officer	Remuneration	34,70,280
			Exgratia & Incentive	2,51,470
8.	Mr. R Venkatasubramanian (resigned w.e.f. 31 st March 2022)	Company Secretary & Compliance Officer	Remuneration	17,25,000
			Exgratia & Incentive	1,25,000



Annexure- B

**Form No. MR-3
SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31/03/2022

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

To,
The Members,
S.M.I.L.E. MICROFINANCE LIMITED
Chennai – 600 033

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions limited to the debt instrument to the extent applicable and the adherence to good corporate practices made by M/s. S.M.I.L.E. MICROFINANCE LIMITED, [CIN: U67190TN1995PLC030604] (hereinafter called the company), Secretarial Audit was conducted in a manner that provided a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the M/s. S.M.I.L.E. MICROFINANCE LIMITED, books, papers, minute books, forms and returns filed and other records maintained by the company electronically, and also the information provided by its officers, agents and authorized representatives during the conduct of Secretarial Audit, We hereby report that in our opinion, the company has, during the audit period covering the financial year ended on 31/03/2022 complied with the statutory provisions listed hereunder and also that the Company has Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Registers, Books, Papers, Minutes Book, forms and Returns filed and other records maintained by M/s. S.M.I.L.E. MICROFINANCE LIMITED, for the financial year ended on 31/03/2022 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made there under to the extent applicable;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under; (Provisions of these regulations are not applicable to the company).
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under; (Provisions of these regulations are not applicable to the company).
4. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder for compliance in respect of Foreign Direct Investment.
5. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

(i) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

(ii) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.

(iii) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993.

(iv) The SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015.

Company has complied with the above Provisions wherever applicable.

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

1. Secretarial Standards issued by The Institute of Company Secretaries of India.
2. The SEBI (Listing Agreements) entered into by the Company with BSE LIMITED, limited to Debt instruments.

Further the compliance of applicable financial laws like Direct & Indirect Tax laws, has not been reviewed in our Audit since the same have been subject to review by Statutory Auditor and other designated professionals, we are of the opinion that the Company has complied with the following laws applicable specifically to the Company:

Reserve Bank of India, 1934 and Master Direction – Microfinance Institutions (Reserve Bank) Directions, 2016 as applicable to the Company;

1. The Payment of Gratuity Act, 1972.

During the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations/ non - compliances:

The Company has complied with the terms and conditions set forth by the lending bank / financial institutions at the time of availing any facility and also during the currency of the facility.

We further report that:

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors except appointment adequate Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Notice has been given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting, meeting held through video conference meetings are duly recorded.
- All the decisions in the board meetings were carried through by majority while there were no dissenting member's views and hence not captured and recorded as part of the minutes.
- We further report that there are systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the course of our audit, it was reviewed that on a board meeting held on 21st February 2022, Company had executed business transfer Agreement with Northern Arc Capital Limited, for Sale of the Assets & liabilities of the Company on a slump sale basis, required approval in this connection were obtained and reported with the Registrar of Companies.

This report is to be read with the letter of even date which is annexed as Annexure A and forms an integral part of this Report.

Yours Faithfully

For V.Esaki & Associates

Company Secretaries

Sd/-

(V.Esaki)

Proprietor / Membership No.30353

UDIN: A030353D000558210

Annexure 'A'

To,
The Members,
S.M.I.L.E. MICROFINANCE LIMITED
Chennai – 600 033

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

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

Yours Faithfully
For V.Esaki & Associates
Company Secretaries
Sd/-
(V.Esaki)
Proprietor / Membership No.30353
UDIN: A030353D000558210

Place: Chennai
Date : 04/07/2022

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

According to the second advance estimates of India's Gross Domestic Product (GDP) published by the National Statistical Office for the financial year 2021-22, GDP growth in the first and second quarter was 20.1% and 8.4% respectively. In the third quarter, the GDP growth slowed down to 5.4%. In the fourth quarter, India witnessed third wave of infection but remained largely unaffected owing to vaccination of large proportion of population. India's GDP growth in Financial Year 2021-22 is estimated at 8.9%, compared to a contraction of 7.3% in Financial Year 2020-21. The Index of Industrial Production grew 11.3% against an 8.4% contraction in Financial Year 2020-21.

Nonetheless, the global environment remains uncertain. At the time of writing, a new wave in the form of the Omicron variant was sweeping across the world, inflation had jumped up in most countries, and the cycle of liquidity withdrawal was being initiated by major central banks. Therefore, it is especially important to look at India's macroeconomic stability indicators and their ability to provide a buffer against the above stresses.

The geopolitical crisis of Russia Ukraine war, which started in the last week of February 2022, is casting uncertainty over the global economy, with increased volatility in crude prices and inflationary trends across commodities. The consequential financial sanctions and political pressure from the war are causing unpredictable and undesired implications on the global financial system and our economy due to rising crude oil and other commodity prices leading to higher inflation.

Despite all the disruptions caused by the global pandemic, India's balance of payments remained in surplus throughout the last two years. This allowed the Reserve Bank of India to keep accumulating foreign exchange reserves. This is equivalent to 13.2 months of merchandise imports and is higher than the country's external debt. The combination of high foreign exchange reserves sustained foreign direct investment, and rising export earnings will provide an adequate buffer against possible global liquidity tapering in 2022-23.

After several rate cuts in 2019-20 and 2020-21, the repo rate was maintained at 4 per cent in 2021-22. The liquidity in the system remained in surplus throughout. RBI undertook various measures, including secondary market G-sec acquisition programme, special Long-Term Repo operations, on tap targeted Long-Term Repo Operations, etc. to provide further liquidity in the system. Thereafter, RBI used Variable Rate Reverse Repo, reverse repo auctions to rebalance liquidity conditions.

Microfinance industry:

As per the report from Sa-Dhan, an RBI-recognised self-regulatory organisation (SRO) for microfinance institutions (MFIs), the Indian microfinance industry witnessed a growth of over 13 percent in the last quarter of fiscal year 2021-22, while the year-on-year (YoY) growth stood at 5 percent for the industry.

The total portfolio of all lenders rose to Rs 2,62,598 crore in March 2022, compared to Rs 2,32,126 crore in December 2022. While the industry disbursed total loan of Rs 85,667 crore in the final quarter, up from Rs 69,231 crore in the third quarter.

The outbreak of the COVID-19 pandemic badly hurt the microfinance industry. But thanks to the recent changes affected by the Reserve Bank of India (RBI) in the guidelines, the industry is showing signs of recovery.

While growth has been consistent for the non-banking financial companies (NBFCs), small finance banks or NBFC-MFIs for the past one year, banks in the microfinance sector have failed to perform well. The portfolio of banks has decreased by 7 percent, although NBFC-MFIs have shown a significant growth of 19 percent and that of not-for-profit MFIs (NFPs), 30 percent.



Product-wise performance:

SMILE provides microfinance services to the low-income households and individuals to improve their quality of life. SMILE constantly endeavors to deliver quality services to its clients by maintaining highest levels of transparency and integrity.

SMILE replicates JLG methodology where women are asked to form into groups of their choice. These groups meet at a place and time convenient to them. The group members undertake the responsibility of approving, disbursing, utilization and repaying the loans. SMILE facilitates capacity building, management of group dynamics, loan utilization and monitors credit discipline of the groups through its FDOs.

In FY 2021-22, SMILE offered 59,193 loans to its members under the following financial products that can be used for a variety of activities that generate income for their families. SMILE offers different loan products in different quantum(s)/tenures to its members to meet their working capital requirements.

Loan products	Loan size/Tenure/Purpose
IGP Loan- Income generation program loan	Minimum Rs.15000/- to Max Rs.50000/- Tenure: Minimum 25 fortnights to 52 fortnights and 12 Months to 26 Months Purpose: Income generation loan for livelihood.
AIGP Loan- Additional IGP loan.	Rs.5000/- , Rs.10000/- Tenure: Minimum 25 fortnights to 52 fortnights and 12 Months to 26 Months Purpose: Additional credit line/top-up to meet working capital requirements.

In FY-2021-22, SMILE granted loans to members in different loan products as follows:

Table 1:

PARTICULARS	IGP Loans						AIGP Loans		TOTAL
	Up to 15000	15001 to 20000	2001 to 25000	25001 to 30000	30001 to 40000	40001 to 50000	5000	10000	
<i>Loan Size</i>									
<i>No. of loans granted</i>	1451	1222	465	17860	13843	23886	9	323	59194
<i>Amount disbursed (In Crs)</i>	2.15	2.44	1.16	53.57	55.18	119.30	0.004	0.32	234.38

In FY-2019-20, SMILE has piloted the two new loan products for its client segments,

- 1) Education loan – loan under JLG to the client's children who are pursuing their school educations.
- 2) Loan for family functions under NON-JLG – NON IGP product segment a short-term loan to the clients to meet their expenses for the functions like Housewarming, Ear boring, Wedding (son / daughter), Puberty function.

Table 2: (FY 2021-22)

Loan products	Loan size/Tenure/Purpose	No. of loans issued during piloted period	Amount of loan
Education loan under JLG	Minimum Rs.10000/- to Max Rs.30000/- Tenure: Minimum 25 fortnights and 12 Months	134	26,70,000



Loan for Family functions	Maximum of Rs.50,000/- Tenure: Bullet Payment (<=20 Days)	0	0
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* The Loan Portfolio shown in Table 1 includes the loans issued in the above products.

Risks and concerns:

Risk is an integral part of the Company's business, and sound risk management is critical to the success of the organization. As a financial intermediary, the Company is exposed to risks that are particular to its lending and the environment within which it operates. The Company has identified and implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the Company. The risk management process is continuously improved and adapted to the changing risk scenario and the agility of the risk management process is monitored and reviewed for its appropriateness in the changing risk landscape. The process of continuous evaluation of risks includes taking stock of the risk landscape on an event driven basis. The Company has an elaborate process for risk management. This rests on the three pillars of Business Risk Assessment, Operational Controls Assessment and Policy Compliance Processes. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

Internal audit and controls:

S.M.I.L.E has a robust internal audit system since its inception. The department is headed by a Chartered accountant and consists of an experienced team of 50 senior managers and audit executives. Each region of the company is headed by senior manager, who reports to the Audit head.

Every branch of the company gets audited once in a quarter with 100% of the centres (point of collection) being personally audited by the team. The company has a very effective Audit committee which meets once in a quarter and reviews the report of the team and suggests for improvements in process and systems proactively.

Due to stringent lockdowns announced by the Government, the branches were closed for major part of the year. The branches could not be audited on quarterly basis as in previous years however all the branches were audited once during the financial year. The audit team was used effectively for carrying out surveys with members and to assist the operations in collections.

Material developments in Human Resources / Industrial Relations front, including number of people employed:

Microfinance sector faces major challenges in acquiring resources with the right skills, aptitude and also on retention of the employee. The department has set up a scalable recruitment and human resource management process, which enables to attract and retain high performing employees. The department work is to ensure the organization remains competitive in its human resources management policies and practices by actively seeking and developing best practices, methods and approaches.

SMILE Microfinance is an equal employment opportunity company and is committed to creating a healthy working environment that enables employees to work without fear of prejudice, gender bias and sexual harassment. The Company also believes that all employees of the Company have the right to be treated with dignity. Sexual harassment at the workplace or other than workplace if involving employees is a grave offence and is, therefore, punishable.

The Company recruits fully qualified staff with high integrity, as the main commodity of our business is 'MONEY' handled on daily basis.

A well-knit recruitment policy decides the right sourcing and selection of right candidates for the Organization. The able work force is the strength of the Organization.



For all new joiners, SMILE provides a combination of Field & Online course which supports the new staff through practical training and learning happens through an employee-friendly platform which enables them to understand the industry, organization, their roles and responsibilities, products and processes and career growth. The training methodology includes self-learning videos, quizzes & assessments. Every new staff is certified on completion of the course and then posted as Field Development Officers.

To provide employees lateral growth and also to retain the talent, SMILE adopts IJPs through which internal talents are identified and elevated to next level. Based on the position, they have to undergo assessment and multiple levels of interview based on the position they apply for.

As on March 2022, SMILEs total staff headcount was 813 and 144 branches being operated across Tamilnadu, Kerala, Pondicherry, Chhattisgarh, Jharkhand and Madhya Pradesh and Karnataka. During the FY 2021-22, SMILE has opened 9 new branches across Chhattisgarh, Jharkhand and Madhya Pradesh, and Staff Strength decreased from 880 to 813.

Information Technology:

IT team committed to operate and maintain a well governed structured and process-oriented IT function which aligned with our company's business objective and supports continuous improvement according to the changes in the Business Processes and Regulatory Requirements.

IT is a backbone of our company. All IT related compliances are being followed and audited at regular intervals to ensure integrity of the systems, software, data security, program security, etc. Significant investments are being made to develop the IT infrastructure and software. In parallel, multiple new software systems are being evaluated or being built to develop our capabilities. The company luckily switched to IT cloud technologies before Covid itself, which enabled smooth and seamless transition to 'work-from home' mode by the staff.

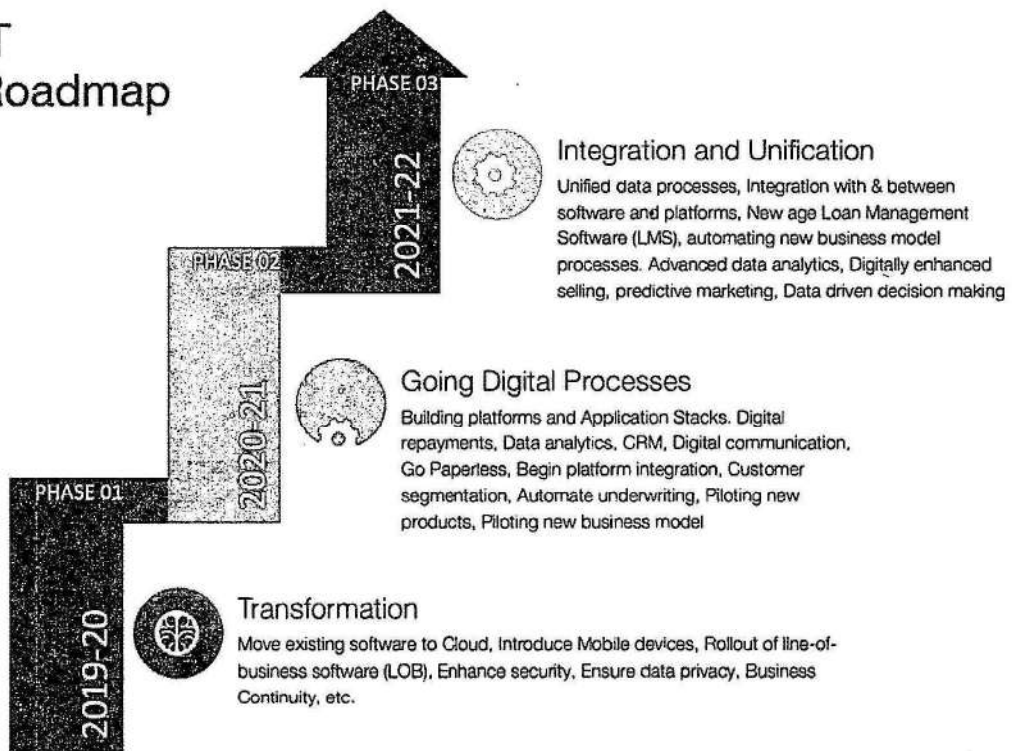
Important Roles of IT:

- ✓ Effective portfolio tracking
- ✓ Data Security
- ✓ 100 % on Cloud
- ✓ Going Digital
- ✓ IT Statuary Requirements
- ✓ Regulatory Compliance
- ✓ Improved Operational Efficiency
- ✓ Quality Service to Customers

The company charted a new path to enable and grow SMILE in to an industry leading digital microfinance company. Following graphic depicts the three year roadmap, with almost all deliverables being executed as per plan.



IT Roadmap



The company has deployed various IT tools and services in the year, to develop its in house capabilities and services to customers. The company considers data security and network security very central and critical and has launched various plans to further strengthen its IT infrastructure.

-By order of the Board-

For S.M.I.L.E. MICROFINANCE LIMITED


MURALI SRINIVAS. P
MANAGING DIRECTOR & CEO



REPORT ON CORPORATE GOVERNANCE:

Corporate Governance is the commitment of an organization to follow Ethics, Fair Practices and Transparency in all its dealings with its various stakeholders such as Customers, Employees, Investors, Government and the Society at large. Sound Corporate Governance is the result of external marketplace commitment and legislation plus a healthy Board Culture which directs the policies and philosophy of the Organization. Your Company is committed to good Corporate Governance in all its activities and processes.

COMPANY PHILOSOPHY:

S.M.I.L.E. MICROFINANCE LIMITED's philosophy on Corporate Governance envisages adherence to the highest levels of Transparency, Accountability and fairness in all areas of its operations and in all interactions with its stakeholders. The Board shall work to ensure the success and continuity of the Company's business through the appointment of Qualified Management and through on-going monitoring to assure that the Company's activities are conducted in a Responsible, Ethical and Transparent manner.

BOARD of DIRECTORS:

In terms of Corporate Governance philosophy, all statutory and other significant material information are placed before the Board of Directors to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

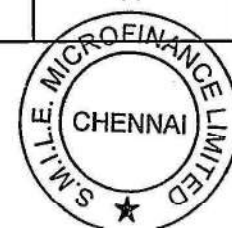
The Current Board of Directors of the Company:

S.no	Name of the Directors	Designation
1	Mr. P. Murali Srinivas	Managing Director and CEO
2	Mrs. Indrani Bhagwan Singh	Non-Executive Director
3	Mr. Bradley Swanson	Non- Executive Director
4	Mr. Aleem Remtula	Non- Executive Director
5	Mr. V.S. Padmanaban	Non- Executive Director
6	Mr. Rajan Samuel	Independent Director
7	Ms. Aparna Sharma	Independent Director
8	Mr. Suresh K Krishna	Independent Director (resigned w.e.f. 23 th September, 2021)

During the Financial Year ended 31st March 2022, Nine (9) Board Meetings were conducted on the following dates viz., on 12th May 2021, 29th June 2021, 08th October 2021, 12th November 2021, 03rd December 2021, 28th January 2022, 14th February 2022, 21st February 2022, 29th March 2022 and not more than 120 days elapsed between any two Board Meetings.

Particulars of the Directors' attendance of Board /Committee Meetings and particulars of their other company directorships are given below:-

NAME	Nature of Directorship	Attendance		Other
		Board	Committee	Directorships
Mr. Murali Srinivas P	Managing Director & CEO	9	12	Nil
Mrs. Indrani Bhagwan Singh	Non-Executive Director	8	10	Nil
Mr. J Bradly Swanson	Non- Executive Director	7	7	Nil
Mr. Aleem Remtula	Non- Executive Director	8	0	1
Mr. Rajan Samuel	Independent Director	7	18	1
Ms. Aparna Sharma	Independent Director	9	10	3
Mr. V.S. Padmanaban	Non- Executive Director	9	6	2
Mr. Suresh K Krishna (resigned w.e.f. 23 th September, 2021)	Independent Director	2	4	11



COMMITTEES OF BOARD:

The Board has currently nine (9) Committees, namely, Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Borrowing & Investment Committee, Asset Liability Management Committee, Share Allotment & Transfer Committee, Grievance Redressal & Stakeholder Relationship Committee, Risk Management Committee and IT Steering Committee. The Board is responsible for constituting, assigning and co-opting the members of these Committees. The Board fixes the terms of references of the Committees and also delegates powers to the Committees from time to time. The Minutes of the meetings of the Committees are circulated to the Board for its information and confirmation.

AUDIT COMMITTEE:**Composition:**

Mr. Rajan Samuel, Independent Director (Chairman of the Committee)

Ms. Aparna Narendra Sharma, Independent Director

Mr. J. Bradley Swanson, Non-Executive Director

Mr. V S Padmanaban, Non-Executive Director

Meetings:

The Audit Committee met five (5) times during the Financial Year 2021-22 viz., on 29th June 2021, 08th October 2021, 12th November 2021, 14th February 2022 and 21st February 2022.

Terms of Reference:**The Role of the Committee, among others will include:**

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the audit fees and also appointment of External Auditors for Branch Auditing.
3. Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement, in the Board's report in terms of section 134 (5) of the Companies Act, 2013;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with accounting and other legal requirements relating to financial statements;
 - f. Disclosure of any 'related party transactions';
 - g. Qualifications in the Draft Audit Report
4. Reviewing with the management, performance of Internal Auditors and adequacy of the internal control systems.
5. Reviewing the adequacy of internal audit function 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.
6. Discussion with Internal Auditors about significant findings and follow up there on.
7. 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.
8. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.



The Committee shall review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of 'related party transactions' (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit reports relating to internal controls of the Company;

BORROWING & INVESTMENT COMMITTEE:

Composition:

Mr. Murali Srinivas P, Managing Director & CEO (Chairman of the Committee)
Mrs. Indrani Bhagwan Singh, Non-Executive Director
Mr. Rajan Samuel, Independent Director

Meetings:

The Committee met nine (9) times during the Financial Year 2021-22 viz., 07th April 2021, 04th August 2020, 22th September 2021, 27th September 2021, 01st October 2021, 25th October 2021, 28th October 2021, 17th February 2022, and, 03rd March 2022.

Terms of Reference:

The role of Borrowing & Investment Committee is to approve borrowings from sources like Banks, Financial Institutions, Corporate on such terms and conditions as to repayment, interest rate as it thinks fit and to review proposals for fresh issue of securities, or debt and approve the same.

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO):

Asset Liability Management Committee (ALCO) was constituted by the Company as per the guidelines issued by RBI which are applicable to systemically important NBFCs.

Composition:

Mr. Murali Srinivas P, Managing Director & CEO
Mr. Aleem Remtula, Non-Executive Director
Mrs. Indrani Bhagwan Singh, Non-Executive Director
Mr. V S Padmanaban, Non-Executive Director

Meetings:

The Committee has not met during the Financial Year 2021-22.

Terms of Reference:

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Pricing, Profit planning and Growth projections
5. Credit and Portfolio Risk Management
6. Setting credit norms for lending products of the company
7. Operational and Process Risk Management
8. Laying down guidelines on KYC norms
9. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.
10. Business Plans; analysis of Member base; Drop outs; Death Benefits to Members / their Spouses; representations in MFI Associations like MFIN, Sa-Dhan.
11. Revision in Business Plans, Risk Categorisation of Accounts, Compliances as per RBI Guidelines in respect of Interest Rates, Margins etc.,



- Analysing NPAs, suggestions for controlling NPAs, New Business Initiatives proposed by the Company, etc.

SHARE ALLOTMENT & TRANSFER COMMITTEE:

Share Allotment & Transfer Committee was constituted as per the guidelines of the Companies Act.

Composition:

Mr. J Bradley Swanson, Non-Executive Director (Chairman of the Committee)
Mr. V S Padmanaban, Non-Executive Director
Mr. Murali Srinivas P, Managing Director & CEO
Ms. Aparna Narendra Sharma, Independent Director

Meetings:

The Committee has not met during the Financial Year 2021-22.

Terms of Reference:

The Committee shall consider all the share transfers, share transmissions and allotment of shares as and when the need arises and the Committee shall prepare a consolidated statement of all share transfers/transmissions effected and allotment(s) of shares made and present the same to the Board for its noting.

NOMINATION & REMUNERATION COMMITTEE:

Nomination & Remuneration Committee was constituted as per the Companies Act, 2013 and guidelines issued by RBI for systemically important NBFCs.

Composition:

Mr. Rajan Samuel, Independent Director (Chairman of the Committee)
Ms. Aparna Narendra Sharma, Independent Director
Mr. J. Bradley Swanson, Non-Executive Director

Meetings:

The Committee met three (3) times during the Financial Year 2021-22 viz., on 09th July 2021, 12th July 2021 and 17th February 2022.

Terms of Reference:

The terms of reference of the Nomination Committee includes:

The primary role of the Committee is fixing and revising the remuneration payable to the Managing Director and Whole-time Director(s) of the Company from time to time and to recommend to the Board the same for its approval.

The Committee shall analyse the necessity of appointment of Directors to the Board whether Executive / Non-Executive / Independent, proposed candidates' ability in contributing to the good of the Company, their value addition etc., and recommending to the Board the right person for appointment to the position of Director in the Board, to the Board and also to determine the Salary, Bonus, Incentive and other Perquisites payable to the Key / Senior Management Personnel of the Company and recommend the same to the Board for its approval.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

Corporate Social Responsibility Committee was constituted as provided by Section 135 of the Companies Act, 2013



The outline and composition of the Committee which are more particularly given in annual report on CSR activities

Composition:

Mr. Rajan Samuel, Independent Director (Chairman of the Committee)
Mr. Murali Srinivas P, Managing Director & CEO
Mrs. Indrani Bhagwan Singh, Non- Executive Director
Mr. V S Padmanaban, Non-Executive Director

Meetings:

The Committee met one (1) times during the Financial Year 2021-22 viz., on 07th October 2021

Terms of Reference:

The terms of reference of the Corporate Social Responsibility Committee includes:

1. Design, implement and Review of CSR Policy periodically.
2. Comply Statutory Requirement and CSR practices
3. Budget and allocate funds for CSR initiatives and review the spends periodically
4. Ensure CSR activities reach the Public and who are in need of basic amenities for their livelihood / relief from natural calamities.

RISK MANAGEMENT COMMITTEE:

Risk Management Committee has overall responsibility for establishing a strategic approach to risk management across the organisation, ensuring that the approach is pro-active. The Committee is also responsible for the overall co-ordination of risk management activity.

Composition:

Mr. Aleem Remtula, Non-Executive Director (Chairman of the Committee)
Mr. Murali Srinivas P, Managing Director & CEO
Mr. Rajan Samuel, Independent Director

Meetings:

The Committee has not met during the Financial Year 2021-22.

Terms of Reference:

The terms of reference of the Risk Management Committee includes:

1. To assist the Board in the execution of its risk management accountabilities, the Committee shall be charged with the following general responsibilities:
2. To assist the Board in setting risk strategy policies in liason with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;
3. To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed;
4. To review and assess the nature, role, responsibility and authority of the risk management function within the Company and outline the scope of risk management work;
5. To ensure that the Company has implemented an effective on-going process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company appetite or tolerance for risk;
6. To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management including internal control;



7. To oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the Company's objectives are attained;
8. To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
9. To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
10. To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on all categories of identified risks facing Company.
11. To review the risk bearing capacity of Company in light of its reserves, insurance coverage or other such financial structures

IT STEERING COMMITTEE:

To provide strategic advice, guidance and direction to the Board of Directors on technology initiatives. To explore and make recommendations regarding technology tools and resources that would benefit the Company.

Composition:

Mr. Murali Srinivas P, Managing Director & CEO
Ms. Aparna Narendra Sharma, Independent Director
Mr. S. Sivakumar, Head-Information Technology
Mr. Karthikeya Prabhu, Head-PMD

Meetings:

The Committee met two (2) times during the Financial Year 2021-22 viz., on 29th October 2021 and 28th March 2022.

Terms of Reference:

The terms of reference of the IT Steering Committee includes:

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
4. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
5. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.
6. Provide IT insights to board and act as subject matter expert.
7. Monitor strategic IT plans.
8. Monitor enterprise resource availability to support IT initiatives.
9. Understand, Communicate, Mitigate IT risk.

GRIEVANCE REDRESSAL & STAKEHOLDER RELATIONSHIP COMMITTEE:

Composition:

Mrs. Indrani Bhagwan Singh, Non-Executive Director (Chairman of the Committee)
Mr. Murali Srinivas P, Managing Director & CEO
Mr. Aleem Remtula, Non-Executive Director
Ms. Aparna Narendra Sharma, Independent Director



Meetings:

The Committee has not met during the Financial Year 2021-22.

Terms of References:

1. Grievance Redressal & Stakeholder Relationship Committee should take utmost care in solving the grievances of the stakeholder of the company.
2. The Committee shall not act prejudicial to the interest of the stakeholder.
3. The Committee shall be governed by the same rules regarding meetings as are applicable to the Board.

DEBENTURE HOLDER DETAILS:

Name of Debenture Holder	Address	Number of Non-Convertible Debentures
IFMR FImpact Long Term Multi Asset Class Fund	10th Floor Phase-I IITM Research Park, Kanagam Village, Taramani, Chennai,600113	388
IFMR FImpact Long Term Credit Fund	10th Floor Phase-I IITM Research Park, Kanagam Village, Taramani, Chennai,600113	12

DEBENTURE TRUSTEES DETAILS:

Debenture Trustee	Registered Office Address
Catalyst Trusteeship Limited (Formerly known as GDA)	Office No. 83 – 87, 8th floor, 'Mittal Tower', 'B' Wing, Nariman Point, Mumbai – 400021

GENERAL SHAREHOLDER INFORMATION:

Financial year: 1st April to 31st March: Shareholding pattern as on 31st March 2022

Category	# of Shares	Percentage
Promoter & Promoter Group	3219997	18.57%
Other Members	2565003	14.79%
Foreign Shareholding:		
DWM Investments (Cyprus) Limited	11554639	66.64%
Total	17339639	100.00%

CODE OF CONDUCT:

The Company has formulated and adopted a Code of Conduct for the Board of Directors. The Code of Conduct is derived from three interlinked fundamental principles, viz. good Corporate Governance, good corporate citizenship and exemplary personal conduct.

FAIR PRACTICES CODE:

The Company has formulated a Fair Practices Code pursuant to the RBI guidelines issued in this regard to lay down procedures and practices in dealing with the business transactions, namely, applications for loans and their processing, loan appraisal and terms/conditions, disbursement of loans including changes in terms and conditions and handling of customer grievances. The Code came into effect on 17th March, 2007. The Code was amended by the Board of Directors at their meetings as and when required in order to comply with the changes provided by the Reserve Bank of India through periodical Circulars/Guidelines.



DISCLOSURES:

The particulars of transactions between the Company and its related parties, as defined in Indian Accounting Standard (Ind-AS) 24, are set out in the financial statements.

Address for Correspondence
No.10, 1st Floor, Jagadeeswaran Street,
T.Nagar, Chennai- 600017

- By order of the Board-



S.M.I.L.E. MICROFINANCE LIMITED

MURALI SRINIVAS. P
MANAGING DIRECTOR & CEO

MD & CEO / CFO Certificate

The Board of Directors
S.M.I.L.E. MICROFINANCE LIMITED

This is to certify that:

- We have reviewed financial statements and the cash flow statement for the Financial Year ended 31st March 2022 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with the Indian accounting standards (Ind-AS), applicable laws and regulations.

- There are, to the best of our knowledge and belief, no transactions entered into by the Company during the Financial Year which are fraudulent or illegal.

- We accept responsibility for establishing and maintaining internal controls for financial reporting.

MURALI SRINIVAS. P
Managing Director & CEO

Place: London
Date: 12-09-2022



V.T. PRABAKARAN
Chief Financial Officer

Place: Chennai
Date: 12-09-2022



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INDEPENDENT AUDITOR'S REPORT

**To the Members of S.M.I.L.E MICROFINANCE LIMITED
Report on the Audit of Financial Statements**

Qualified Opinion

We have audited the accompanying financial statements of **S.M.I.L.E MICROFINANCE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March 2022, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information thereon.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view except for the below mentioned basis for qualified opinion in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2022, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit of the financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion:

1. As given in Note No. 50 of the financial statements, the company has sanctioned fresh loans for the existing NPA accounts towards repayment.





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Emphasis of Matter

We draw attention to Note No. 51 of the financial statements regarding the management's decision to grant deferment of collection of principal and interest to all its borrowers and the Company has not considered this period for NPA classification purposes. However, the entire loan portfolio is inclusive of slump sale for which consideration has since been received.

We draw attention to Note No. 53 of the financial statements regarding the management's decision on the estimated provision of Rs. 50.56 Crores for NPA as per ECL Workings.

We draw attention to Note No. 54 of the financial statements, wherein the company has disbursed certain loans to its borrowers who do not meet the eligibility criteria as per the RBI Master Directions for NBFC-MFIs.

We draw attention to Note No. 55 of the financial statements, where subsequent to RBI Circular, the Company has booked the Moratorium Interest amounting to Rs. 2.94 Crores during the current year which have been reversed during FY 2020-21.

We draw attention to Note No. 56 of the financial statements, in which the Company has disclosed on the Business Correspondent Agreement entered with Northern Arc Capital Limited whereby the Company will earn a service fee towards disbursement of loan for Northern Arc Capital Limited.

We draw attention to Note No. 57 of the financial statements, in which the Company has disclosed that the RBI Circular no. RBI/2021-2022/125 dated November 12, 2021 "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to NPA Marking and Upgradation of NPA Accounts is yet to be implemented.

We draw attention to Note No. 58 of the financial statements, in which the Company has disclosed about the Business Transfer Agreement entered by the Company with Northern Arc Capital Limited whereby the Company has entered into an Agreement as on 22nd February 2022 to sell its Assets and Liabilities (as per the Agreement) to Northern Arc Capital Limited on a slump sale basis.

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





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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	Auditor's Response
<p>Provision for Expected Credit Loss (ECL) on Loans</p> <p>The Company determines the allowance for expected credit losses based on historical loss experience adjusted to reflect current and estimated future economic conditions. The company has considered the age of receivables, current and anticipated future economic conditions which could impact the credit quality of the company's loans and advances to estimate the probability in the future.</p> <p>The Company has also exercised its judgement in determination of management overlay at various assets stages considering the possible effects of the current uncertain economic environment including that arising out of the Covid-19 pandemic.</p> <p>We have identified provision for expected credit loss on loans as company exercises significant</p>	<p>Principle audit procedure performed:</p> <p>Our Audit procedures related to the provision for ECL on loans included the following, among others:</p> <p>We tested the design and operating effectiveness of controls over the (1) Development methodology for ECL including the current and estimated future economic conditions (2) Completeness and accuracy of information used in the estimation of probability of default and (3) Computation of ECL.</p> <p>In Addition to above:</p> <p>We performed an overall assessment of the ECL provision levels at each stage including management's assessment on Covid-19 impact to determine if they were reasonable considering the macroeconomic environment and the Company's loan portfolio, risk profile and credit risk management practices;</p> <p>We examined Board policy approving methodologies for computation of ECL that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures, commensurate with the size and complexity specific to the Company.</p> <p>Obtained an understanding of the basics and methodology adopted by management to determine</p>





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<p>judgement in calculating the expected credit losses.</p> <p>Refer Note 6 to the Audited Financial Statements.</p>	<p>the probability of defaults for various stages/homogeneous segments and performed test checks;</p> <p>Assessed the data used in the computation of expected credit loss (including the data integrity of information extracted from Company's IT systems);</p> <p>Tested the arithmetical accuracy of the Computation of Provision for ECL on Loans.</p>
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Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies;





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making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to





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design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its branches to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the financial statements of which we are the independent auditors.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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





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

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
 - d. In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.
 - e. On the basis of the written representations received from the directors as on 31 March 2022 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164(2) of the Act.
 - f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's





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internal financial controls over financial reporting.

- g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended,
- In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.
- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv. The Management has represented that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person or entity, including foreign entity ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
 - v. The Management has represented, that, to the best of its knowledge and belief, no funds (which are material either individually or in the aggregate) have been received by the Company from any person or entity, including foreign entity ("Funding Parties"), with the understanding, whether





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recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

- vi. Based on the audit procedures that have been considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e), as provided under (iv) and (v) above, contain any material misstatement.
 - vii. The company has not declared or paid any dividend during the year in contravention of the provisions of section 123 of the Companies Act, 2013.
2. As required by the Companies (Auditor's Report) Order, 2020 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order.

Place: Chennai

Date: 12th September 2022

For P.B. Vijayaraghavan & Co.,

Chartered Accountants

Firm Registration No.: 004721S


P.B. Santhanakrishnan

Partner

Membership No.: 020309

UDIN: 22020309AXRNDJ6470





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ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a)(A) The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, Plant and Equipment / Fixed Assets.
- (B) The Company has maintained proper records showing full particulars of Intangible Assets.
- (b) The Property, Plant and Equipment/Fixed Assets were physically verified during the year by the management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment / fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) The Company does not have any immovable properties of freehold land and building. In respect of immovable properties of buildings that have been taken on lease and disclosed as Right of Use assets in the financial statements, the lease agreements are in the name of the Company.
- (d) The Company has not revalued its Property, Plant and Equipment (including rights to use assets) or intangible assets or both during the year.
- (e) According to the information provided to us there are no proceedings initiated or pending against the company for holding any benami under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.
- (ii) (a) The Company does not have any inventory and hence reporting under clause ii (a) of the Order is not applicable.
- (b) The Company has not been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of security of current assets and hence reporting under Clause ii (b)





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of the Order is not applicable.

- (iii) (a) The Company's principal business activity is to provide loans to its members and hence reporting under Clause iii (a) of the Order is not applicable.
- (b) The loans provided by the Company to its members are not prejudicial to the company's interest and are as per the board approved loan policy.
- (c) For the loans provided by the Company to its members, the schedule of repayment of principal and payment of interest has been stipulated.
- (d) The total amount of overdue for such loan accounts which are more than ninety days is Rs. 56.37 Crores and the company has provided provision on such amount based on the Expected Credit Loss Method as per IND AS 109.
- (e) The Company's principal business activity is to provide loans to its members and hence reporting under Clause iii (a) of the Order is not applicable.
- (f) The Company has not granted any loans to its members which are either repayable on demand or without specifying any terms or period of repayment.
- (iv) The Company has not granted any loans, made investments, provided any guarantee or security and hence reporting under Clause (iv) of the Order is not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There were no unclaimed deposits outstanding at any time during the year and hence reporting under clause (v) of the Order is not applicable.
- (vi) Having regard to the nature of the Company's business, reporting under clause (vi) of the Order relating to maintenance of cost records is not





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Chartered Accountants

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applicable.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Services Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.

There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Cess and other material statutory dues in arrears as at March 31, 2022 for a period of more than six months from the date they become payable except for TDS Default amounting to Rs.8,30,060.

(b) Details of dues of Income-tax which have not been deposited as on March 31, 2022 on account of disputes are given below:

Name of Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs.) *	Amount Unpaid (Rs.)
Income Tax Act, 1961	Income Tax	Deputy Commissioner of Income Tax	Assessment year 2011-12	2,90,830	2,90,830
Income Tax Act, 1961	Income Tax	Assistant Commissioner of Income Tax	Assessment year 2017-18	1,30,50,323	1,20,50,323
Income Tax Act, 1961	Income Tax	Assessing Officer	Assessment year 2019-20	50,800	50,800

*excludes interest and penalty





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- (viii) In our opinion and according to the information and explanations given to us, the Company has not surrendered or disclosed any unrecorded transactions as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).
- (ix) (a) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowing to banks and financial institution or dues to debenture holders.
- (b) According to the information provided to us the Company has not been declared willful defaulter by any bank or Financial institution or other lender.
- (c) In our opinion and according to the information and explanations given to us, the Company has applied the term loans for the purpose for which the loans were obtained.
- (d) In our opinion and according to the information and explanations given to us, the Company has not utilized funds raised on short term basis for long term purposes.
- (e) The Company does not have any subsidiaries, associates or joint ventures hence reporting under the clause (ix)(e) is not applicable.
- (f) The Company does not have any subsidiaries, associates or joint ventures hence reporting under the clause (ix)(f) is not applicable.
- (x) (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) hence reporting under the clause (x)(a) is not applicable.
- (b) The Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year hence reporting under the





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clause (x)(b) is not applicable.

- (xi) (a) To the best of our knowledge and according to the information and explanations given to us, fraud by its employees has been noticed and reported during the year amounting to Rs. 1.61 Lakhs (Refer Note 45 of the Financial Statements).
- (b) Since there has been no material fraud reported during the year this clause is not applicable.
- (c) There has not been any whistle blower complaints lodged during the year.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) (a) In our opinion and according to the information and explanations given to us, the Company has an internal audit system which is in line with the size and nature of its business.
- (b) We have considered the Internal Audit Reports submitted by the Internal Auditor for the period of FY 2021-22 and there were no material discrepancies mentioned in the report except a few cases of irregularities amounting to Rs. 1.61 Lakhs (Refer Note 45 of the Financial Statements) which have been detected and appropriately dealt with by the Management.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash





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transactions with its directors or persons connected with them and hence provisions of Section 192 of the Companies Act, 2013 are not applicable.

- (xvi) (a) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and it has obtained the registration.
- (b) The Company has obtained certificate of registration from Reserve bank of India and has been conducting Non-Banking Financing activities under the license obtained.
- (c) The Company is not a Core Investment Company as defined in the regulations made by the Reserve Bank of India.
- (d) The Company does not have any Core Investment Company as part of the group.
- (xvii) The Company has incurred cash loss amounting to Rs. 10.34 Crores during the Financial year 2021-22.
- (xviii) The previous auditors has resigned as statutory auditors during the year pursuant to the RBI Circular No. RBI/2021-22/25 dated April 27, 2021 in which RBI has capped audit firms to audit not more than eight NBFCs and there were no issues, objections or concerns raised by the outgoing auditors based on the No Objection Letter received from them with respect to the resignation.
- (xix) In our opinion since the Company has sold its assets and liabilities as per the Business Transfer Agreement with Northern Arc as on 12th April 2022 there is no material uncertainty as to the company's ability to meet the liabilities existing at the date of balance sheet.
- (xx) According to the information and explanation given to us, the Company does not have any unspent amount to be transferred to the Fund specified in Schedule VII to the Companies Act, hence reporting under the clause (xx) is not applicable.





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(xxi) Since the Company does not have any subsidiary, joint ventures reporting under the Clause (xxi) is not applicable.

Place: Chennai

Date: 12th September 2022

For P.B. Vijayaraghavan & Co.,
Chartered Accountants

Firm's Registration No.: 004721S

P.B. Santhanakrishnan

Partner

Membership No.: 020309

UDIN: 22020309A x R V O J 6 A 7 0





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ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the internal financial controls over financial reporting of S.M.I.L.E. MICROFINANCE LIMITED ("the Company") as of March 31, 2022, in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating





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effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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





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Opinion

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Place: Chennai

Date: 12th September 2022

For P.B. Vijayaraghavan & Co.,
Chartered Accountants

Firm's Registration No.: 004721S

P.B. Santhanakrishnan
Partner

Membership No.: 020309

UDIN: 220 20309 AXRV056470



S.M.I.L.E. Microfinance Limited
Balance Sheet as at 31 March 2022

Particulars	Note No.	As at 31 March 2022	As at
		Amount Rs. in lakhs	31 March 2021
		Amount Rs. in lakhs	Amount Rs. in lakhs
I ASSETS			
1 Financial assets			
(a) Cash and cash equivalents	4	1,820.01	3,428.23
(b) Bank Balances other than cash and cash equivalents	5	1,794.42	4,956.50
(c) Loans	6	24,859.99	43,659.68
(d) Loans given to staff - at amortised cost	6(a)	11.37	11.79
(e) Other Financial assets	7	107.25	187.17
2 Non-financial Assets			
(a) Current tax assets (net)	8	311.67	80.30
(b) Deferred tax assets (net)	9	1,383.45	1,014.99
(c) Property, Plant and Equipment	10(a)	86.47	111.25
(d) Intangible assets	10(b)	30.44	38.07
(e) Right of Use	10(C)	9.30	37.20
(f) Other non financial assets	11	155.92	121.41
Total Assets		30,570.29	53,646.59
II LIABILITIES AND EQUITY			
1 Financial Liabilities			
(a) Trade Payables	12		
(i) total outstanding dues of micro enterprises and small enterprises		2.40	2.97
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		44.57	127.16
(b) Debt Securities	13	3,999.85	11,037.09
(c) Borrowings (other than debt securities)	14	14,043.25	27,703.78
(d) Lease Liability	15	11.87	43.20
(e) Other Financial liabilities	16	298.02	447.83
2 Non-financial Liabilities			
(a) Provisions	17	506.88	423.07
(b) Other non-financial liabilities	18	149.54	250.48
3 Equity			
(a) Equity share capital	19	1,733.96	1,733.96
(b) Other equity	20	9,779.95	11,877.05
Total Liabilities and Equity		30,570.29	53,646.59

See accompanying notes forming part of the financial statements

In terms of our report of even date attached

For **P.B. Vijayaraghavan & Co.**

Chartered Accountants

Firm Reg. No.: 0047215



P.B. Santhanakrishnan

Partner

M.No.020309



Place : Chennai

Date : 12-Sept-2022

For and on behalf of the Board of Directors of **S.M.I.L.E. Microfinance Limited**



P. Murah Srinivas

Managing Director & CEO

DIN - 00554309

Place : London

Date : 12-Sept-2022



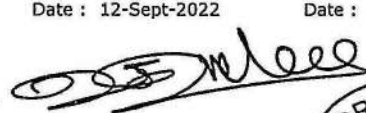
Rajan Samuel

Director

DIN - 02586490

Place: Bangalore

Date : 12-Sept-2022



V.T. Prabakaran

Chief Financial Officer

PAN - AKOPP2826M

Place : Chennai

Date : 12-Sept-2022



S.M.I.L.E. Microfinance Limited
Statement of Profit and Loss for the year ended 31 March 2022

Particulars	Note No.	For the Year ended 31 March 2022	For the Year ended 31 March 2021
		Amount Rs. in lakhs	Amount Rs. in lakhs
I Revenue from operations			
Interest income	21	6,757.94	11,506.71
Net Gain on derecognition of Financial Instruments under amortised cost category	22	2.55	7.08
Commission Income	23	67.10	81.36
Other operating income	24	35.77	20.11
Total (I)		6,863.36	11,615.26
II Other Income	25	16.98	42.72
III Total Income (I + II)		6,880.34	11,657.98
IV Expenses			
Finance cost	26	3,672.63	5,873.98
Impairment of financial instruments	27	1,666.05	3,144.95
Employee benefit expenses	28	2,794.41	2,666.13
Depreciation, amortization and impairment	10	106.32	118.00
Other expenses	29	1,304.05	1,083.39
Total Expenses (IV)		9,543.46	12,886.45
V (Loss) / Profit before Exceptional Items and tax (III - IV)		(2,663.12)	(1,228.47)
VI Exceptional item	30	-	-
VII (Loss) / Profit before tax (V- VI)		(2,663.12)	(1,228.47)
VIII Tax Expense:	9		
(1) Current tax		-	351.11
(2) (Excess) provision for tax relating to prior years		(140.82)	(40.41)
(3) Deferred tax		(382.74)	(651.25)
IX (Loss) / Profit for the year (VII- VIII)		(2,139.56)	(887.92)
X Other Comprehensive Income	20		
A (i) Items that will not be classified to profit or loss: Remeasurement gains and (losses) on defined benefit obligations (net)		56.74	94.56
(ii) Income tax relating to items that will not be reclassified to profit or loss	9.1	(14.28)	(23.80)
Other Comprehensive Income / (Loss)		42.46	70.76
XI Total Comprehensive (Loss) / Income for the year (IX + X)		(2,097.10)	(817.16)
XII Earnings per equity share	32		
- Basic (Rs.)		(12.34)	(5.12)
- Diluted (Rs.)		(12.34)	(5.12)

See accompanying notes forming part of the financial statements

In terms of our report of even date attached
For For **P.B. Vijayaraghavan & Co.**

Chartered Accountants
Firm Reg. No.: 004721S


P.B. Santhanakrishnan
Partner
M.No.020309

Place : Chennai
Date : 12-Sept-2022




For and on behalf of the Board of Directors of **S.M.I.L.E. Microfinance Limited**


P. Murali Srinivas
Managing Director & CEO
DIN - 00554309


Rajan Samuel
Director
DIN - 02586490

Place : London
Date : 12-Sept-2022

Place : Bangalore
Date : 12-Sept-2022


V.T. Prabakaran
Chief Financial Officer
PAN - AKOPP2826M

Place : Chennai
Date : 12-Sept-2022



S.M.I.L.E. MICROFINANCE LIMITED

CIN: U67190TN1995PLC030604

Regd Office: No.10, First Floor, Jagadeeswaran Street, T.Nagar, Chennai, Tamil Nadu - 600017

Statement of Audited Cash Flow Statement for the year ended 31 March 2022

Particulars	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
A Cash flow from Operating Activities		
(Loss) / Profit After Tax	(2,139.56)	(887.92)
Adjustments for:		
Depreciation/ Amortisation	106.32	118.00
Tax Expenses	(523.56)	(340.55)
Provision for Receivables under Financing Activity (Net)	1,666.05	3,144.95
(Profit) / Loss on Sale of Property, Plant & Equipment (Net)	-	-
Finance Cost	3,672.63	5,873.98
Interest on Deposits	(268.81)	(398.08)
Operating Profit before Working Capital Changes	2,513.07	7,510.38
Changes in Working Capital:		
Adjustments for (increase) / decrease in operating assets:		
Receivables under Financing Activity	17,133.64	12,197.96
Loans given to staff	0.42	25.53
Other financial assets	79.92	45.17
Other non financial assets	(34.51)	(17.82)
Adjustments for increase / (decrease) in Operating Liabilities:		
Other Payables	(83.16)	(11.86)
Liability for Lease	(31.33)	(25.77)
Other financial Liabilities	(92.90)	(261.89)
Other non financial Liabilities	(100.94)	(91.31)
Other Provisions	83.80	(151.81)
Cash Flow Generated from Operations	19,468.01	19,218.58
Operational cash flows from Interest:		
Interest Income on Deposits	268.81	398.06
Interest paid on borrowings	(3,715.48)	(5,859.53)
Net cash flow generated from / (used in) operations	16,021.34	13,757.11
Net Income Tax Paid	(90.55)	(315.18)
Net Cash flows generated from / (used in) Operating Activities	15,930.79	13,441.93
B. Cash flow from Investing Activities		
Bank Balance other than cash and cash equivalents (placed)/matured	3,162.08	(334.61)
Proceeds from Sale of Property, plant & equipment	0.09	0.48
Capital Expenditure on Property, plant & equipment (including Capital Advances)	(46.26)	(65.14)
Net Cash Flow (used in)/generated from Investing Activities	3,115.91	(399.27)



S.M.I.L.E. MICROFINANCE LIMITED

CIN: U67190TN1995PLC030604

Regd Office: No.10, First Floor, Jagadeeswaran Street, T.Nagar, Chennai, Tamil Nadu - 600017

Statement of Audited Cash Flow Statement for the year ended 31 March 2022

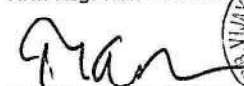
Particulars	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
C. Cash flow from Financing Activities		
Proceeds from of Long-Term Borrowings-Term Loans	14,600.00	11,015.22
Repayment from of Long-Term Borrowings-Term Loans	(25,131.22)	(18,375.04)
Proceeds of Long-Term Borrowings-Debentures	-	4,000.00
Repayment of Long-Term Borrowings-Debentures	(6,854.00)	(5,596.00)
Proceeds from securitisation borrowings	-	5,813.64
Repayment of securitisation borrowings	(3,164.98)	(9,397.21)
(Repayment)/Proceeds of Short-Term Borrowings - Cash Credit (net)	-	(824.67)
Other Interest and charges paid	(92.60)	(75.53)
Net Cash Flow (used in)/generated from Financing Activities	(20,642.80)	(13,439.59)
Net (decrease) in Cash and cash equivalents (A+B+C)	(1,596.10)	(396.93)
Cash and cash equivalents at the beginning of the year	3,428.23	3,825.16
Cash and Cash Equivalents at the end of the year	1,832.13	3,428.23
<u>Reconciliation of Cash and cash equivalents with the Balance Sheet:</u>		
Cash and cash equivalents as per balance sheet	1,820.01	3,428.23
Less: Balances that does not meet the definition of Cash & Cash Equivalents as per Ind AS 7 Statement of Cash flows: Bank Overdraft	(12.12)	-
Cash and cash equivalents as per Ind AS 7 Statement of Cash flows	1,832.13	3,428.23

"In terms of our report of even date attached

For: **P.B. Vijayaraghavan & Co."**

Chartered Accountants

Firm Reg. No.: 004721S



P.B. Santhanakrishnan

Partner

M.No.020309

Place : Chennai

Date : 12-Sept-2022



For and on behalf of the Board of Directors of **S.M.I.L.E. Microfinance Limited**


P. Marali Srinivas
Managing Director & CEO
DIN - 00554309

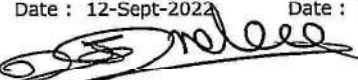

Rajan Samuel
Director
DIN - 02586490

Place : London

Date : 12-Sept-2022

Place : Bangalore

Date : 12-Sept-2022


V.T. Prabakaran
Chief Financial Officer
PAN - AKOPP2826M

Place : Chennai

Date : 12-Sept-2022



S.M.I.L.E. Microfinance Limited
Statement of changes in Equity for the year ended 31 March 2022

A. Equity Share Capital
(1) Current reporting period

Amount Rs. In lakhs				
Balance at the beginning of the reporting year	Changes in Equity Share Capital due to prior year	Restated balance at the beginning of the current reporting year	Changes in equity share capital during the current year	Balance at the end of the reporting year
1,733.96	-	1,733.96	-	1,733.96

(2) Previous year reporting period

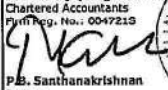
Amount Rs. In lakhs				
Balance at the beginning of the reporting year	Changes in Equity Share Capital due to prior year	Restated balance at the beginning of the current reporting year	Changes in equity share capital during the current year	Balance at the end of the reporting year
1,733.96	-	1,733.96	-	1,733.96

B. Other Equity
(1) Current reporting period

Particulars	Reserves and Surplus													Total
	Share application money pending allotment	Equity component of compound financial instruments	Capital Reserve	Securities Premium	Statutory Reserve	Retained Earnings	Debt Instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (sp. oc/fynau)	Money received against share warrants	
Balance at the beginning of the current reporting period	-	-	-	3,740.20	1,872.41	6,275.58	-	-	-	-	-	(11.14)	-	11,877.05
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the current reporting period	-	-	-	3,740.20	1,872.41	6,275.58	-	-	-	-	-	(11.14)	-	11,877.05
Total Comprehensive Income for the current year	-	-	-	-	-	(2,139.56)	-	-	-	-	-	42.46	-	(2,097.10)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Any other change (to be specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the current reporting period	-	-	-	3,740.20	1,872.41	4,136.02	-	-	-	-	-	31.32	-	9,779.95

(2) Current reporting period

Particulars	Reserves and Surplus													Total
	Share application money pending allotment	Equity component of compound financial instruments	Capital Reserve	Securities Premium	Other Reserves (specify nature)	Retained Earnings	Debt Instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus	Exchange differences on translating the financial statements of a foreign operation	Other items of Other Comprehensive Income (sp. oc/fynau)	Money received against share warrants	
Balance at the beginning of the current reporting period	-	-	-	3,740.20	1,872.41	7,163.50	-	-	-	-	-	(81.90)	-	12,694.21
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the current reporting period	-	-	-	3,740.20	1,872.41	7,163.50	-	-	-	-	-	(81.90)	-	12,694.21
Total Comprehensive Income for the current year	-	-	-	-	-	(887.92)	-	-	-	-	-	70.76	-	(817.16)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Any other change (to be specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the current reporting period	-	-	-	3,740.20	1,872.41	6,275.58	-	-	-	-	-	(11.14)	-	11,877.05

In terms of our report of even date attached
For P.B. Vijayaraghavan & Co.
Chartered Accountants
Firm Reg. No.: 0047213

P.B. Santhanakrishnan
Partner
M.No.020309
Place : Chennai
Date : 12-Sept-2022



For and on behalf of the Board of Directors of S.M.I.L.E. Microfinance Limited

P. Murug Srinivas
Managing Director & CEO
DIN - 00554309

Place: London
Date: 12-Sept-2022

Rajan Samuel
Director
DIN - 02866490

Place: Bangalore
Date: 12-Sept-2022

V.T. Babukaran
Chief Financial Officer
PAN - AKDPP2826M

Place: Chennai
Date: 12-Sept-2022



Notes forming part of the Financial Statements for the year ended 31 March 2022

1 CORPORATE INFORMATION

S.M.I.L.E. Microfinance Limited ("the Company") was incorporated on 21 March 1995. The Company is a Non-Banking Finance Company - Micro Finance Institution (NBFC-MFI). The Company had obtained registration under the Non-Banking Financial Company - Micro Finance Institution (Reserve Bank) Directions, 2011 vide Reserve Bank of India ("RBI") letter dated 29 May 2015.

The Company is engaged in providing microfinance services to women from poor segments of urban and rural Tamil Nadu. The Company generally provides small value collateral free loans upto Rs. 50,000 for a tenor of one to two years with fortnightly / monthly repayment. The Company broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group. All transactions are conducted in the group meetings organised every fortnight / monthly near the habitats of the members.

During December 2017, the Company qualified as a Systemically Important Non Deposit taking NBFC (NBFC-MFI-ND-SI).

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under section 133 of the Companies Act 2013 (the act) and other relevant provisions of the Act.

The financial statements were authorised for issue by the Company's Board of Directors on 12th September, 2022.

2.2 Basis of Preparation and Presentation of Financial Statements

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and



Notes forming part of the Financial Statements for the year ended 31 March 2022

2.3 Use of Estimates

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made judgements, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.4 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(a) The Company calculates interest income by applying effective interest rate method to Gross carrying amount of financial assets other than credit impaired assets. When a financial asset becomes credit impaired and is therefore regarded as Stage 3, the Company calculates interest income by applying effective interest rate method to net amortised cost of the Financial Assets. If the Financial Asset cures and is no longer credit impaired, the Company reverts to calculating interest income on gross basis.

(b) Loan processing fee is recognized over the life of the loan on a proportionate basis. Loan processing fee of derecognised loan portfolio is recognised upfront.

(c) Interest Income on securitized loans are considered at par with own loans and is also recognised under the Effective Interest Rate method. In case of Direct Assignment, company recognize the income upfront on the basis of fair value by discounting the entire interest strip (excess interest spread) of assigned portfolio.

(d) Interest Income on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(e) Dividend income from investments (other than equity shares) is recognized on actual realizations, as stipulated by RBI.

(f) All other income is recognized on an accrual basis, when there is reasonable certainty in the ultimate realization / collection.

2.5 Leases

The Company's lease asset classes primarily consist of leases for land and buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments and receipts under operating leases are recognised as an expense and income respectively, on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

2.6 Employee Benefits

Employee benefits include provident fund, employee state insurance scheme, gratuity and compensated absences.

Retirement Benefit Costs and Termination Benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in the Statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.



Notes forming part of the Financial Statements for the year ended 31 March 2022

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees upto the reporting date.

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an Independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognized in the period in which the absences occur.

2.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

2.8 Cash and Cash Equivalents (for purposes of Cash Flow Statement)

Cash and cash equivalent in the balance sheet comprise demand deposits with bank and Cash on hand, short-term deposits with an original maturity of three months or less including lien marked deposits with Banks and others with respect to loans availed by company. These balances are subject to an insignificant risk of changes in value.

Bank Balances include term deposits held with an original maturity more than 3 months and includes lien marked deposits with Banks and others with respect to loans availed by company/assets securitised.

2.9 Cash Flow Statement

Cash flows are reported using the indirect method, whereby profit / (loss) after extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information



Notes forming part of the Financial Statements for the year ended 31 March 2022

2.10 Property, Plant and Equipment

Furniture and Fixtures, Leasehold Improvements, Office Equipment, Vehicles, Computers and Others are stated at cost less accumulated depreciation and accumulated impairment losses. Costs comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from tax authorities), any attributable expenditure on making the assets ready for intended use.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the Written Down Value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Estimated useful lives of the assets are as follows:

Particulars	Years
Furniture and Fixtures including AC and Electrical fittings	10
Leasehold Improvements	6
Office Equipment	5
Vehicles	8
Computers and others	6

Depreciable amount for assets is the cost of an asset, less its estimated residual value. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and expected residual value at the end of its life. Depreciation on tangible fixed assets has been provided on the Written Down Value Method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

Depreciation is accelerated on fixed assets, based on their condition, usability etc., as per the estimates of the Management, where necessary. Depreciation methods, useful lives and residual values are reviewed periodically including at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.11 Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on Written Down Value method basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on prospective basis.

Software is depreciated over the license period or 6 years, whichever is lower.

An Intangible assets is derecognised on disposal or when no future economic benefits are expected from use of disposal. Gains or losses arising from derecognition of an intangible assets measured as the difference between the net disposal proceeds and the carrying amount of the asset as recognised in profit or loss when the asset is derecognised.



2.12 Impairment to Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13 Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent Liability and Assets :

Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

2.14 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provision of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

Initial Recognition

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVTOCI).
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).
- Equity instruments measured at fair value through other comprehensive income FVTOCI.

Financial assets measured at amortised cost

A 'debt instrument' is measured at amortised cost if both the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.



Notes forming part of the Financial Statements for the year ended 31 March 2022

Financial assets at fair value through profit or loss

A financial asset (other than those stated as amortized cost) is subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Dividend income from these financial assets is included in other income.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

Financial liabilities

Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts

Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

Impairment of financial assets

The Company recognises Impairment allowance for expected credit losses (ECL) on Financial Assets held at amortized cost. The Company also computes the provision for non-performing assets (NPA) as per IRAC norms of RBI. The higher of the two is recorded in the books.

ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive (i.e., all cash shortfalls).

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months from the reporting date.

The company assesses at each reporting date whether a financial asset (or a group of financial assets) such as loans and advances and security deposits held at amortised cost are tested for impairment based on evidence or information that is available without undue cost or effort. Lifetime Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

The company applies a three-stage approach to measuring expected credit losses (ECLs) for Loan Receivables. No ECL is recognised on equity investments.

Measurement of ECLs

Expected Credit Loss is computed as follows = Gross EAD * PD* LGD

The Exposure at Default ("EAD") is an estimate of the exposure (gross carrying amount), at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments.

The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the Exposure at Default



Notes forming part of the Financial Statements for the year ended 31 March 2022

To calculate the ECL, the Company assesses the possible default events of EAD at various Stages. The company has broadly followed the following approach to compute ECL.

The EAD is categorised based on respective Past Due status as given below :

Stage 1: 12-months ECL

All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The company has assessed that all standard advances and advances upto 30 days default would fall under this category.

For these assets, 12-month ECL are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2: Lifetime ECL – not credit impaired

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. 30 Days Past Due upto 90 Days is considered as significant increase in credit risk and classified under this category. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.

Stage 3: Lifetime ECL – credit impaired

All exposures greater than 90 Days Past due assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred are classified in this stage. For exposures that have become credit impaired, a lifetime ECL is recognised. Interest revenue is recognized on actual realization in line with prudential norms.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial assets credit risk has increased significantly since initial recognition, by considering the change in the risk of defaults occurring over the remaining life of the financial assets.

Where there is significant change in macro- economic conditions warranting reassessment of credit risk and perceived likelihood of increased probability of loan defaults, company shall make such additional credit loss provisions in addition to ECL provisions as deemed fit by Audit committee.

The measurement of ECL reflects:

- a) An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
- b) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events and current conditions.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have the financial ability to repay the amounts subject to the write-off.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL in respect of Financial assets measured at fair value through Profit and Loss are presented as a deduction from the gross carrying amount of the assets in the statement of financial position.

2.15 Earnings per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.16 Goods & Services Tax Input Credit

Goods & Service Tax Input Credit is accounted for in the books in the period when the underlying Goods and service received are accounted and when there is reasonable certainty in availing / utilizing the same.

2.17 Insurance claims

Insurance claims recoverable are accrued for on the basis of claims admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection. Claims pending settlement for more than a year are provided for.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies which is described in Note 3, the Management of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- (i) Useful lives of Property, plant and equipment (Refer Note 2.10)
- (ii) Assets and obligations relating to employee benefits (Refer Note 2.6)
- (iii) Valuation and measurement of Income taxes and deferred taxes (Refer Note 2.7)
- (iv) Impairment of financial assets based on Expected Credit Loss model (Refer Note 2.14)



S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

4 Cash and cash equivalents

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Cash on hand	0.35	3.54
(b) Balances with Banks		
- In Current Accounts	1,819.66	3,424.69
- In Deposit Accounts - Free of Lien (original maturity less than 3 months)	-	-
Total	1,820.01	3,428.23

5 Bank Balances other than Cash and cash equivalents

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
Balances with Banks		
- In Deposit Accounts - Free of Lien (original maturity more than 3 months)	10.92	447.82
- In Current Accounts- Earmarked Unpaid Dividend	8.52	8.52
- In Deposit Accounts - Under Lien (Refer Note 5.1 below)	1,774.98	4,500.16
Total	1,794.42	4,956.50

5.1 Deposit accounts under lien comprise of:

Deposits amounting to Rs. 1700.55 lakhs (As at 31 March 2021: Rs. 3536.71 lakhs) have been placed with certain banks for obtaining term loans.

Deposits amounting to Rs. 0 lakhs (As at 31 March 2021 : Rs. 696.79 lakhs) placed as credit enhancement (cash collateral) towards securitization transactions.

Accrued interest of Rs.74.43 (As at 31 March 2021 : Rs.266.67) lakhs is added to the amount shown against deposit accounts under lien.

6 Loans (at amortised cost (Refer Notes below))

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(i) Unsecured and considered good, unless otherwise stated		
Loans	29,916.19	47,049.83
Less : Impairment loss allowance	5,056.20	3,390.15
Sub Total	24,859.99	43,659.68

6(a)

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(ii) Loan to Staff	11.37	11.79
Grand Total	11.37	11.79

6.1

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
The Loan Receivables reflected above excludes microfinance loans assigned to a third party on securitization in accordance with RBI Guidelines which qualify for derecognition as per Ind AS 109.	-	80.12



6.2 Disclosure requirements as per RBI circular dated March 13, 2020 having reference number RBI/2019-20/170 , DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 as per para 2 of Prudential Floor of ECL
(a) As at 31 March 2022

(Amount Rs.in Lakhs)						
Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
Performing assets						
Standard	Stage 1	23,866.30	560.86	23,305.44	-	560.86
	Stage 2	573.50	13.47	560.03	-	13.47
Non Performing Assets (NPA)	Stage 3	5,637.57	4,481.87	1,155.70	4,655.30	-173.43
Total		30,077.37	5,056.20	25,021.17	4,655.30	400.90

(a) As at 31 March 2021

(Amount Rs.in Lakhs)						
Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
Performing assets						
Standard	Stage 1	40,402.97	460.52	39,942.45	-	460.52
	Stage 2	2,314.36	149.80	2,164.56	-	149.80
Non Performing Assets (NPA)	Stage 3	4,476.49	2,779.82	1,696.67	1,727.62	1,052.20
Total		47,193.82	3,390.14	43,803.68	1,727.62	1,662.52

6.3 The Stage wise break of Loans reflected above (Refer Note 6) is given below :

(A) As at 31 March 2022

(Amount Rs. In lakhs)				
Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	23,789.49	564.00	5,541.63	29,895.12
ii. Loans considered as Non Qualifying Assets	76.80	9.51	95.94	182.25
Gross Carrying Amount of Loans	23,866.29	573.51	5,637.57	30,077.37
Less : Impairment loss allowance	560.86	13.47	4,481.87	5,056.20
Net Loans	23,305.43	560.04	1,155.70	25,021.17

(B) As at 31 March 2021

(Amount Rs. In lakhs)				
Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	39,895.92	2,254.92	4,395.19	46,546.03
ii. Loans considered as Non Qualifying Assets	507.05	59.44	81.30	647.79
Gross Carrying Amount of Loans	40,402.97	2,314.36	4,476.49	47,193.82
Less : Impairment loss allowance	460.52	149.80	2,779.82	3,390.14
Net Loans	39,942.45	2,164.56	1,696.67	43,803.68

6.4 Reconciliation of impairment allowance on Loans

Particulars	Amount Rs.in Lakhs
Impairment allowance as at 1 April 2020	874.38
Add: Impairment allowance provided in statement of Profit & Loss	3,144.95
Less: Impairment allowance Utilised for writing off Loss assets	629.18
Impairment allowance as at 31 March 2021	3,390.15
Add: Impairment allowance provided in statement of Profit & Loss	1,666.05
Less: Impairment allowance Utilised for writing off Loss assets	-
Impairment allowance as at 31 March 2022	5,056.20



6.5 As per RBI guidelines on Securitisation DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016 updated on April 16, 2019 the details of securitisation are given below:

Particulars	31 March 2022 Numbers/Amount (Rs. In lakhs)	31 March 2021 Numbers/Amount (Rs. In lakhs)
(i) No of SPVs sponsored by the NBFC for securitisation transactions		
a.Through Direct assignment	-	2
b.Through PTC	-	4
Total	-	6
(ii) Total amount of securitised assets as per books of the SPVs Sponsored (Amount Rs.In Lakhs)		
a.Through Direct assignment	-	80.12
b.Through Pass through Certificates	-	3,084.58
Total	-	3,164.70
(iii) Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance sheet		
a) Off-balance sheet exposures		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
- First loss	-	-
a. Direct Assignment	-	-
a. Pass through Certificates	-	-
- Others (Minimum Retention requirement("MRR"))	-	-
(iv) Amount of exposures to securitisation transactions Other than		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
- First loss	-	-
a. Direct Assignment	-	-
a. Pass through Certificates	-	-
- Others	-	-
ii) Exposure to third party securitizations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitizations		
- First loss	-	696.79
- Others	-	-
ii) Exposure to third party securitizations		
First loss	-	-
Others	-	-

6.6 Details of Financial Assets sold to Securitisation Company

(Amount Rs in lakhs)

Particulars	For the Year ended 31 March 2022	For the Year ended 31 March 2021
Total number of loan assets securitized during the year	-	48,168
a.Through Direct assignment (no. of accounts)	-	-
b.Through PTC (no. of accounts)	-	48,168
Book value of loan assets securitized during the year	-	6,161.93
a.Through Direct assignment	-	-
b.Through PTC	-	6,161.93
Sale consideration received during the year	-	5,813.64
a.Through Direct assignment	-	-
b.Through PTC	-	5,813.64
MFI Loans Subordinated as Credit Enhancement on Assets Derecognised	-	348.29
a.Through Direct assignment	-	-
b.Through PTC	-	348.29
Gain / (loss) on the securitization transaction recognised in P&L	-	-
a.Through Direct assignment	-	-
b.Through PTC	-	-
Gain / (loss) on the securitization transactions deferred	-	-
a.Through Direct assignment	-	-
b.Through PTC	-	-
Quantum of Credit Enhancement provided on the transactions in the form of deposits	-	696.79
a.Through Direct assignment	-	-
b.Through PTC	-	696.79
Quantum of Credit Enhancement as at year end	-	696.79
a.Through Direct assignment	-	-
b.Through PTC	-	696.79
Interest spread Recognised in the Statement of Profit and Loss during the Year	-	7.08
a.Through Direct assignment	-	7.08
b.Through PTC	-	-



SMILE Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

6.7 An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans is as follows:

Particulars	As at 31 March 2022			As at 31 March 2021			Total
	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	
Gross carrying amount as at 1 April	40,402.97	2,314.36	4,476.49	59,700.66	38.16	133.53	59,872.35
New assets originated or purchased	20,970.27	-	244.40	33,404.50	-	-	33,404.50
Assets derecognised or repaid (excluding write offs)	(34,684.88)	(922.39)	(2,723.85)	(47,652.18)	(3.78)	(5.00)	(47,660.96)
Interest on moratorium period included in principal amount of loans	-	444.13	2,377.93	1,577.93	-	-	1,577.93
Transfers to Stage 1	(444.13)	-	1,262.60	(2,281.33)	6,305.15	(0.66)	(4,023.15)
Transfers to Stage 2	(2,377.93)	(1,262.60)	-	(4,346.61)	(2.02)	(629.04)	4,023.16
Transfers to Stage 3	-	-	-	-	-	(629.05)	629.04
Amounts written off	-	-	-	-	-	(629.05)	(629.05)
Gross carrying amount as at 31 March	23,866.30	573.50	5,637.57	40,402.97	2,314.36	4,476.49	47,193.82

Reconciliation of ECL balance is given below:

Particulars	As at 31 March 2022			As at 31 March 2021			Total
	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	
ECL allowance as at 1 April	460.52	149.80	2,779.82	736.56	4.28	133.53	874.37
New assets originated or purchased	492.80	-	194.30	324.76	-	-	324.76
Assets derecognised or repaid (excluding write offs)	(326.14)	(117.10)	(2,070.04)	(543.23)	(0.24)	(3.11)	(546.58)
Interest on moratorium period included in principal amount of loans	-	-	-	17.99	-	-	17.99
Transfers to Stage 1	-	10.44	2,232.24	(26.01)	(260.30)	(0.41)	(260.30)
Transfers to Stage 2	(10.44)	-	1,345.55	(49.55)	406.19	3,229.17	3,79.78
Transfers to Stage 3	(55.88)	(29.67)	-	-	(0.13)	(629.05)	3,229.17
Amounts written off	-	-	-	-	-	(629.05)	(629.05)
ECL allowance as at 31 March	560.86	13.47	4,481.87	460.52	149.80	2,779.82	3,390.13



S.M.I.L.E. Microfinance Limited

Notes forming part of the Financial Statements for the year ended 31 March 2022

7 Other financial assets (At amortised cost)

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Security deposits	106.68	107.11
(b) Insurance Commission Receivable	0.57	34.70
(c) Direct Assignment Incentive Receivable	-	-
(d) Retained Interest on Asset Assigned	-	0.95
(e) Interest Spread Receivable on Securitisation	-	44.41
Total	107.25	187.17

8 Current Tax Assets (Net)

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
Advance Income Tax (Net of provision for tax Rs.0 (31 March 2021: Rs.351.11 lakhs)	311.67	80.30
Total	311.67	80.30

9 Deferred Tax Assets (Net)

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
Deferred Tax Assets (Net) (Refer Note 9.1)	1,383.45	1,014.99
Total	1,383.45	1,014.99



9.1 Current Tax and Deferred Tax

(i) Income Tax Expense

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Current tax in respect of current year	(140.82)	310.70
(b) Deferred tax relating to origination and reversal of temporary differences	(382.74)	(651.25)
Total Tax Expense recognised in statement of profit and loss in respect of current year	(523.56)	(340.55)

(ii) Income Tax on Other Comprehensive Income

Particulars	As at	For the year ended
	31 March 2022	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
Deferred Tax		
Remeasurement of defined benefit obligation	(14.28)	(23.80)
Total	(14.28)	(23.80)

(iii) Following is the analysis of the deferred tax asset/(liabilities) presented in the Balance sheet.

(Amount Rs. in Lakhs)

Particulars	Opening Balance	For the Year Ended 31 March 2022		Closing Balance
		Charge/(Credit) recognised in		
		Recognised in profit and Loss	Recognised in OCI	
Tax effect of items constituting deferred tax assets/deferred Tax liability :				
Property, Plant and Equipment	21.09	2.60	-	18.49
Provision for Employee Benefits	145.31	6.80	(14.28)	124.23
Provision for Loan Receivables	778.26	(419.74)	-	1,198.00
Effective Interest Rate on Borrowings	108.08	46.57	-	61.51
Present Value Discounting of Processing Fee Income	(37.51)	(18.72)	-	(18.79)
Present Value Discounting of Interest spread on Direct Assignment of receivables	(0.24)	(0.24)	-	-
Total	1,014.99	(382.74)	(14.28)	1,383.45

(Amount Rs. in Lakhs)

Particulars	Opening Balance	For the Year Ended 31 March 2021		Closing Balance
		Charge/(Credit) recognised in		
		Recognised in profit and Loss	Recognised in OCI	
Tax effect of items constituting deferred tax assets/deferred Tax liability :				
Property, Plant and Equipment	(0.47)	(21.56)	-	21.09
Provision for Employee Benefits	154.32	(14.79)	(23.80)	145.31
Provision for Loan Receivables	154.53	(623.73)	-	778.26
Effective Interest Rate on Borrowings	150.35	42.27	-	108.08
Present Value Discounting of Processing Fee Income	(57.44)	(19.94)	-	(37.51)
Present Value Discounting of Interest spread on Direct Assignment of receivables	(13.75)	(13.51)	-	(0.24)
Total	387.54	(651.25)	(23.80)	1,014.99

The company elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019. Accordingly the Company has recognized Provision for Income Tax for the year ended 31 March 2020 and recognized its Deferred Tax Assets and Liabilities based on the rates prescribed in the aforesaid section. The impact of this change has been recognized in the Statement of Profit and Loss for the year ended 31 March 2020.



A. Current Year period ended (1 April 2021 to 31 March 2022)

S.No.	Description	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
		Balance as at 1 April 2021	Additions	Disposals	Balance as at 31 March 2022	Balance as at 1 April 2021	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2022	Balance as at 31 March 2022	Balance as at 01 April 2021
10(a)	Property, plant and equipment										
1	Leasehold Improvements	14.98	-	-	14.98	6.59	2.11	-	8.70	6.28	8.39
2	Computer Equipments	152.55	37.43	0.46	189.52	97.59	45.84	0.42	143.01	46.51	54.96
3	Furniture and Fixtures	23.58	-	-	23.58	12.26	2.98	-	15.16	8.42	11.32
4	Office Equipments	18.03	2.34	-	20.37	7.21	5.19	-	12.40	7.97	10.82
5	Vehicles	35.63	-	0.29	35.34	20.95	4.07	0.24	24.78	10.56	14.68
6	Server and Networking	18.79	-	-	18.79	7.71	4.35	-	12.06	6.73	11.08
		263.56	39.77	0.75	302.58	152.31	64.46	0.66	216.11	86.47	111.25
10(b)	Intangible assets										
1	Computer - Softwares	60.46	6.32	-	66.78	22.39	13.95	-	36.34	30.44	38.07
10(C)	Right of Use- Lease hold Building	83.71	-	-	83.71	46.51	27.90	-	74.41	9.30	37.20
		144.17	6.32	-	150.49	68.90	41.85	-	110.75	39.74	75.27
	Grand Total	407.73	46.09	0.75	453.07	221.21	106.31	0.66	326.86	126.21	186.52

B. Previous year (1 April 2020 to 31 March 2021)

S.No.	Description	Gross Block				Accumulated Depreciation and Amortisation				Net Block	
		Balance as at 01 April 2020	Additions	Disposals	Balance as at 31 March 2021	Balance as at 01 April 2020	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2021	Balance as at 31 March 2021	Balance as at 1 April 2020
10(a)	Property, plant and equipment										
1	Leasehold Improvements	11.66	3.32	-	14.98	3.66	2.93	-	6.59	8.39	8.00
2	Computer Equipments	134.90	23.35	5.70	152.55	50.18	52.78	5.37	97.59	54.96	84.72
3	Furniture and Fixtures	23.15	0.51	0.08	23.58	8.43	3.91	0.08	12.26	11.32	14.72
4	Office Equipments	18.45	1.71	2.13	18.03	2.52	6.71	2.02	7.21	10.82	15.93
5	Vehicles	35.84	-	0.21	35.63	14.43	6.69	0.17	20.95	14.68	21.41
6	Server and Networking	13.83	4.96	-	18.79	3.38	4.33	-	7.71	11.08	10.45
		237.83	33.85	8.12	263.56	82.60	77.35	7.64	152.31	111.25	155.23
10(b)	Intangible assets										
1	Computer - Softwares	37.23	23.23	-	60.46	9.68	12.71	-	22.39	38.07	27.55
10(C)	Right of Use- Lease hold Building	83.65	0.06	-	83.71	18.59	27.92	-	46.51	37.20	65.06
		120.88	23.29	-	144.17	28.27	40.63	-	68.90	75.27	92.61
	Grand Total	358.71	57.14	8.12	407.73	110.87	117.98	7.64	221.21	186.52	247.84



11 Other non financial assets

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Deferred Lease rental	0.74	3.68
(b) Balance with Government authorities		
(i) Goods and Service Tax Input Tax Credit	35.28	4.66
(ii) Amounts paid under Protest-Income Tax Demand	10.00	10.00
(c) Prepaid expenses	15.54	23.15
(d) Advance to Suppliers	19.81	8.79
(e) Insurance premium receivable from Customer	74.55	71.13
	155.92	121.41



12 Trade Payables

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Total outstanding dues of micro enterprises and small enterprises (Refer Note 38)	2.40	2.97
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	44.57	127.16
Total	46.97	130.13

13 Debt securities (At Amortised Cost)

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
Redeemable Non-convertible Debentures		
- Secured	-	7,039.98
- Unsecured	3,999.85	3,997.11
Total	3,999.85	11,037.09
(i) Debt securities in India	3,999.85	11,037.09
(ii) Debt securities outside India	-	-
Total	3,999.85	11,037.09

13.1 Details of Debentures - Secured and Unsecured, Redeemable Non-convertible Debentures (NCD's)- Redeemable

The NCDs are secured by charge on specific loans of the Company.

No. of Debentures	Face value	Interest Rate	Due date of redemption	No. of instalments as at 31 March 2022	As at 31 March 2022	As at 31 March 2021
258	10	12.96%	Maturity Date: September 15, 2021	-	-	838.50
387	10	12.96%	Maturity Date: September 15, 2021	-	-	2,515.50
200	10	15.50%	Maturity Date: July 07, 2022	1	2,000.00	2,000.00
188	10	15.50%	Maturity Date: August 22, 2022	1	1,880.00	1,880.00
12	10	15.50%	Maturity Date: August 22, 2022	1	120.00	120.00
250	10	11.50%	Maturity Date: February 14, 2022	-	-	2,500
150	10	14.50%	Maturity Date: December 20, 2021	-	-	1,000
Total					4,000.00	10,854.00

13.2 The Company has not defaulted in the repayment of dues to debenture holders as on 31 March 2022.

14 Borrowings (other than debt securities) (At Amortised Cost)

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Secured		
- Term Loan from Banks	5,053.70	7,694.20
- Term Loan from NBFCs	9,001.67	16,861.00
- Cash credit	(12.12)	-
(b) Borrowings under securitisation	-	3,148.58
Total	14,043.25	27,703.78
Borrowings in India	14,043.25	27,703.78
Borrowings outside India	-	-
Total	14,043.25	27,703.78

14.1 The Company has not defaulted in the repayment of dues to Banks and NBFC's as on 31 March 2022.



14.2 Security on Term Loans from Banks and Others

All loans are secured by hypothecation of Micro Finance Loans. Further, the Company has provided a specific lien on deposits with Banks (Refer (a) below) and also have deposits with other NBFCs for Term Loans (Refer (b) below)

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Deposits with Banks & Others	1,711.47	4,627.50
(b) Deposits with NBFCs	-	50.00
Total	1,711.47	4,677.50

14.3 Details of Terms of Repayment- Term Loans from Banks and Others

(a) As at 31 March 2022

Particulars	As at 31 March 2022 Amount Rs. in lakhs	Number of Remaining Instalments	Maturity	
			< 1 Year	> 1 Year
Base Rate+Spread (Range from 9.25% to 15.15%)	9,611.90	1 to 18	6,512.91	3,098.99
Fixed (Range from 10% to 14%)	8,432.40	1 to 18	3,752.14	680.26
TOTAL	14,044.30		10,265.05	3,779.25

(a) As at 31 March 2021

Particulars	As at 31 March 2021	Number of Remaining Instalments	Maturity	
	Amount Rs. in lakhs		< 1 Year	> 1 Year
Base Rate+Spread (Range from 10.90% to 14.50%)	10,017.86	2 to 39	7,817.47	2,200.39
Fixed (Range from 6.43% to 14.90%)	14,569.79	2 to 24	11,057.43	3,512.36
TOTAL	24,587.65		18,874.90	5,712.75

14.4 Details of Bank Overdraft from Bank - Secured

(a) The Bank Overdraft facility is secured by hypothecation of Microfinance Loans
(b) The details of Interest rate and repayment terms are as follows:

Repayment Terms	Interest Rate	As at 31 March 2022	(Amount Rs. in lakhs)
			As at 31 March 2021
Repayable on Demand	11.60%	(12.12)	-



15 Liability for Lease

Particulars	As at 31 March 2022	As at
	Amount Rs. in lakhs	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Liability for Lease (Refer Note 33)	11.87	43.20

16 Other financial liabilities

Particulars	As at 31 March 2022	As at
	Amount Rs. in lakhs	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Unclaimed Dividends	8.52	8.52
(b) Remittances payable on assignment not due	-	48.25
(c) Non Solicitation fee payable-Mahasemam Trust	275.00	375.00
(d) Insurance Proceeds payable to borrowers	14.50	14.50
(e) Payable for Purchase of Capital Asset	-	0.17
(f) Excess interest collected refundable to borrowers	-	1.39
Total	298.02	447.83

17 Provisions

Particulars	As at 31 March 2022	As at
	Amount Rs. in lakhs	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Gratuity Payable (Refer Note 34)	109.10	100.33
(b) Provision for Compensated Absences (Refer Note 34)	314.93	322.74
(c) TDS Default payable	8.30	-
(d) Provision for insurance amount receivable	74.55	-
Total	506.88	423.07

18 Other non financial liabilities

Particulars	As at 31 March 2022	As at
	Amount Rs. in lakhs	31 March 2021
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Statutory dues payable	69.65	62.96
(b) Others	79.89	187.52
Total	149.54	250.48



19 Equity Share Capital

Particulars	As at 31 March 2022		As at 31 March 2021	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
(a) Authorised Equity shares of Rs.10/- each	2,00,00,000	2,000.00	2,00,00,000	2,000.00
TOTAL	2,00,00,000	2,000.00	2,00,00,000	2,000.00
(b) Issued, Subscribed and Fully Paid Up Equity shares of Rs.10/- each	1,73,39,639	1,733.96	1,73,39,639	1,733.96
TOTAL	1,73,39,639	1,733.96	1,73,39,639	1,733.96

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year:

Equity Shares	As at 31 March 2022		As at 31 March 2021	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
At the beginning of the year	1,73,39,639	1,733.96	1,73,39,639	1,733.96
Issued during the year	-	-	-	-
Outstanding at the end of the year	1,73,39,639	1,734	1,73,39,639	1,734

(ii) Details of shares held by the holding company:

Class of shares / Name of shareholder	As at 31 March 2022		As at 31 March 2021	
	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares
Equity Shares of Rs. 10 each DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%

(iii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 March 2022		As at 31 March 2021	
	No of shares held	% holding in the class of shares	No of shares held	% holding in the class of shares
Equity Shares of Rs. 10 each DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%
Dr. S. Gurusankar	27,02,499	15.59%	27,02,499	15.59%

(iv) The Company has only one class of equity shares having a par value of Rs.10. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees.



20 Other Equity

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Securities Premium Account	3,740.20	3,740.20
(b) Statutory Reserve	1,872.41	1,872.41
(c) Surplus in Statement of Profit and Loss	4,136.02	6,275.58
(d) Other Comprehensive Income (OCI)	31.32	(11.14)
Total	9,779.95	11,877.05

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Securities Premium Account		
Opening balance	3,740.20	3,740.20
Add : Premium on shares issued during the year	-	-
Less : Utilised during the year	-	-
Closing Balance	3,740.20	3,740.20
(b) Statutory Reserve		
Opening balance	1,872.41	1,872.41
Add: Additions during the year	-	-
Less: Utilised / transferred during the year	-	-
Closing Balance	1,872.41	1,872.41
(c) Surplus in Statement of Profit and Loss		
Opening Balance	6,275.58	7,163.50
Add:(Loss)/ Profit for the year	(2,139.56)	(887.92)
Less: Transfer to Statutory Reserve	-	-
Closing Balance	4,136.02	6,275.58
(d) Other Comprehensive Income (OCI)		
Opening Balance	(11.14)	(81.90)
Add: Profit / (Loss) for the Year	42.46	70.76
Less: Transfer to Statutory Reserve	-	-
Closing Balance	31.32	(11.14)
TOTAL (a+b+c+d)	9,779.95	11,877.05



S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

21 Interest Income

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Interest on Microfinance Loans	6,489.13	11,108.65
(b) Interest on deposits with Banks and Financial Institutions	268.81	398.06
	6,757.94	11,506.71

22 Net Gain on derecognition of Financial Instruments under amortised cost category

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
Net Gain on derecognition of Financial Instruments under amortised cost category	2.55	7.08
	2.55	7.08

23 Commission Income

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
Insurance commission	54.67	81.36
BC commission	12.43	-
	67.10	81.36

24 Other Operating Income

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Loss Assets recovered	18.47	1.61
(b) Gain on sale of current investments in Mutual Funds	17.30	18.50
Total	35.77	20.11

25 Other Income

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Profit on Sale of Property, Plant & Equipment	0.21	0.03
(b) Interest on Staff Loan	2.69	4.84
(c) Servicer Fee	1.00	1.00
(d) Incentive on Direct Assignment	-	-
(e) Miscellaneous income	13.08	22.69
(f) Income From IT Refund interest AY 2018-19	-	14.16
Total	16.98	42.72



S.M.J.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

26 Finance Cost

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Interest on Borrowings		
- Term Loans from Banks	939.89	1,369.93
- Term Loans from NBFCs	1,425.20	2,170.27
- Cash Credit	8.72	60.62
(b) Interest on Debt Securities		
- Debentures	1,109.83	1,799.58
- Borrowings under securitisation arrangement	96.39	398.05
(c) Other Borrowing Costs		
- Processing Fees & Others	20.03	37.18
- Bank Charges	72.57	38.35
	3,672.63	5,873.98



S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

27 Impairment of financial instruments

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
Loans (Also refer Note 6.4)	1,666.05	3,144.95
Total	1,666.05	3,144.95

28 Employee Benefit Expenses

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Salaries and Wages	2,514.47	2,424.56
(b) Contributions to Provident and Other Funds (Refer Note 34)	165.91	154.57
(c) Staff Welfare Expenses	114.03	87.00
Total	2,794.41	2,666.13

29 Other expenses

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Electricity	31.94	26.32
(b) Rent including Lease Rentals (Refer Note 33)	192.95	181.98
(c) Repairs and Maintenance - Building	12.25	25.46
(d) Repairs and Maintenance - Others	27.61	22.93
(e) Insurance	119.46	50.74
(f) Rates and Taxes	76.14	45.98
(g) Communication Expenses	61.49	49.53
(h) Travel and Conveyance	330.96	221.84
(i) Loss on sale of Property, Plant & equipment	-	-
(j) Printing and Stationery	24.72	28.60
(k) Directors' Sitting Fees	20.50	17.75
(l) Subscription Fees	1.82	2.30
(m) Corporate Social Responsibility (Refer Note 47)	28.04	53.06
(n) Legal and Professional Fees	175.12	148.08
(o) Software Costs	138.70	135.39
(p) Security Charges	7.20	4.18
(q) Customer welfare Expenses	0.67	1.62
(r) Meeting and Seminar Expenses	7.88	7.94
(s) Filing Fees	0.58	0.69
(t) Vehicle Maintenance	13.78	9.42
(u) Payments to Statutory Auditors' (net of input tax credit)		
- Statutory Audit	16.00	19.25
- Tax Audit	2.00	2.20
- Other Services (Limited Review and Certification)	1.00	21.05
(v) Miscellaneous Expenses	13.24	7.08
Total	1,304.05	1,083.39

30 Exceptional Item

Particulars	As at 31 March 2022	As at 31 March 2021
	Amount Rs. In lakhs	Amount Rs. In lakhs
Non Solicitation Payment (Refer note 49)	-	-
Total	-	-



S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

31 Segment Reporting

The Company is engaged in extending micro credit advances to poor women, who are otherwise unable to access finance from the mainstream banking channels. Based on the "management approach" as defined in Ind-AS 108 - Operating Segments, the Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by the overall business segment, i.e. Microfinance Loans. As the allocation of resources and profitability of the business is evaluated by the CODM on an overall basis, with evaluation into individual categories to understand the reasons for variations, no separate segments have been identified. Accordingly no additional disclosure has been made for the segmental revenue, segmental results and the segmental assets & liabilities.

32 Earnings per share

Basic and Diluted earnings per share :

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Particulars	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
(a) Net Profit attributable to Equity Shareholders - Rs. in lakhs (Basic and Diluted)	(2,139.56)	(887.92)
(b) Weighted average number of equity shares in calculating basic Earnings Per Share (Nos.)	1,73,39,639	1,73,39,639
(c) Earnings per share - Basic and Diluted - Rs.	(12.34)	(5.12)

33 Leases

(A) Break-up of Current and Non-Current Liabilities

The following is the break-up of Current and Non-Current Liabilities as at March 31, 2022

Particulars	As at March 31, 2022	As at March 31, 2021
Current Lease Liabilities	11.87	31.33
Non-Current Lease Liabilities	-	11.87

(B) Movement in Lease Liabilities

The following is the movement in lease liabilities for the year ended March 31, 2022

Particulars	As at March 31, 2022	As at March 31, 2021
Balance as on 1st April	43.20	68.96
Additions	-	-
Finance Cost accrued during the period	3.87	7.69
Deletions	-	-
Payment of Lease Liabilities	35.20	33.45
Total	11.87	43.20

(C) Details of Income/Expense recognized in the statement of Profit and Loss :

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Depreciation expense on right-of-use assets	27.90	27.92
Interest expense on lease liabilities	3.87	7.69
Lease expense on Low Value Assets / Short term assets	192.95	181.98

(D) The table below provides details regarding the contractual maturities of lease liabilities As at March 31, 2022 on undiscounted basis

Particulars	As at 31 March 2022	As at 31 March 2021
Less Than one year	11.87	35.20
One to Five Years	-	11.92
More Than Five Years	-	-



S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

34 Employee benefits

34.1 Defined Contribution Plan

(a) The Company makes Provident and Pension Fund contributions, which is a defined contribution plan, for qualifying employees. Additionally, the Company also provides, for covered employees, health insurance through the Employee State Insurance scheme. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

(b) Expenses Recognised

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Contributions to provident and pension funds	130.76	123.76
Contributions to Employee State Insurance	35.15	30.82
Total	165.91	154.57

34.2 Compensated Absences

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Included under "Salaries & Wages" (Refer Note 28)	(7.81)	(2.71)

(Amount Rs. In lakhs)

Particulars	As at 31 March 2022	As at 31 March 2021
(b) Net liability recognised in the Balance Sheet	314.93	322.74
Current portion of the above	130.49	123.15
Non - current portion of the above	184.44	199.59

The Key Assumptions used in the computation of provision for compensated absences are as given below:

Particulars	As at 31 March 2022	As at 31 March 2021
Discount Rate (% p.a)	6.84%	6.20%
Future Salary Increase (% p.a)	6.00%	8.00%
Attrition rate:		
Upto 30 years	27.00%	Upto grade of Branch Managers
31 to 44 years	9.40%	Above grade of Branch Managers
45 years and above	1.00%	Managers
		16.00%
		8.00%

34.3 Defined Benefit Plans:

The Company operates a gratuity plan covering qualifying employees. The benefit payable is calculated as per the Payment of Gratuity Act, 1972 and the benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The Company makes annual contribution to the group gratuity scheme administered by the Life Insurance Corporation of India.

In respect of the plan, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2022 by M/s KP Actuaries and Consultants, Fellow of the Institute of Actuaries of India. The present value of the defined benefit obligation, and the related current service cost and paid service cost, were measured using the projected unit cost credit method.

(a) Amount recognised in the statement of profit & loss in respect of the defined benefit plan are as follows :

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2022	For the year ended 31 March 2021
Amounts recognised in statement of Profit & Loss in respect of these defined benefit plans are as follows:		
Service Cost		
- Current Service Cost	59.30	52.19
- Past Service Cost	-	-
- Net interest expense	6.22	15.95
Components of defined benefit costs recognised in statement of profit or loss (A)	65.52	68.14
Actuarial (gain)/loss on Plan Obligations	56.74	91.82
Difference between Actual Return and Interest Income on Plan Assets- (gain)/loss	-	2.74
Components of defined benefit costs recognised in other comprehensive income (B)	(56.74)	(94.56)
Total	8.78	(26.42)

- (i) The current service cost and interest expense for the year are included in the Note 28 - Employee Benefit Expenses in the statement of profit & loss.
(ii) The remeasurement of the net defined benefit liability is included in other comprehensive income.



(b) The amount included in the balance sheet arising from the entity's obligation in respect of defined benefit plan is as follows :

Particulars	(Amount Rs. In lakhs)	
	As at 31 March 2022	As at 31 March 2021
I. Net Asset/(Liability) recognised in the Balance Sheet		
Present value of defined benefit obligation	437.41	454.03
Fair value of plan assets	328.30	353.70
Net Asset/(Liability) recognised in the Balance Sheet	(109.11)	(100.33)
Current portion of the above	-	-
Non current portion of the above	(109.11)	(100.33)

(c) Movement in the present value of the defined benefit obligation are as follows :

Particulars	(Amount Rs. In lakhs)	
	For the year ended 31 March 2022	For the year ended 31 March 2021
Change in the obligation during the year ended		
Present value of defined benefit obligation at the beginning of the year	454.03	477.45
Expenses Recognised in Profit and Loss Account		
- Current Service Cost	59.30	52.19
- Past Service Cost	-	-
- Interest Expense (Income)	28.13	30.53
Remeasurement gains / (losses)		
- Effect of Changes in demographic Assumptions	(12.63)	3.09
- Effect of Changes in Financial Assumptions	(92.12)	(60.95)
- Effect of Experience Adjustments	48.01	(33.96)
Benefit payments	(47.31)	(14.33)
Present value of defined benefit obligation at the end of the year	437.41	454.03

(d) Movement in fair value of plan assets are as follows :

Particulars	(Amount Rs. In lakhs)	
	For the year ended 31 March 2022	For the year ended 31 March 2021
Change in fair value of assets during the year		
Fair value of plan assets at the beginning of the year	353.70	228.02
Expenses Recognised in Profit and Loss Account		
- Expected return on plan assets	21.91	14.58
Remeasurement gains / (losses)		
- Actuarial gains/(loss) arising from changes in financial assumptions	-	2.74
Contributions by employer (including benefit payments recoverable)	-	122.69
Benefit payments	(47.31)	(14.33)
Fair value of plan assets at the end of the year	328.30	353.70

(e) The fair value of plan assets for India at the end of the reporting year for each category are as follows :

Particulars	(Amount Rs. In lakhs)	
	As at 31 March 2022	As at 31 March 2021
Investment Funds with Insurance Company		
- Life Insurance Corporation of India	328.30	353.70

(i) The plan assets comprise insurer managed funds. None of the assets carry a quoted market price in active market or represent the entity's own transferable financial instruments or property occupied by the entity.

(f) The principal assumptions used for the purpose of actuarial valuation were as follows :

Investment Risk:

The present value of defined benefit plan liability is calculated using a discount rate which is determined by reference to the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Interest Risk:

A decrease in the yield of Indian government securities will increase the plan liability.

Longevity Risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.



Salary Risk:

The present value of the defined benefit plan liability is calculated by reference to the future salaries. In particular, there is a risk for the Company that any adverse salary growth can result in an increase in cost of providing these benefits to employees in future.

The principal assumptions used for the purpose of actuarial valuation were as follows :

Particulars	As at 31 March 2022	As at 31 March 2021
Discount rate	6.85%	6.20%
Expected rate of salary increase	6.00%	8.00%
Withdrawal Rate		
Upto grade of Branch Managers	0.00%	16.00%
Above grade of Branch Managers	0.00%	8.00%
Upto 30 years	27.00%	0.00%
31 to 44 years	9.40%	0.00%
45 years and above	1.00%	0.00%
Mortality	100% of IALM 2012-14	100% of IALM 2012-14

- The discount rate is based on the prevailing market yields of Indian Government securities as at balance sheet date for the estimated term of the obligation.
- The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
- In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are maintained with an insurer managed fund (maintained by the Life Insurance Corporation ("LIC")) and is well diversified.

Sensitivity Analysis

The benefit obligation results of a such a scheme are particularly sensitive to discount rate, longevity risk, salary growth and employee attrition, if the plan provision do provide for such increases on commencement of pension.

The following table summarizes the impact in financial terms on the reported defined benefit obligation at the end of the reporting period arising on account changes in these four key parameters:

(Amount Rs. In lakhs)

Impact on the Defined benefit Obligation	As at 31 March 2022	As at 31 March 2021
(a) Discount Rate		
- Increase by 1%	398.92	422.37
- Decrease by 1%	482.72	490.26
(b) Salary Growth Rate		
- Increase by 1%	482.62	488.84
- Decrease by 1%	398.29	422.64
(c) Withdrawal Rate		
- Increase by 50%	438.53	436.55
- Decrease by 50%	434.12	485.38
(d) Mortality Rate		
- Increase by 10%	437.49	453.91
- Decrease by 10%	437.31	454.13

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore in presenting the above sensitivity analysis the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There is no change in the methods and assumptions used in preparing the sensitivity analysis from the prior years.

(h) Effect of Plan on Entity's Future Cash Flows

(i) Maturity profile of defined benefit obligation:

Expected cash flows over the next (valued on undiscounted basis):	Amount in Rs. In lakhs
Within 1 year	59.83
2 to 5 years	134.68
6 to 10 years	145.22
More than 10 years	659.68

(i) Experience Adjustments *

(Amount Rs. In lakhs)

Experience Adjustments	For the year ended 31 March 2022	For the year ended 31 March 2021
Defined Benefit Obligation	437.41	454.03
Fair value of plan assets	328.30	353.70
Surplus/(Deficit)	(109.11)	(100.33)
Experience adjustment on plan liabilities [(Gain)/Loss]	56.74	91.82
Experience adjustment on plan assets [Gain/(Loss)]	-	2.74

* Experience adjustments related to prior years have been disclosed based on the information to the extent available.



S.M.I.L.E. Microfinance Limited
Notes forming part of the financial statements for the year ended 31 March 2022

35 Related Party Transactions

35.1 Names of Related Parties and Nature of Relationship

Description of Relationship	As at 31 March 2022	As at 31 March 2021
Holding Company	DWM Investments (Cyprus) Limited	DWM Investments (Cyprus) Limited
Key Managerial Personnel of the Company	Mr. Murali Srinivas Managing Director and CEO	Mr. Murali Srinivas Managing Director and CEO
	Mr. R Venkatasubramanian Company Secretary Resigned w.e.f. 31st March 2022	Mr. R Venkatasubramanian Company Secretary
	Mr. Prabakaran Thangavelu Chief Financial Officer	Mr. Prabakaran Thangavelu Chief Financial Officer
Directors	Mr. Suresh Kodihalli Krishna Resigned w.e.f. 23rd September 2021	Mr. Suresh Kodihalli Krishna
	Mr. Rajan Samuel	Mr. Rajan Samuel
	Mr. Aleem Remtula	Mr. Aleem Remtula
	Mr. Bradley Swanson	Mr. Bradley Swanson
	Mrs. Indrani Bhaqwan Singh	Mrs. Indrani Bhaqwan Singh
	Mr. V S Padmanaban	Mr. V S Padmanaban
	Ms. Aparna Sharma	Ms. Aparna Sharma

Note: Related party relationships are as identified by the Management and relied upon by auditors

35.2 Transactions with the Related Parties

(Amount Rs. In lakhs)

Transaction	Related Party	For the Year Ended 31 March 2022	For the Year Ended 31 March 2021
Remuneration to Key Managerial Personnel	Mr. Murali Srinivas Managing Director and CEO	62.52	65.78
	Mr. Prabakaran Thangavelu Chief Financial Officer	37.22	32.72
	Mr. R Venkatasubramanian Company Secretary Resigned w.e.f. 31st March 2022	18.50	16.27
Sitting Fees	Mr. Suresh Kudihalli Krishna Resigned w.e.f. 23rd September 2021	1.50	5.75
	Mr. Rajan Samuel	6.00	5.50
	Mrs. Indrani Bhaqwan Singh	4.50	2.00
	Mr. V S Padmanaban	3.75	2.00
	Mrs. Aparana Narendra Sharma	4.75	1.00
Employee Loan given	Mr. Murali Srinivas	-	-
	Mr. R Venkatasubramanian	-	-
Employee Loan repaid	Mr. Murali Srinivas	-	6.60
	Mr. R Venkatasubramanian	-	0.60
Interest Received on employee Loan	Mr. Murali Srinivas Managing Director and CEO	-	0.66
	Mr. R Venkatasubramanian Company Secretary	-	0.06
Reimbursement of Travelling Expenses	DWM Investments (Cyprus) Limited	-	1.97

Note:

- (a) The Company accounts for costs incurred by / on behalf of the Related Parties based on the actual invoices / debit
(b) The above compensation to key management personnel excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.



Notes forming part of the financial statements for the year ended 31 March 2022

36 Financial Instruments

36.1 Capital Management

The Company manages capital risk in order to maximize shareholders' profit by maintaining sound/optimal capital structure. For the purpose of the Company's capital management, capital includes equity share Capital and Other Equity. Debt includes term loans from banks, NBFC and debentures net of Cash and bank balances. The Company monitors capital on the basis of the following gearing ratio. There is no change in the overall capital risk management strategy of the Company compared to last year.

Gearing Ratio :

Particulars	(Amount in Rs. in lakhs)	
	As at 31 March 2022	As at 31 March 2021
Borrowings	18,043.10	38,740.87
Cash and Bank Balance	(3,614.43)	(8,384.73)
Net Debt (A)	14,428.67	30,356.14
Total Equity (B)	11,513.91	13,611.01
Net Debt to equity ratio (A/B)	1.25	2.23

36.2 Categories of Financial Instruments

The carrying value of the financial instruments by categories as on 31 March 2022 and 31 March 2021 is as follows:

Particulars	(Amount in Rs. in lakhs)			
	Carrying Value		Fair Value	
	As at 31 March 2022	As at 31 March 2021	As at 31 March 2022	As at 31 March 2021
(a) Financial Assets				
(i) Measured at amortised cost				
- Loans	24,859.99	43,659.68	24,859.99	43,659.68
- Cash and Bank balance	3,614.43	8,384.73	3,614.43	8,384.73
- Other financial assets	107.25	187.17	107.25	187.17
- Loan given to staff	11.37	11.79	11.37	11.79
	28,593.04	52,243.37	28,593.04	52,243.37
(b) Financial Liabilities :				
Measured at amortised cost				
- Borrowings	18,043.10	38,740.87	18,043.10	38,740.87
- Other payables	44.57	127.16	44.57	127.16
- Other financial liabilities	298.02	447.83	298.02	447.83
	18,385.69	39,315.86	18,385.69	39,315.86

The management assessed that fair value of Loans other receivables, cash and cash equivalents, other financial assets, trade payables and other financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The amortized cost of the Company's interest-bearing borrowings are determined by using the Effective Interest method. The own non-performance risk as at 31 March 2022 was assessed to be insignificant.

There were no items of financial assets or financial liabilities which were valued at fair value as of 31 March 2022 and 31 March 2021.

37 Financial Risk Management Framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company manages financial risk relating to the operations through internal risk reports which analyse exposure by degree and magnitude of risk. These risks include market risk (including interest rate risk and other price risk), credit risk and liquidity risk. Compliance with policies and exposure limits is reviewed by the management on a continuous basis.

37.1 Liquidity Risk Management :

Liquidity risk refers to the risk that the Company cannot meet its financial obligations as they become due. The Company manages its liquidity risk by ensuring as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk to the Company's reputation. The Company maintains adequate reserves and banking facilities, and continuously monitors the forecast and actual cash flows by matching maturities of financial assets and financial liabilities in accordance with the approved risk management policy of the Company periodically. The Company believes that the working capital (including banking limits not utilised) and its cash and cash equivalent are sufficient to meet its short and medium term requirements.

Liquidity and Interest Risk Tables :

Refer Note 41.6 which details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the Company may be required to pay.

37.2 Market Risk

Market Risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates, credit, liquidity, and other market changes. The Company is exposed to two types of market risk as follows:

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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.

The Company has Board Approved Asset Liability Management (ALM) policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

Price Risk

The Company's exposure to price risk is not material and it is primarily on account of investment of temporary treasury surpluses in the highly liquid debt funds for very short durations. The Company has a board approved policy of investing its surplus funds in highly rated debt mutual funds and other instruments having insignificant price risk, not being equity funds/ risk bearing instruments.

37.3 Fair value of financial assets and financial liabilities that are not measured at fair value (but fair value disclosures are required)

The Management considers that the carrying amount of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

37.4 Offsetting of financial assets and financial liabilities

The Company has not offset financial assets and financial liabilities.



38 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

Based on and to the extent of information received by the Company from the suppliers during the year regarding their status under the Micro Small and Medium Enterprises Development Act, 2006 (MSMED Act), the relevant particulars for the years ended 31 March 2022 and 31 March 2021 are furnished below:

Particulars	For the Year Ended 31 March 2022 Amount in Rs. In lakhs	For the Year Ended 31 March 2021 Amount in Rs. In lakhs
Principal amount remaining unpaid to any supplier as at the end of the accounting year.	2.40	2.97
Interest due thereon remaining unpaid to any supplier as at the end of the accounting year.	-	-
The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
The amount of interest due and payable for the year.	-	-
The amount of interest accrued and remaining unpaid at the end of the accounting year.	-	-
The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid.	-	-

Trade Payables aging schedule

Particulars	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
I) MSME	2.40	-	-	-	2.40
(II) Others	44.57	-	-	-	44.57
(III) Disputed dues - MSME	-	-	-	-	-
(IV) Disputed dues - Others	-	-	-	-	-

Note:

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management.

39 Commitments and Contingencies

Particulars	As at 31 March 2022 Amount in Rs. In lakhs	As at 31 March 2021 Amount in Rs. In lakhs
A. Contingent Liabilities:		
Income Tax (Refer Note (a) below)	133.92	133.41
Labour Case (Refer Note (b) below)	10.00	10.00
B. Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for:	-	-

(a) Income Tax:

(i) While completing the Income Tax assessment for the Assessment Year 2011-12, the department vide order dated 31 December 2013, demanded an amount of Rs. 2,90,830 on account of mismatches between TDS credit claimed in return and credit granted in the assessment. The Company has filed a rectification u/s 154 of the Income Tax Act, 1961 to rectify the same. There has been no further progress in this matter.

(ii) While completing the Income Tax assessment for the Assessment Year 2017-18, the department vide order dated 31 December 2019, demanded an amount of Rs. 1,30,50,323 assessing the Specified Bank Notes deposited in excess of cash balance on 08 November 2016 as unexplained cash credit u/s 68 of the Income Tax Act, 1961. The Company believes that the claim is untenable and hence, has filed a writ petition with the Madras High Court against the said order. The high court has granted an Interim stay on the said petition as on 03 February 2020; The company has paid an amount of Rs. 10,00,000 under protest.

(iii) While completing the Income Tax Assessment for the Assessment Year 2019-20, the department vide Intimation under Sec143(1) dated 07-07-2020 had raised an order for Rs.50,797 payable as interest on filing of default return under Sec 234 A. We have submitted a reply to the Income Tax Department against this order. We have yet to receive a response from the Department in this matter.

(b) Labour Case:

The company had terminated an employee Mr.Sivakumar.K on 8th May 2015. He has filed a case in the Labour Court. The company has calculated the back wages to be paid in case of an unfavourable decision.



40 Disclosure Pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 updated 16 April 2019

40.1 Customer Complaints *

(a)	No. of complaints pending as on 1 April 2021	23.00
(b)	No. of complaints received during the year	498
(c)	No. of complaints redressed during the year	521
(d)	No. of complaints pending as on 31 March 2022	-

* As disclosed by the Management and relied upon by the Auditors.

40.2 Details of Registration with Financial Regulators

S.No	Regulator	Registration No.
1	Ministry of Company Affairs	U67190TN1995PLC030604
2	Reserve Bank of India	B-07,00537

40.3 Ratings assigned by Credit Rating Agencies

Particulars	As at 31 March 2022 (Refer Note below)	As at 31 March 2021 (Refer Note below)
Long Term Bank Facilities	[ICRA] BBB- & placed on watch with developing implications	[ICRA] BBB-; Negative
	[CARE] BBB- (CWD) (TRIPLE B Minus) (under credit watch with developing implications)	[CARE] BBB-; Negative
	[ACUTE] BBB-; Negative	[ACUTE] BBB-; Stable
Long term Non-Convertible Debentures	[ICRA] BBB- & placed on watch with developing implications	CARE BBB-; Negative ICRA BBB-; Negative
MFI Grading	M2C2	M2C2

40.4 Concentration of Advances, Exposures and NPA's

Particulars	As at 31 March 2022	As at 31 March 2021
Total Advances and Exposures to twenty largest borrowers	Refer Note below	Refer Note below
Total Exposure to top four NPA accounts	Refer Note below	Refer Note below
Percentage of Advances and Exposures to twenty largest borrowers to Total Advances of the NBFC	Refer Note below	Refer Note below

The Company operates in the business of microfinance providing collateral free loans for fixed amounts ranging from Rs. 5,000 to Rs. 50,000 to women engaged in various income generating activities. As at 31 March 2022, the Company has provided loans to more than 41 lakhs women and hence, the disclosure relating to concentration to advances, exposures and NPA's are not applicable to the Company.

40.5 Details of non-performing financial assets purchased / sold

There have been no Non performing assets purchased or sold by the Company as at 31 March 2022 and 31 March 2021.

40.6 Sector-wise NPAs as on 31 March 2022

Sl.No	Sector	Percentage of NPAs to Total Advances in that sector as on 31 March 2022	Percentage of NPAs to Total Advances in that sector as on 31 March 2021
1	Agriculture & allied activities	8.10%	7.81%
2	MSME	0.05%	6.63%
3	Corporate borrowers	0.00%	0.00%
4	Services	4.96%	10.52%
5	Unsecured personal loans	0.00%	0.00%
6	Transport	0.04%	3.39%
7	Other loans	4.10%	12.32%

40.7 Provisions and Contingencies

Particulars	For the Year Ended 31 March 2022 Amount Rs.In Lakhs	For the Year Ended 31 March 2021 Amount Rs.In Lakhs
Impairment Loss Allowance	1,666.05	2,515.77
Provision for Income Tax (excluding deferred tax)	-	351.11



40.8 Movement of NPAs

Sl.No	Particulars	As at	As at
		31 March 2022	31 March 2021
		Amount Rs.in lakhs	Amount Rs.in lakhs
(i)	Net NPAs to Net Advances (%)	3.84%	3.60%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	4,476.49	133.53
	(b) Net Additions/(deletions) during the year	1,161.08	4,342.96
	(c) Closing balance	5,637.57	4,476.49
(iii)	Movement of Net NPAs		
	(a) Opening balance	1,696.67	-
	(b) Net Additions/(deletions) during the year	(540.97)	1,696.67
	(c) Closing balance	1,155.70	1,696.67
(iv)	Movement of provisions for receivables under financing activities		
	(a) Opening balance	3,390.14	874.37
	(c) Provisions made during the year	1,666.05	3,144.95
	(c) Write-off / write-back of excess provisions	-	(629.18)
	(d) Closing balance	5,056.19	3,390.14

40.9 During the year there are no instances of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeding the sanctioned limit or outstanding or entire outstanding whichever is higher.

40.10 During the year company has not given any advances with intangible collateral such as charge over the rights, licenses, authority etc.

40.11 Registration Obtained from Other Financial Sector Regulators

During the year the company has not obtained any registrations from other financial regulators.

40.12 Penalties Imposed by RBI and Other Regulators

No penalties imposed by RBI or Other Regulators.

40.13 Investments

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs.in Lakhs	Amount Rs.in Lakhs
Value of Investments		
(i) Gross Value of Investments		
(a) In India	-	-
(b) Outside India,	-	-
(ii) Provisions for Depreciation		
(a) In India	-	-
(b) Outside India,	-	-
(iii) Net Value of Investments		
(a) In India	-	-
(b) Outside India,	-	-
Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off / write-back of excess	-	-
(iv) Closing balance	-	-

40.14 Derivatives:

The Company has no transactions / exposure in derivatives for all years presented.

41 Disclosure Pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 (updated 16th April, 2019)

Capital Adequacy Ratio

Particulars	As at	As at
	31 March 2022	31 March 2021
	Amount Rs.in Lakhs	Amount Rs.in Lakhs
Tier I Capital	10,074.44	12,282.35
Tier II Capital	348.95	360.90
Total Capital	10,423.40	12,643.25
Total Risk Assets	27,916.30	45,797.46
Capital Ratios		
Tier I Capital as a percentage of Total Risk Assets (%)	36.09%	26.52%
Tier II Capital as a percentage of Total Risk Assets (%)	1.25%	0.79%
Total Capital (%)	37.34%	27.61%

41.1 Exposure to Real Estate Sector

Category	As at	As at
	31 March 2022	31 March 2021
	Amount Rs.in Lakhs	Amount Rs.in Lakhs
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	-	-
(ii) Commercial Real Estate -		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure shall also include non-fund based limits	-	-
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures		
a. Residential	-	-
b. Commercial Real Estate	-	-
Total Exposure to Real Estate Sector	-	-

41.2 Exposure to Capital Market

The Company does not have any exposure to Capital market as at 31 March 2022 and 31 March 2021

41.3 Draw Down from Reserves

No Drawdown from Reserves has been noted in the financial years ended 31 March 2022 and 31 March 2021

41.4 Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

There are no overseas assets of the Company as there are no Joint Ventures and subsidiaries abroad

41.5 Off-balance Sheet SPVs sponsored

There have been no off-balance sheet SPVs sponsored by the Company during the financial years ended 31 March 2022 and 31 March 2021



S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31 March 2022

41.6 Asset Liability Management

(a) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2022:

Particulars	(Amount Rs.in Lakhs)								Total
	1 day to 30 - 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	
Liabilities									
Borrowings from Banks & NBFCs	2,947.62	685.54	794.09	1,981.88	3,855.92	3,779.25	-	-	14,044.30
Market Borrowings		-	-	4,000.00	-	-	-	-	4,000.00
Assets									
Advances (Micro Finance Loans)	6,666.42	2,008.67	2,039.03	5,462.79	7,736.60	6,223.86	-	-	30,077.37

(b) Maturity Pattern of certain items of Assets and Liabilities as at 31 March 2021:

Particulars	(Amount Rs.in Lakhs)								Total
	1 day to 30 - 31 days (One Month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	
Liabilities									
Borrowings from Banks & NBFCs	1,127.72	1,114.43	1,931.45	3,885.97	10,815.33	5,712.75	-	-	24,587.65
Market Borrowings	1,257.75	-	350.00	1,188.50	4,057.75	4,000.00	-	-	10,854.00
Assets									
Advances (Micro Finance Loans)	8,880.37	4,743.13	4,514.50	10,415.77	11,732.18	6,907.87	-	-	47,193.82
Investments	-	-	-	-	-	-	-	-	-



42 Disclosure Pursuant to paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2016):

S.No	Particulars	(Amount Rs.in Lakhs)			
		As at 31 March 2022		As at 31 March 2021	
		Amount Outstanding	Amount Overdue	Amount Outstanding	Amount Overdue
	Liabilities:				
1	Loans and Advances availed by the NBFC inclusive of interest accrued thereon but not paid:				
(a)	Debentures (Refer Note Below)				
	- Secured	-	-	7,039.98	-
	- Unsecured (other than falling within the meaning of public deposits)	3,999.85	-	3,997.11	-
(b)	Term Loans (Refer Note Below)	14,055.37	-	24,555.20	-
(c)	Inter-Corporate Loans and Borrowings	-	-	-	-
(d)	Commercial Paper	-	-	-	-
(e)	Finance Lease obligations	-	-	-	-
(f)	Cash Credits	-	-	-	-

Note: Includes Interest Accrued but Not Due on Debentures amounting to Rs.1.7 Lakhs (As at 31 March 2021 : Rs.200.18 Lakhs) and Term Loans amounting to Rs. 71.73 Lakhs (As at 31 March 2021: Rs. 68.18).

S.No	Particulars	(Amount Rs.in Lakhs)	
		Amount Outstanding as at 31 March 2022	Amount Outstanding as at 31 March 2021
	Assets:		
2	Break-up of Loans and Advances including Bills Receivables [other than those included in (3) below] :		
(a)	Secured	-	-
(b)	Unsecured	30,160.59	47,479.25
3	Break up of Leased Assets and Stock on Hire and Other Assets counting towards AFC activities		
(I)	Lease Assets including Lease Rentals Accrued and Due:		
	(a) Financial Lease	-	-
	(b) Operating Lease	-	-
(II)	Stock on Hire including Hire Charges under Sundry Debtors:		
	(a) Assets on Hire	-	-
	(b) Repossessed Assets	-	-
(III)	Other Loans counting towards AFC Activities		
	(a) Loans where Assets have been Repossessed	-	-
	(b) Loans other than (a) above	-	-



(Amount Rs.in Lakhs)

S.No	Particulars	Amount Outstanding as at 31 March 2022	Amount Outstanding as at 31 March 2021
4	Break-up of Investments		
	Current Investments		
	I Quoted:		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
	II Unquoted:		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
	Long Term Investments		
	I Quoted:		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Others (please specify)	-	-
	II Unquoted:		
(i)	Shares: (a) Equity	-	-
	(b) Preference	-	-
(ii)	Debentures and Bonds	-	-
(iii)	Units of Mutual Funds	-	-
(iv)	Government Securities	-	-
(v)	Investment In Pass Through Certificates	-	-

(Amount Rs.in Lakhs)

5	Category	Borrower Group-wise Classification of Assets Financed as in (2) and (3) above			
		As at 31 March 2022 (Net of Provisions)		As at 31 March 2021 (Net of Provisions)	
		Secured	Unsecured	Secured	Unsecured
1	Related Parties (a) Subsidiaries (b) Companies in the same Group (c) Other Related Parties	-	-	-	-
2	Other than Related Parties	-	25,104.39	-	44,089.10
	Total	-	25,104.39	-	44,089.10

(Amount Rs.in Lakhs)

6	Investor Group-wise Classification of all Investments (Current and Long Term) in Shares and Securities (both Quoted and Unquoted) : Category	Market Value / Break up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2022	Book Value as on 31 March 2022	Market Value / Break up Value or Fair Value or Net Asset Value (Company's Share) as on 31 March 2021	Book Value as on 31 March 2021
1	Related Parties (a) Subsidiaries (b) Companies in the Same Group (c) Other Related Parties	-	-	-	-
2	Other than Related Parties (Refer Note Below)	-	-	-	-
	Total	-	-	-	-

7	Other Information	As at 31 March 2022		As at 31 March 2021	
		Amount Rs. In Lakhs		Amount Rs. In Lakhs	
		Related Parties	Other than Related Parties	Related Parties	Other than Related Parties
(i)	Gross Non-Performing Assets	-	5,637.57	-	4,476.49
(ii)	Net Non-Performing Assets	-	1,155.70	-	1,696.67
(iii)	Assets Acquired in Satisfaction of Debt	-	-	-	-



43 Loan Portfolio and Provision for Standard and Non Performing Assets

(a) Current Year

Asset Classification	Loan Outstanding as at 31 March 2022 (Gross) Amount in Rs. Lakhs	Provision as at 31 March 2022 Amount in Rs in Lakhs	Loan Outstanding as at 31 March 2022 (Net) Amount in Rs. In Lakhs
Receivables under Financing Activities (including securitised assets)			
Standard Assets	24,439.80	574.34	23,865.46
Non - Performing Assets	5,637.57	4,481.87	1,155.70
Total	30,077.37	5,056.20	25,021.17

(b) Previous Year

Asset Classification	Loan Outstanding as at 31 March 2021 (Gross) Amount in Rs. Lakhs	Provision as at 31 March 2021 Amount in Rs in Lakhs	Loan Outstanding as at 31 March 2021 (Net) Amount in Rs. In Lakhs
Receivables under Financing Activities (including securitised assets)			
Standard Assets	42,717.33	610.33	42,107.00
Non - Performing Assets	4,476.49	2,779.82	1,696.67
Total	47,193.82	3,390.15	43,803.67

44 Changes in Provisions

(a) Current Year

Particulars	Amount Rs.in Lakhs			
	As at 1 April 2021	Provision for the Year	Utilization/ Reversal	As at 31 March 2022
Loans	3,390.15	1,666.05	-	5,056.20
Total	3,390.15	1,666.05	-	5,056.20

(b) Previous Year

Particulars	Amount Rs.in Lakhs			
	As at 1 April 2020	Provision for the Year	Utilization/ Reversal	As at 31 March 2021
Loans	874.38	3,144.95	(629.18)	3,390.15
Total	874.38	3,144.95	(629.18)	3,390.15



45 Disclosures of Fraud

a) Current Year

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs. In Lakhs	Number of Instances	Amount in Rs. In Lakhs
Embezzlement of Cash - By Employees - By Others	Nil	Nil	7	1.61
Total	-	-	7	1.61

b) Previous Year 2020-21

Category	More than Rs. 1 lakh		Less than Rs. 1 lakh	
	Number of Instances	Amount in Rs. In Lakhs	Number of Instances	Amount in Rs. In Lakhs
Embezzlement of Cash - By Employees - By Others	Nil	Nil	5	0.23
Total	-	-	5.00	0.23

Note:

The above summary is prepared based on the information available with the Company and relied upon by the Auditors.

45.1 Disclosure as required under Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 (updated 16th April, 2019)

Net Interest Margin during the Year:

Particulars	For the Year ended 31 March 2022	For the Year ended 31 March 2021
Average Interest (a)	18.17%	19.64%
Average effective cost for borrowing Interest (b)	13.33%	13.48%
Net Interest Margin (a-b)	4.84%	6.16%

The Average Interest represents the effective rate at which loans have been disbursed to the customers for the year ended 31 March 2022 and 31 March 2021

The Average Interest cost of borrowings of the Company for the years ended 31 March 2022 and 31 March 2021 has been computed based on the monthly borrowing cost (including interest, upfront processing fee paid and other charges) divided by the average monthly balances of outstanding borrowings.



46 Disclosures of Transactions Pursuant to Regulation 34(3) of SEBI (LODR) Regulations, 2015:

S.No	Loans and Advances in the nature of Loans	As at 31 March 2022 Amount in Rs. In Lakhs		As at 31 March 2021 Amount in Rs. In Lakhs	
		Amount Outstanding	Maximum Amount Outstanding during the year	Amount Outstanding	Maximum Amount Outstanding during the year
(a)	From Holding Company:	-	-	-	-
(b)	To Fellow Subsidiaries - No Fellow Subsidiaries during the Current Year	-	-	-	-
(c)	To Associates - No Associate during the Current Year	-	-	-	-
(d)	Where there is - No Repayment Schedule - Repayment Schedule beyond seven years - No Interest - Interest below the rate as specified in section 186 of the Companies Act, 2013	-	-	-	-
(e)	To Firms / Companies in which directors are Interested (Other the (a) and (b) above)	-	-	-	-
(f)	Investments by the Loanee in the Shares of Parent Company and Subsidiary Company	-	-	-	-

47 Corporate Social Responsibility (CSR)

As per Section 135 of the Companies Act 2013, the company is required to spend Rs. 28.04 lakhs (Previous year: Rs. 52.58 lakhs) (2% of the average net profits of the Company made during the three immediately preceding financial years) towards CSR activities for the financial year 2021-22. Break up for the same is as follows:

- i) Gross Amount required to be spent during the financial year 2021-22 - Rs. 28.04 lakhs (Previous year- Rs. 52.58 lakhs)
- ii) Amount spend towards CSR Activities as per Company's CSR Policy : Rs. 28.04 lakhs (Previous year- Rs. 53.06 lakhs)
- iii) Unspent amount as on March 31, 2021: Nil (Previous Year- NIL)

48 Statutory Reserve

As per Section 45-1C of the Reserve Bank of India Act, 1934, the Company is required to create a reserve fund at a rate of 20% of the net profit after tax of the Company every year. Considering the fact that there is net loss this year no amount is transferred to the statutory reserve as required under Section 45-1C of Reserve Bank of India (RBI) Act, 1934.

49 Disclosures as per Notification dated 24th March 2021

Pursuant to the Notification dated 24th March 2021 the following disclosures are being made.

- i) The Company has filed Stock Statements in all cases duly certified by C.A. and other applicable returns/ statements as required by the lenders wherever applicable.
- ii) The Company has filed/satisfied the Charges with ROC within stipulated timelines
- iii) All other disclosures are not applicable.



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Notes forming part of the Financial Statements for the year ended 31 March 2022

50 The company had sanctioned fresh loans which are utilized for the credit in existing NPA accounts towards repayment which was also mentioned in the RBI Risk Assessment Report dated 4th March 2022.

51 There was a second wave of COVID-19 during April 2021 to June 2021 and regional lock downs were imposed and were relaxed gradually and conditions improved subsequently. Consequently, company's management took a decision to grant deferment of collection of principal and interest to all its borrowers for the period May 2021 and June 2021 and has not considered this period for NPA Classification purposes. The company had granted this benefit based on the approval of MD & CEO pending ratification of the Board of Directors.

The purchase consideration received towards slump sale is inclusive of the loan portfolio which has since been realized (Read with Note No. 58).

52 (i) **Expenditure incurred in Foreign Currency**

Particulars	For the year ended 31 March 2022 Amount in Rs.	For the year ended 31 March 2021 Amount in Rs.
Reimbursement of Travelling Expenses	-	1,96,841

(ii) The Company did not have any unhedged Foreign currency exposure as at 31 March 2022 and 31 March 2021 and the Company did not have any derivatives.

53 The company has made a provision for Expected Credit Loss as on 31st March 2022 based on the management's estimate for calculation which works out to Rs. 50.56 Crores.

54 The company has disbursed loans to its borrowers who do not meet the eligibility criteria as per the RBI Master Directions for NBFC-MFIs and has disbursed loans to borrowers whose total indebtedness is more than Rs. 1,25,000 and to borrowers who has household annual income more than Rs. 1,25,000 in case of rural areas and Rs. 2,00,000 in case of semi urban and urban areas. The likely impact if any, of the same in the Financial Statements is not ascertainable and is not substantial.

55 The company has capitalized the interest pertaining to the period from June 2020 till August 2020 for the moratorium availed accounts during the month of September 2020 and has reversed the same for the accounts that have become NPA during the year ended 31st March 2021 amounting to Rs. 2.94 Crores as a prudent measure. Subsequently, as per the RBI Circular, the reversed moratorium interest has been recognized as Interest Income in the Financial Statements as on 31st March 2022.

56 The Company has entered into a Business Correspondent Agreement with Northern Arc as on 1st February 2022 whereby the company sources borrowers to Northern Arc Capital Limited and acts as servicer for the loans and charges service fee on the processing fee collected and interest collected on such loans.

57 Implementation of the requirements of the RBI Circular No. RBI/2021-2022/125 dated November 12, 2021 "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to NPA Marking and Upgradation of NPA Accounts" is yet to be complied as the RBI has extended the date of compliance till 30th September 2022.

58 The company has entered into a Business Transfer Agreement with Northern Arc Capital Limited as on 22nd February 2022 whereby the company sells its Assets and Liabilities (as per the agreement) to Northern Arc Capital Limited on a slump sale basis for a purchase consideration of Rs. 115 Crores (as per the agreement) and the same has been finalized and transferred as on 12th April 2022.

59 Interest accrued and due and not paid by the borrowers has been arrived at based on the system generated report and difference of Rs. 0.18 Crores between the interest accrued and due and not paid as per the portfolio dump and the system generated report is being reconciled. The income has been recognized as per the Software Generated Report as a conservative measure

60 The Company had entered into a non-solicitation agreement dated 20th March 2020 with Mahasemam Trust and based on the valuation from a SEBI approved valuer, the consideration agreed in the agreement was Rs. 5.50 Crores and the same was booked as an exceptional item in the FY 19-20, of which Rs. 0.25 Crores was paid in FY 19-20, Rs. 1.50 Crores was paid in the FY 20-21 and Rs. 1 Crore was paid in FY 21-22 and the balance Rs. 2.75 Crores was paid on 8th April 2022.

61 Gratuity Trust Financials were not audited since the Financial Year 2007-08. Management obtains actuarial valuation and maintains funds with LIC accordingly.

62 Disclosure pursuant to RBI Notification - RBI/2020-21/17 DOR. No. BP. BC/4/21.04.048/2020-21 dated August 06, 2020 ("Resolution Framework for COVID-19 Related Stress") is not applicable as the Company has not restructured any loan accounts during the previous year.

63 Disclosure pursuant to RBI Notification - RBI/2021-22/31 DOR . STR. REC. 11/21.04.048/2021-22 dated 5th May 2021 - Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses is not applicable as the Company has not restructured any loan accounts during the year.

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

"In terms of our report of even date attached

For **P.B. Vijayaraghavan & Co.**

Chartered Accountants

Firm Reg. No.: 0047215

P.B. Santhanakrishnan
 Partner
 M.No.020309

Place : Chennai
 Date : 12-Sept-2022

For and on behalf of the Board of Directors of **S.M.I.L.E. Microfinance Limited**

P. Murali Srinivas
 Managing Director & CEO
 DIN - 00554309

Place : London
 Date : 12-Sept-2022

Rajan Samuel
 Director
 DIN - 02586490

Place : Bangalore
 Date : 12-Sept-2022

V.T. Prabakaran
 Chief Financial Officer

PAN - AKOPP2826M

Place : Chennai
 Date : 12-Sept-2022



FAIR PRACTICES CODE

The Company shall abide by this "**FAIR PRACTICES CODE**" as applicable to the business of providing microfinance services to its WOMEN members. In order to enhance value and relevance to the Borrowers, this CODE would be subjected to review from time to time. Suggestions for improvement are expected from all quarters.

1. LOAN APPLICATION – PROCESSING

- Application forms for loans will include terms & conditions of the loan and the documents required to be submitted.

Applicant who has completed Group Recognition Test and submitted KYC documents to the satisfaction of the Company will be eligible to submit application for loan.

Receipt of completed application forms will be duly acknowledged.

All loan applications will be disposed off within a period of 4 weeks (or such extended time as mutually agreed upon) from the date of receipt of duly completed loan applications i.e. with all the requisite information and related documents.

Loan sanction letters incorporating all terms of sanction will be issued to members as & when sanctioned.

2. LOAN APPRAISAL AND TERMS/ CONDITIONS

- In accordance with Company's prescribed assessment procedures, each loan application will be appraised based on Company's guidelines viz. purpose, attendance at centre meetings, past repayment record, current income and repayment capacity

The sanction of loan along with the terms and conditions thereof is conveyed to the Applicant in writing.

3. DISBURSEMENT OF LOAN

- Disbursement of loans sanctioned shall be made only on compliance of terms and conditions including execution of loan documents governing such sanction.

Any change in the terms and conditions, including disbursement schedule, interest rate and processing charges, will be notified to the Borrower.

Changes in interest rates/processing charges will be effected prospectively only.

Company shall intimate the terms & conditions and interest rate to the borrower in the form of a pass book sheet.

Company shall frame internal principles and procedures to determine and adopt interest rates

and other charges and ensure that they are not excessive.

4. POST DISBURSEMENT

- A decision to recall/accelerate payment or performance shall be as per loan agreement entered into with the Borrower.

In the course of recovery, Company would not resort to harassment and avoid any conduct suggestive of any threat or violence.

Company shall conduct itself decently when its Authorized Persons visit the Borrower's place in case of need to recover dues and such calls will generally be between 0700 hours and 1800 hours, and shall also avoid visiting at odd hours/inappropriate/calamitous occasions.

A repayment holiday equivalent to the frequency of repayment (Weekly / Fortnightly / Monthly) from the date of disbursement will be permitted and the collection will start from the subsequent centre meetings.

5. GRIEVANCES – REDRESSAL

- In case of any complaint/grievance from the Applicants/Borrowers, Company's Officials will respond to redress it within 4 weeks and in case of dissatisfaction, they can take it to higher level for redress.

Contact details of Company officials are prominently displayed at offices for the benefit of loan applicants / Borrowers.

Company officials from Corporate Office and Controlling offices will make regular visits to interact with Centre/Group Leaders and loan Applicants/Borrowers to attend to complaints / grievances and ensure redressal.

6. ASSURANCE

- The company would refrain from interference in the affairs of the Borrower except for what is provided in the terms and conditions of loan sanction documents (unless new information, not earlier disclosed by the Borrower, has come to the notice of the Company as 'lender').

The Company will not discriminate between the loan applicants on the basis of gender, caste or religion

The Company is taking care to prevent inappropriate staff behaviour & also ensure timely grievance redressal.

The Company will always adhere to the Principle of being transparent and fair lending practices.

UNCLAIMED DIVIDEND

Dear Shareholders,

As per the applicable provisions of the Companies Act, all unpaid / unclaimed dividends are required to be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government after completion of seven years. Further, the Rules mandate that the shares on which dividend has not been paid or claimed for seven consecutive years or more be transferred to the IEPF.

Details of unclaimed dividends and their corresponding shares that may be liable to be transferred to the IEPF:

Year	Type of dividend	Dividend per share	Date of declaration	Due date for transfer to IEPF	Unclaimed amount as on March 31, 2021
2015-16	Interim Dividend	₹. 0.35	01 st August 2015	08 th September, 2022	852342.05

Full details of such unpaid / unclaimed dividends are regularly updated on the website of the Ministry of Corporate Affairs as well as the website of the Company (www.smileltd.in)

In case you have any unclaimed/ unpaid dividend in respect of the financial year mentioned above, please write to us / our Registrar and Share Transfer Agent at the following address for claiming the amount.

Registrar and Transfer Agent

Cameo Corporate Services Limited
Subramanian Building,
No.1, Club House Road,
Near Spencers Signal on Anna Salai,
Chennai- 600 002.

பொருள்: பெறப்படாத ஈவுத்தொகை (இலாப பங்குத்தொகை)

அன்புடைய பங்குதாரர்களுக்கு,

நிறுவனங்கள் சட்டம் மற்றும் பொருந்தக்கூடிய விதிகளின்படி, கொடுக்கப்படாத / பங்குதாரர்களால் பெற்றுக்கொள்ளப்படாத அனைத்து ஈவுத்தொகைகளும் (Dividend) மற்றும் அவற்றின் தொடர்புடைய பங்குகளும் ஏழு ஆண்டுகள் (7 years) நிறைவடைந்த பின்னர் மத்திய அரசால் நிறுவப்பட்ட முதலீட்டாளர் கல்வி மற்றும் பாதுகாப்பு நிதிக்கு (ஐ.இ.பி.எஃப்.) மாற்றப்பட வேண்டும்.

பங்குதாரர்களால் பெற்றுக்கொள்ளப்படாத ஈவுத்தொகை (Dividend) மற்றும் அவற்றின் தொடர்புடைய பங்குகளை IEPF க்கு மாற்றப்படும் தேதி மற்றும் விவரங்கள்:

ஆண்டு	ஈவுத்தொகை யின் வகை	ஒரு பங்குக்கு ஈவுத்தொகை	அறிவித்த தேதி	IEPF க்கு மாற்றப்படும் தேதி	மார்ச் 31, 2021 வரை பெற்றுக்கொள்ளப்படாத ஈவுத்தொகை
2015-16	இடைக்கால ஈவுத்தொகை	₹. 0.35	01 ஆகஸ்ட் 2015	08 செப்டம்பர் 2022	852342.05

அத்தகைய கொடுக்கப்படாத / பங்குதாரர்களால் பெற்றுக்கொள்ளப்படாத ஈவுத்தொகைகளின் (Dividend) முழு விவரங்களும் பெருநிறுவன விவகார அமைச்சகத்தின் வலைத்தளத்திலும், நிறுவனத்தின் வலைத்தளத்திலும் (www.smileltd.in) தொடர்ந்து புதுப்பிக்கப்படுகின்றன.

மேலே குறிப்பிட்டுள்ள நிதியாண்டிற்கான பெற்றுக்கொள்ளப்படாத ஈவுத்தொகை (Dividend) இருந்தால், தயவுசெய்து எங்களுக்கு / எங்கள் 'பதிவாளர் மற்றும் பங்கு பரிமாற்ற முகவருக்கு' (Registrar & Transfer Agent) பின்வரும் முகவரிக்கு தெரிவிக்கவும்.

பதிவாளர் மற்றும் பங்கு பரிமாற்ற முகவர்

கேமியோ கார்ப்பரேட் சர்வீசஸ் லிமிடெட்,
சுப்பிரமணியன் பிள்டிங், எண் 1,
கிளப் ஹவுஸ் சாலை, அண்ணா சாலை,
சென்னை- 600002 தமிழ்நாடு.