



## SONATA FINANCE PVT. LTD.

II Floor CP-1, PG Towers, Kursi Road, Vikas Nagar,  
Lucknow - 226026, Uttar Pradesh, India

Email : info@sonataindia.com, Website : www.sonataindia.com

Ph.: +91-522-2334900, Tol Free : 1800-2100-102

C.I. No.: U65921UP1995PTC035286

NBFC MFI Regn. No.: B-12.00445

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting of the members of Sonata Finance Private Limited will be held on **Thursday, the 30<sup>th</sup> day of September, 2021 at 5:00 P.M.** through Video Conference (VC), to transact following business:

#### **ORDINARY BUSINESS:**

##### **Item No. 1**

To consider and adopt the Audited Financial Statements of the Company for the financial year ended March 31, 2021 along with the Statutory Auditors' report and report of the Board of Directors for the financial year 2020-21 and in this regard to pass, either with or without modification, the following resolution as an **Ordinary Resolution:**

**"RESOLVED THAT** the Audited Financial Statement of the Company for the financial year ended March 31, 2021 along with the Statutory Auditors' report and report of the Board of Directors for the financial year 2020-21, as presented in the meeting, be and are hereby adopted."

#### **ORDINARY BUSINESS:**

##### **Item No. 2**

To appoint M/s BSR & Co. LLP (FRN 101248W/W-100022) as Statutory Auditor of the Company for the period of three years and in this regard, to pass the following resolution, either with or without modification, as an **Ordinary Resolution:**

**"RESOLVED THAT** pursuant to the provisions of Section 139, 141, 142 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit & auditors) Rules, 2014, including any statutory enactment or modification thereof and the guidelines issued by Reserve Bank of India vide circular bearing no. DoS. CO. ARG/ SEC. 01/ 08.91.001/ 2021- 22 dated April 27, 2021, M/s BSR& Co., LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022) be and is hereby appointed as Statutory Auditor of the Company for a period of 3 years, commencing from the audit for the quarter ended December 31, 2021; being effective from the date of the resignation of the existing Statutory Auditors of the company and subject to the satisfaction of eligibility norm on yearly basis, until the conclusion of the 29<sup>th</sup> Annual General Meeting of the Company to be held for the F.Y. 2023-24, on a fee, as negotiated by the Managing Director which shall not exceed Rs. 75,00,000/- (Rupees Seventy-Five Lakh) for first financial year i.e. 2021-22, exclusive of all out of pocket expenses and exclusive of GST and such other tax(es), as may be applicable, and as may be decided by members of the Board for subsequent financial years."

**"RESOLVED FURTHER THAT** M/s S. R. Batliboi & Associates LLP, Chartered Accountants shall complete the Statutory Audit for the Half year ended September 30, 2021 and shall accordingly vacate the office, upon the adoption of their Audit Report for the said period by the Board of Directors, in compliance with the RBI directions"

**"RESOLVED FURTHER THAT** the Managing Director be and is hereby authorized to finalize the terms of engagement according to the scope of services as Statutory Auditors and other permissible assignments, if any, in line with the relevant, prevailing statutory/ regulatory provisions including their terms of appointment as per the provisions of RBI Guidelines vide notification dated April 27, 2021 and Policy for appointment of Statutory Auditors of the Company."

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**"RESOLVED FURTHER THAT** the Managing Director or the Chief Financial Officer or the Company Secretary, be and are hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient to give effect to this resolution including filling of requisite e-forms with the Registrar of Companies."

**By order of the Board of Directors**

**For and on behalf of Sonata Finance Pvt Ltd**

**Date: 28<sup>th</sup> September 2021**

**Place: Lucknow**



**Paurvi Srivastava  
(Company Secretary)**

**NOTES:**

1. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ('MCA') vide its general circulars No. 20/2020 dated May 5, 2020 read with general circular No. 14/ 2020 dated April 8, 2020, No. 17/ 2020 dated April 13, 2020 and No. 02/2021 dated January 13, 2021 (collectively referred to as 'MCA Circulars') has permitted the holding of the AGM through Video Conferencing ('VC') / Other Audio Visual means ('OAVM'), without the physical presence of the members at a common venue. In compliance with the provisions of the Companies Act, 2013 ('Act') and MCA Circulars, the AGM of the Company is being held through Video Conferencing ('VC').
2. Consent has been received from all the members of the company to convene the meeting at shorter notice.
3. The Members can join the AGM in the VC/OAVM mode 15 minutes before and after the scheduled time of the commencement of the Meeting.
4. The attendance of the Members attending the AGM through VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Companies Act, 2013.
5. Since the AGM is being held through VC, physical attendance of the members has been dispensed with. Accordingly, the facility for appointment of proxies by members is not available, as provided in the MCA Circulars and hence the Proxy Form and Attendance Slip are not annexed to this Notice. Pursuant to the provisions of Section 112 and 113 of the Companies Act, 2013, the representatives of the Corporate Members may be appointed to attend the AGM through VC/OAVM and participate thereat and cast their votes through e-voting.
6. Corporate Member intending to authorise its representatives to attend the Meeting in terms of Section 113 of the Companies Act, 2013 is requested to send to the company a certified copy of the Board Resolution authorizing such representative to attend and vote on its behalf at the meeting.
7. Since the AGM will be held through VC/ OAVM, the route map of the venue of the meeting is not annexed hereto.
8. All documents referred to in the Notice and accompanying explanatory statement are open for inspection at the Registered Office of the company on all working days of the company between 11:00 a.m. and 1:00 p.m. upto the date of the Annual General Meeting.

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9. The company shall ensure the participation of at least One Independent Director and the Auditors or his representative for holding meeting through VC or OAVM.

**10. Instructions for Members for attending the AGM through VC/OAVM:**

Members holding shares in physical form or in electronic form can attend the AGM through VC/OAVM by using the link sent to the members at their registered email id. The Link of the meeting shall be shared through email by the Company Secretary of the Company.

Date: 28<sup>th</sup> September 2021  
Place: Lucknow

By order of the Board of Directors  
For and on behalf of Sonata Finance Pvt Ltd



Paurvi Srivastava  
(Company Secretary)

**EXPLANATORY STATEMENTS**

(Pursuant to Sec. 102 of the Companies Act, 2013)

**ITEM NO. 2**

The members of the company at the 24th Annual General Meeting held on September 30, 2019 appointed M/s S. R. Batliboi & Associates LLP, Chartered Accountants, FRN 101049W/E300004 as the Statutory Auditors of the Company for a period of 4 years until the conclusion of the 28th Annual General Meeting to be held for the FY 2022-23.

However, pursuant to the guidelines issued by Reserve Bank of India vide circular bearing no. DoS. CO. ARG/ SEC. 01/ 08.91.001/ 2021- 22 dated April 27, 2021 for appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) by the Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) from the Financial Year 2021- 22 onwards, the company is required to appoint its statutory auditors for a maximum term of three years, subject to the firms satisfying the eligibility norms each year. Further, in order to address the operational challenges which may be caused due to change in the auditors, the said circular provides a flexibility to appoint the new statutory auditor from the second half year of the FY 2021-22.

Since, M/s S.R. Batliboi & Associates LLP, Chartered Accountants the existing Statutory Auditors of the Company have completed 7 years of being the Statutory Auditors, in the Company pursuant to Section 139 of the Companies Act, 2013 therefore they are not eligible to continue to hold the office after the Statutory Audit of the Half Year ended September 30, 2021 and shall accordingly vacate the office as Statutory Auditors, upon adoption of their Audit Report for the said period by the Board of Directors, in compliance with the RBI directions.

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It is proposed to appoint M/s BSR & Co. LLP having Firm registration No. 101248W/W-100022 as the Statutory Auditors of the Company for the period of 3 years, commencing from the audit for the quarter ended December 31, 2021, being effective from the date of resignation of the existing Statutory Auditors of the Company and subject to the satisfaction of eligibility norm on yearly basis until the conclusion of the 29th Annual General Meeting of the Company to be held for the FY 2023-24. M/s BSR & Co. LLP have given their provisional consent to be appointed as the Statutory Auditors of the Company along with a confirmation that, their appointment, if made by the members, would be within the limits as prescribed under the Companies Act, 2013.

Accordingly, Ordinary Resolution is being proposed for the consideration and approval of Members.

None of the Directors and Key Managerial Person or their relatives, in any way, concerned or interested in the said resolution.

Date: 28<sup>th</sup> September, 2021  
Place: Lucknow

**By order of the Board of Directors  
For and on behalf of Sonata Finance Pvt Ltd**



**Paurvi Srivastava  
(Company Secretary)**





# ANNUAL REPORT

**FY 2020-21**

## **SONATA FINANCE PRIVATE LIMITED**

**Registered Office:** II Floor, CP-1, P.G Towers, Kursi Road, Vikas Nagar,  
Lucknow- 226026, Uttar Pradesh

**CIN:** U65921UP1995PTC035286

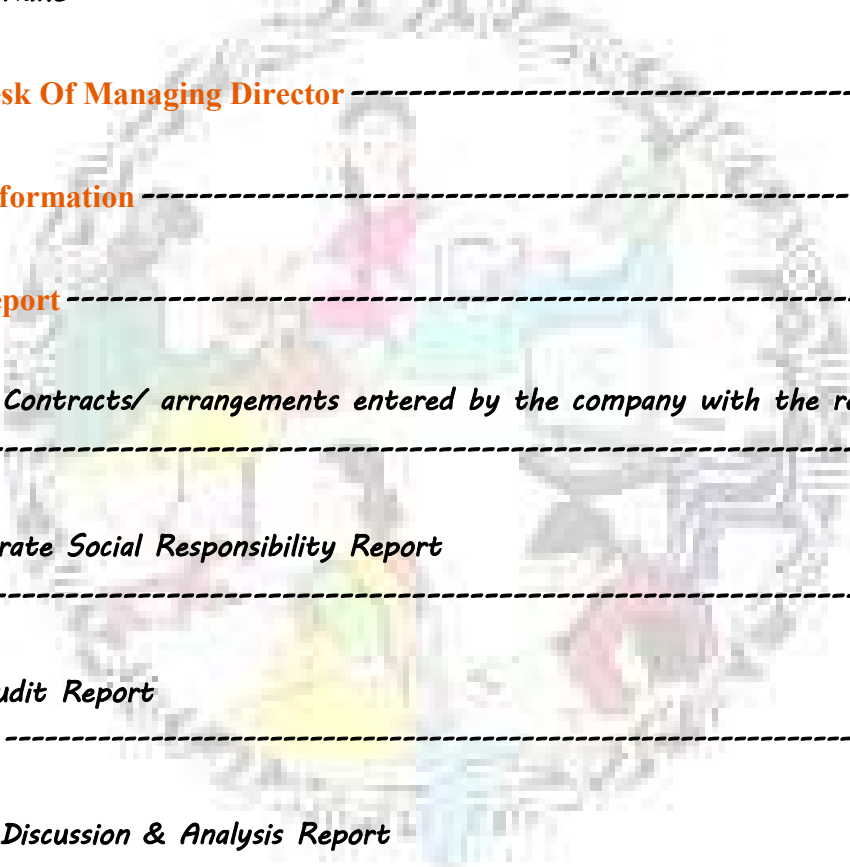
**RBI Reg No.:** B-12.00445

**Contact No:** 0522-4005729

**Email:** [info@sonataindia.com](mailto:info@sonataindia.com)

**Website:** [www.sonataindia.com](http://www.sonataindia.com)

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# About the Company

*Sonata Finance Private Limited (“SONATA”/ “The Company”) began its journey with the incorporation under the Companies Act, 1956 and registered as NBFC-MFI (Non-Deposit taking) Non-Banking Finance Company with the Reserve Bank of India (RBI) to carry on Microfinance business.*

*Established in January 2006, the company is engaged in financial inclusion and economic empowerment of women and underprivileged sections of the society. The company is a renowned microfinance player in North India, with operations across 130 districts in 9 States, viz., Uttar Pradesh, Madhya Pradesh, Jharkhand, Maharashtra, Uttarakhand, Punjab, Haryana, Bihar & Rajasthan.*

*Sonata provides loans to joint liability groups as well as individuals for a range of income-generating activities. It caters to more than seven lakh clients mostly, in rural and semi-urban areas. Besides lending for income generation activities under the joint liability group (JLG) model, the company provides a wide range of products including sanitation loans, housing loans, utility loans, two-wheeler loans individual loans and MSME loans and to meet the financial needs of its customers.*





## *Our Vision*

To help building a society that contains an opportunity to develop the minimal socio-economic conditions needed to live a life of dignity.

## *Our Mission*

To "identify and motivate poor women in a cost-effective way and deliver them micro finance services in an honest, timely and efficient manner, with the commitment to continue to be professionally managed, operationally sustainable and financially profitable venture. "



# Impact We Make

SONATA was born with a thought of helping the economically weaker sections of society. Through our 15 year history, we have been committed to strengthening the socio-economic status of low income households – particularly women – that are unbanked and under-banked in rural areas.

In a general scenario, the products offered by the banks may not meet the banking requirements of low-income households and individuals. This is where we step in to fill the demand gap by providing services at the doorstep. Our financial services are helping improve livelihoods, establish identity, enhance self-image, and enabling our customers to be a part of decision-making at the household level. Thereby, helping women to manage and grow their microenterprises with access to capital through MFI loans.

The efforts of our company have majorly impacted the lives of borrowers. These loans help them to come out of the clutches of poverty and start earning incomes or expanding incomes.

*25 year Sunita Desai of village Mowaiyya, Allahabad district married at the age of 15 has taken loan from Sonata twice. Sunita has 3 children eldest being 9 years of age. Her husband picks up sand from river and sells it to the construction company earning a daily wage of Rs. 150/. Their earning came to a halt when the boat suffered wreckage. Sonata's loan came to rescue. Sunita says, "I joined Sonata & took loan from them. That's how our work resumed. I took the second loan and made our own boat. Earlier we had to hire somebody else's boat & work. We had to share the earning with the owner of the boat. Now we have our own boat and the whole of earning comes to their house only."*



*Kamla lives in the city cluster of Bihar. She has taken loan thrice for cattle business. Before this loan Kamla had only 3 cattle's which did not yield milk enough for survival of whole family. Now she has 26 cattles. Her husband and 3 out of 6 children are in this business earning a sum of 20,000/- to 25,000/- per month. Kamla says, "We sell cow milk and buffalo milk separately. The total monthly income sums up to 20,000/- to 25, 000/-. That's what our whole family lives on. Our children are also engaged in the same trade."*



# From the desk of Managing Director



**Dear Shareholders,**

I am delighted to connect with and welcome all to the 26<sup>th</sup> (Twenty Sixth) Annual General Meeting of the Company. During these tough times am happy to see that our stakeholders are safe and hope that the family members are also safe. At the same time I extend my condolences for each of the family members or stakeholders, employees or any of our associates who have lost their lives fighting with the dreadful virus. The year 2020-21 has been very challenging as the first wave of COVID-19 not only lead to loss of life's but also impacted the economy and business drastically. Almost all the sectors had been adversely affected as domestic demand and exports sharply dropped.

Changes in the external environment continued to pose challenges for microfinance operations. Complete lockdown brought halt to almost every business, the micro and small businesses had been severely impacted. Due to the rising delinquencies we, too witnessed very tough times. Although the Government made efforts to curb the impact of COVID-19 on financial institutions by introducing various relief packages however the diminishing earning capacity of MFI clients became a big challenge for the Micro Finance Institutions. The disbursement of fresh loans was also impacted adversely during the troubled times. Since the MFIs had their own debt obligations, the company did face challenges in meeting the obligations. However, the company managed to meet its debt obligations, on time, without any fail.

At the business level, NBFC-MFIs - individually and collectively, responded to the crisis with agility and maturity, with 'customer well-being' as the cornerstone of the response. As a learning and growing organisation, your Company continued to evolve and negotiate the challenges effectively. All customers were extended a facility of availing the moratorium from repayment of instalments in accordance with the government guidelines and the Company maintained close engagement with the customers which, among other things, focused on awareness about the moratorium and its implication on interest/loan repayments so that they could take an informed decision. Your Company ensured to stay empathetic to customers and committed to the core beliefs of the industry code of conduct - fair interaction, suitability, transparency, and addressing customer grievances.

The performance of your Company during the two and a half months of lockdown viz. the second half of March, April and May 2020, demonstrated that with its digital assets, it can onboard customers and distributors, provide service and effect collections digitally. Liquidity was managed by rationalising expenses, taking moratorium on borrowings, and availing fresh loans through special liquidity facility introduced by RBI during the outspread of COVID-19. However, the situation remained precarious until repayments started to trickle in after the lockdown got lifted in May 2020. The company however could not avail moratorium on all its borrowings and accessing fresh debt remained tough in a risk-averse market.

Post lifting of lockdown, the Company quickly transitioned to a remote and safe working environment for its employees, following all the safety norms as directed by the Government. Towards the end of Sept 2020, economic activities largely resumed for most customers and your Company seemed to have endured the crisis well.

With the business activities falling in line made us believe that we have once again passed the test of crisis with ingenuity, and resilience. We started the calander year 2021 with a belief that the difficulties were over and things were to be normal however again during March 2021, second wave of the deadly pandemic arouse in the country.

COVID-19 has emerged as a crisis of unseen proportions, adversely impacting lives and businesses. The outbreak of second wave had a fierce impact on the industries but majorly on human lives. From the business point, fears of stricter lockdown, again impacted the fund-raising ability of the company. The COVID-19 pandemic has caused a lot of strain in the operations of the Company which we are committed to overcome in due course.

We are sure that as you supported us in the previous year with your paitience your strong support and faith shall continue and will always inspire us to achieve newer milestones of success and defeating the effects of pandemic. It is my firm belief that challenges are an opportunity to learn, improve and use our life experiences from better to even the best. We have always emerged as more matured and seasoned after any challenge while making us more aware of our learning capabilities and inner character.

Through this message, I hereby present to you the Annual Report of your company, for the reporting year. I am pleased to share that with the support of a strong management team, committed workforce and despite the challenging economic and ground-level conditions during FY 2020-21, we have delivered a decent operational and financial performance considering the size of our MFI. The Company's Assets under Management stood firmly at INR 15,041.54 Mn., however the number of borrowers reduced from 0.85 Mn. as on March 2020 to 0.75 Mn. as on March 2021.. The Pandemic and lockdown has certainly affected the revenue and profitability of the company. Total revenue from operations reduced from INR 3488.83 Mn. in financial year 2019-20 to INR 2721.90 Mn. as on March 2021. Further, profit after tax dropped from INR 140.91 Mn. as on March 2020 to INR 43.89 Mn. as on March 2021.

The company continued to operate across 130 districts covering 9 states viz. Uttar Pradesh, Madhya Pradesh, Jharkhand, Maharashtra, Uttarakhand, Punjab, Haryana, Bihar & Rajasthan.. With the support of banks, DFIs and NBFCs, the company disbursed INR 8,078.12 Mn., during the Financial Year 2020-21.

Before I conclude, I would like to thank all our shareholders and the clients/borrowers of the company for extending their support and reposing confidence in the Company. My special thanks to the Board of Directors who continue to be our strength in maintaining the robust corporate governance.

I further wish to bring on record my deep appreciation for all the employees of the company who have put in their best efforts and hard work which resulted insulating the company against the odds which were faced due to outspread of pandemic. We assure all our stakeholders that the company will continue to extend hassle free credit to micropreneurs.

**Anup Kumar Singh**  
**Managing Director**



# Corporate Information

## Board of Directors



**Pradip Kumar Saha**  
*Chairman of the Board*  
*Independent Director*



**Anal Kumar Jain**  
*Independent Director*



**Anup Kumar Singh**  
*Managing Director*



**Sethuraman Ganesh**  
*Independent Director*



**R.V. Dilip Kumar**  
*Nominee Director*



**Kenneth Dan Vander Weele**  
*Nominee Director*



**Benoit Monsaingeon**  
*Nominee Director*



**Sanjay Goyal**  
*Nominee Director*



**Saurabh Kumar Johri**  
*Nominee Director*



**Aditya Mohan**  
*Nominee Director*



## Key Managerial Personnel



**Akhilesh Kumar Singh**  
Chief Financial Officer



**Paurvi Srivastava**  
Company Secretary  
ICSI Membership No.  
ACS 34110

## Auditors

**M/s. S.R. Batliboi & Associates, LLP, Chartered Accountants**  
Firm Reg. No. 101049W/E300004  
Kolkata

## Registrar

**Skyline Financial Services Private Limited (for Shares)**  
D-153 A | 1st Floor | Okhla Industrial Area, Phase – I | New Delhi-110 020.  
Tel.: +91 11 64732681 - 88 | Fax: +91 11 26812682 |  
Website: [www.skylinerta.com](http://www.skylinerta.com)

**NSDL Database Management Limited (for Debentures)**  
+4<sup>th</sup> Floor, Trade World, A Wing, Kamala Mills Compound,  
Senapati Bapat Marg, Lower Parel, Mumbai – 400 013  
Tel: 022 4914 2591 (D), 022 4914 2700 (B), 9833515383(M)  
Website: [www.nsdl.co.in](http://www.nsdl.co.in)

## Debenture Trustees

**Catalyst Trusteeship Limited**  
(Erstwhile GDA Trusteeship Limited)  
GDA House, Plot no. 85,  
Paud Road, Pune 411038  
Tel: 020-66807200  
Email: [dt@ctltrustee.com](mailto:dt@ctltrustee.com)

**Axis Trustee Services Limited**  
Axis House, Bombay Dyeing Mills Compound,  
Pandurang Budhkar Marg,  
Worli, Mumbai- 400025  
Tel: 02262260054/ 62260050  
Email: [debenturetrustee@axistrustee.com](mailto:debenturetrustee@axistrustee.com)

**Beacon Trusteeship Limited**  
Office No. 1, 2 and 3  
4th Floor, Rahimtoola House,  
7, Homji Street  
Fort, Mumbai- 400001  
Tel: 022-26558759  
E-mail: [contact@beacontrustee.co.in](mailto:contact@beacontrustee.co.in)

**IDBI Trusteeship Limited**  
Asian Building, Ground Floor  
17, R Kamani Marg,  
Ballard Estate, Mumbai-400001  
Tel: 022-40807000  
E-mail: [itsl@idbitrustee.com](mailto:itsl@idbitrustee.com)

## Lenders - Banks & Financial Institutions

Ananya Finance for Inclusive Growth Private Limited  
Annapurna Finance Private Limited  
Arohan Financial Services Limited  
Bandhan Bank  
Caspian Impact Investments Private Limited  
DCB Bank Limited  
DWM Income Funds SCA SICA SIF

Federal Bank  
GLS Alternative Investments-Mikrofinanzfonds- Hansainvest Finance I GmbH & Co.  
Hiranandani Financial Services Private Limited  
Hinduja Leyland Finance  
InCred Capital Financial Services Private Limited (Formerly known as Proud Securities and Credits Private Limited)  
Kissandhan Agri Financial Services Private Limited  
Lakshmi Vilas Bank Limited  
MicroVest Short Duration Fund, LP  
Micro Units Development & Refinance Agency Limited (MUDRA Ltd)  
NABARD  
NABSAMRUDDHI Finance Limited  
NABFINS Limited (formally NABARD Financial Services Limited)  
Northern Arc (Formerly IFMR Capital Finance Private Limited)  
Profectus Capital Private Limited  
Punjab National Bank  
SIDBI  
State Bank of India  
Standard Chartered Bank  
State Bank of Mauritius  
Shriram City Union Finance Limited  
Union Bank of India  
United Bank of India  
Utkarsh Small Finance Bank  
Ujjivan Small Finance Bank  
Vivriti Capital Private Limited  
WaterCredit Investment Fund LP

### ***Rating and Grading***

During the year under review, the credit rating of the Company was ICRA BBB Stable and Acuite BBB+ Stable and the MFI Grading of the Company was M2+.

# Directors' Report

*Dear Members,*

Your Directors take pleasure in presenting the 26<sup>th</sup> Annual Report together with the Audited Financial Statements of your Company for the year ended March 31, 2021.

## **Financial Results & the State of Company's Affairs**

During the financial year 2020-21, the total income is of INR 2721.90 Mn. compared to INR 3488.84 Mn. in previous financial year, reflecting a drop of 21.98%. The Company has earned net profit of INR 43.89 Mn. during the Financial Year 2020-21 as against the net profit of INR 140.91 Mn. during the previous financial year.

The financial statements of the reporting year have been prepared in accordance with Indian Accounting Standard (IndAs) as per the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time).

Financial Results of your Company for the year under review are summarized as under:

Particulars	March 31, 2021	March 31, 2020
	Amt (In Mn.)	Amt (In Mn.)
Revenue from operations	2696.30	3438.35
Other Income	25.60	50.49
<b>Total Income</b>	<b>2721.90</b>	<b>3488.84</b>
Employee benefit expenses	596.82	642.31
Finance Costs	1519.59	1558.97
Depreciation Expense	17.32	16.19
Other Expenses	517.33	1071.97
<b>Total Expenses</b>	<b>2651.06</b>	<b>3289.44</b>
<b>Profit / (Loss) before Tax</b>	<b>70.84</b>	<b>199.39</b>
Total Tax Expenses	26.95	58.48
<b>Profit / (Loss) for the Year</b>	<b>43.89</b>	<b>140.91</b>
<b>Financial Assets</b>	<b>14838.37</b>	<b>15179.29</b>
Cash and cash equivalents	2151.26	730.65
Bank balances	1269.97	1151.90
Derivative Financial Instruments	17.13	13.00
Trade Receivables	28.59	20.51
Loans	10710.93	12909.87
Investments	0.84	1.9
Other Financial Assets	659.65	351.47
<b>Non-Financial Assets</b>	<b>338.11</b>	<b>343.14</b>
Current Tax Assets (net)	49.07	3.21
Deferred Tax Assets (net)	243.85	289.61
Property, Plant and Equipment	19.58	21.58
Other Intangible Assets	2.10	3.15
Other Non-Financial Assets	23.51	25.59
<b>Total Assets</b>	<b>15176.48</b>	<b>15522.43</b>
<b>Financial Liabilities</b>	<b>12176.90</b>	<b>12625.30</b>
Derivative Financial Instruments	18.91	6.63
Trade Payables	0.83	15.08
Debt Securities	2846.04	2631.50
Borrowings (other than debt securities)	8070.48	8698.61
Subordinated Liabilities	893.93	898.62
Other Financial Liabilities	346.71	374.86

<b>Non Financial Liabilities</b>	<b>208.18</b>	<b>170.25</b>
Provisions	189.38	145.98
Other Non- Financial Liabilities	18.80	24.27
<b>Total Liabilities</b>	<b>12385.08</b>	<b>12795.55</b>
Equity Share Capital	252.28	249.65
Other Equity	2539.12	2477.23
<b>Total Equity</b>	<b>2791.40</b>	<b>2726.88</b>
<b>Total Liabilities and Equity</b>	<b>15176.48</b>	<b>15522.43</b>

The corresponding figures presented in the results have been restated/reclassified.

### **Review of the Business Operations**

Particulars	March 31, 2021	March 31, 2020
<b>Number of Branches</b>	450	443
<b>Number of Regular Employees</b>	2,873	2,920
<b>Number of Active Borrowers</b>	7,45,924	8,49,291
<b>Amount Disbursed (In Mn)</b>	8078.12	16,784.54
<b>Gross Loan Portfolio (In Mn)</b>	15041.54	17,550.06

### **Transfer to Reserves**

In accordance with Section 45-IC of Reserve Bank of India Act, 1934, the Company has transferred a sum of INR 210.82 Mn. to the statutory reserve during the FY 2020-21.

### **Recommendation of Dividend**

In order to conserve and plough back the resources, your directors have not recommended any dividend for the year on the equity shares of the Company.

### **Transfer of Unclaimed Dividend to Investor Education and Protection Fund**

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as no dividend remained unclaimed / unpaid during the preceding financial year 2020-21.

### **Subsidiaries/ Joint Venture/ Associate**

Your Company does not have any subsidiary/ joint venture/ associate company.

### **Public Deposits**

The company is a Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI). The Company does not have any public deposit and it has neither accepted any public deposit during the reporting year nor would accept any public deposit during the financial year 2021-22.

### **Particulars of Loans, Guarantees and Investments**

The Company is a Non-Banking Financial Company – Micro Finance Institution and is providing micro loans to marginal / financially weak clients and is therefore exempt from the provisions of section 186 of the Companies Act, 2013. Therefore, no disclosure of loans given, or any guarantee provided has been made in the Financial Statement, as required therein.



**Capital Structure/ Update on Capital**

The capital structure of your company is given as under:

Authorized Share Capital	Issued, Subscribed and Paid-up Share Capital
4,00,00,000 Equity Shares of INR 10.00 each aggregating to INR 40,00,00,000.00 and 1,00,00,000 Preference Shares of INR 10.00 each aggregating to INR 10,00,00,000.00	2,64,53,256 Equity Shares of INR 10.00 each aggregating to INR 26,45,32,560.00

There was no capital infusion during the period under review.

The shareholding as at the year ended March 31, 2021 is appended below:

Resident Shareholding				
Sr. No.	Name of the Shareholder	No. of Equity Shares	Paid-up Value (in INR)	% of Holding
1	Anup Kumar Singh	13,66,357	1,36,63,570	5.17%
2	Caspian Impact Investment Adviser Private Limited, Trustee of Bellwether Microfinance Trust	6,72,292	67,22,920	2.54%
3	Caspian Impact Investments Private Limited	4,66,850	46,68,500	1.76%
4	Swaminathan Shankar Aiyar	4,71,375	47,13,750	1.78%
5	Sonata Employee Welfare Trust	12,25,129	1,22,51,290	4.63%
6	SIDBI Trustee Company Limited [A/c Samridhi Fund]	32,74,653	3,27,46,530	12.38%
7	Shares held by Employees via ESOP	5,22,726	52,27,260	1.98%
8	Small Industries Development Bank of India	7,07,214	70,72,140	2.67%
<b>Total Resident Equity Shareholding (A)</b>		<b>87,06,596</b>	<b>8,70,65,960</b>	<b>32.91%</b>
Non Resident Shareholding				
9	India Financial Inclusion Fund, LLC	14,80,634	1,48,06,340	5.60%
10	Michael & Susan Dell Foundation	9,18,945	91,89,450	3.47%
11	Creation Investments Social Ventures Fund I	14,91,121	1,49,11,210	5.64%
12	Creation Investments Social Ventures Fund II, LP.	59,01,934	5,90,19,340	22.31%
13	Societe De Promotion Et De Participation Pour La Cooperation Economique	39,77,013	3,97,70,130	15.03%
14	Triodos Custody B.V. As A Custodian of Triodos Fair Share Fund	19,88,507	1,98,85,070	7.52%
15	Triodos SICAV II- Triodos Microfinance Fund	19,88,506	1,98,85,060	7.52%
<b>Total Non-Resident Equity Shareholding (B)</b>		<b>1,77,46,660</b>	<b>17,74,66,600</b>	<b>67.09%</b>
<b>Total Equity Shareholding (A) + (B)</b>		<b>2,64,53,256</b>	<b>26,45,32,560</b>	<b>100.00%</b>

*Details of Transfer of Equity Shares during FY 2020- 21 are as under:*

Sr. No.	Transferor	Transferee	Total Number of shares	Date of Transfer	Total Consideration
1	Sonata Employee Welfare Trust	Anup Kumar Singh	60,000	26.06.2020	40,20,000
2	Sonata Employee Welfare Trust	Anup Kumar Singh	1,38,895	22.09.2020	93,05,965
3	Sonata Employee Welfare Trust	Hari Mohan	4,520	09.10.2020	1,45,520
4	Sonata Employee Welfare Trust	Ravindra Pratap	500	09.10.2020	29,500
5	Sonata Employee Welfare Trust	Digvijay Singh	2,800	09.10.2020	72,800
6	Sonata Employee Welfare Trust	Rajnath Yadav	3,900	09.10.2020	1,45,900
7	Sonata Employee Welfare Trust	Brijbihari Singh	5,200	09.10.2020	1,79,700
8	Sonata Employee Welfare Trust	Suresh Singh	1,500	09.10.2020	83,500
9	Sonata Employee Welfare Trust	Narendra Patel	375	09.10.2020	22,125
10	Sonata Employee Welfare Trust	Mithun Bose	3000	09.10.2020	1,69,500
11	Sonata Employee Welfare Trust	Jeetendra Kumar Yadav	500	12.11.2020	29,500
12	Sonata Employee Welfare Trust	Anup Kumar Singh	42,000	12.11.2020	28,14,000
<b>Total</b>			<b>2,63,190</b>		<b>1,70,18,010</b>

**a. Buy back of Securities**

The company has not bought back any of its securities during the year under review.

**b. Sweat Equity**

The company has not issued any sweat equity shares during the period under review

**c. Bonus Shares**

No issue of bonus shares was done during the year under review.

**d. Employee Stock Option Plans****i. Options Granted during the year:**

During the year under review, the Company has **NOT** granted additional Stock Options.

**ii. Options Vested during the year:**

During the year under review **50,000** Stock Options were vested under the Employees Stock Option Plan 2013. The terms and conditions of the vesting are regulated by the ESOP Scheme 2013, approved by the Shareholders of the Company on **20<sup>th</sup> March 2014**.

**iii. Total number of shares arising as a result of exercise of Options:**

As on 31<sup>st</sup> March, 2021 total **14,94,871** stock options have been exercised by the employees and the Promoter of the Company.

**iv. Total number of options lapsed or expired:**

As on 31<sup>st</sup> March, 2021, total **1,11,050** stock options have been lapsed or expired.

**v. Options Exercised during the year**

During the year under review, total **2,63,190** share options have been exercised by the Employees of the Company as per the aforesaid share transfer details.

### **Material changes and commitments affecting the financial position between the end of the financial year and the date of the report**

There were no material changes and commitments affecting the financial position between the end of the financial year and the date of the report.

### **Statutory Auditors and Auditors' Report**

As per Section 139 of the Act, read with the Companies (Audit and Auditors) Rules, 2014, the members of the Company at the 24<sup>th</sup> Annual General Meeting (AGM), held on September 30, 2019, appointed M/s S. R. Batliboi & Associates, LLP, Chartered Accountants, FRN101049W/E300004 as the Statutory Auditors of the Company for a period of 4 years until the conclusion of the 28<sup>th</sup> Annual General Meeting to be held for the FY 2022-23, thereby extending the re-appointment of the same network of audit firm to the second term in compliance with the provisions of Companies Act 2013.

The reports given by M/s S. R. Batliboi & Associates LLP, Chartered Accountants on the standalone financial statements of the Company for the financial year 2020-21 are part of this Annual Report. The Auditors' Report read along with the Notes on the Financial Statements are self-explanatory and do not call for any further comments. There has been no qualification, reservation or adverse remark or disclaimer in their Report.

Further, RBI vide circular bearing no. DoS. CO. ARG/ SEC. 01/ 08.91.001/ 2021- 22 dated April 27, 2021 has issued guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) by the Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) from the Financial Year 2021- 22 onwards. The guidelines provide necessary instructions for appointment of SCAs/ SAs, the number of auditors, their eligibility criteria, tenure, rotation etc. As per these guidelines, the company is required to appoint its statutory auditors for a maximum term of three years, subject to the firms satisfying the eligibility norms each year. Further, in order to address the operational challenges which may be caused due to change in the auditors, the said circular provides a flexibility to appoint the new statutory auditor from the second half year of the FY 2021-22.

As the existing statutory auditors of the Company have completed 7 years of service in the Company pursuant to section 139 of the Companies Act, 2013 therefore they are not eligible to continue to hold the office after the Statutory Audit of the Half Year ended September 30, 2021 and thus have accordingly decided to vacate the office as Statutory Auditors, upon the adoption of their Audit Report for the said period by the Board of Directors, in compliance with the RBI directions.

Accordingly, the Board of Directors, on the recommendation of the Audit Committee, at their meeting held on September 28, 2021 have recommended M/s BSR & Co., LLP, Chartered Accountants, (ICAI Firm Registration No. 101248W/W-100022), to be appointed as the Statutory Auditors of the company for a period of three years commencing from the audit for the quarter ended December 31, 2021, being effective from the date of resignation of the existing Statutory Auditors of the Company and subject to the satisfaction of eligibility norm on yearly basis, until the conclusion of the 29<sup>th</sup> Annual General Meeting of the Company to be held for the F.Y 2023-24.

### Secretarial Auditors

Pursuant to the requirements of Section 204(1) of the Act read with Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, M/s Amit Gupta & Associates, Practicing Company Secretary, were appointed as Secretarial Auditor of the Company for the financial year 2020-21. The Secretarial Audit Report for the financial year ended March 31, 2021, is annexed to this report as *Annexure –III*. There has been no qualification, reservation or adverse remark or disclaimer in their Report.

### Internal Auditor

Internal audit is an important function which identifies operational risk areas, checks compliance of company's operational policy and processes, reports deviations and areas of concern to the management and ensures corrective action. The Company has its own internal audit team which conducts the audit of the branches of the company, on a regular basis. The internal audit team of the company ensures that each branch is audited at least once in every quarter. The team is headed by the Internal Audit Head who is responsible for reporting directly to the Audit Committee of the Board.

In terms of Section 138 of the Act, and Companies (Accounts) Rules, 2014, the Board of Directors at its Meeting held on February 21, 2020, upon recommendation of Audit Committee, had appointed M/s Vinay Kumar & Co., Chartered Accountants, as Internal Auditors of the Company, for the financial year 2020-21, for conducting the audits at Head Office level.

### Cost Auditor

The provisions of Section 148 of the Act, read with the Companies (Cost Records and Audit) Rules, 2014 relating to Cost Audit and maintaining of cost audit records does not apply to the Company.

### Directors and Key Managerial Personnel

Affairs of your Company are being managed by a professional Board comprising of eminent personalities having experience and expertise suited to guide the Company in the right direction. The composition of the Board is as per the provisions of the Companies Act, 2013. At present, the Board of the company includes 10 Directors of whom 3 are Independent Directors, 6 Nominee Directors and a Managing Director.

#### *During the period under review:*

- Ms. Chandni Gupta Ohri, Independent Director resigned from Directorship of the company w.e.f 26<sup>th</sup> June, 2020.
- Pursuant to the provisions of Section 203 of the Act, Mr. Anup Kumar Singh, Managing Director, Mr. Akhilesh Kumar Singh, CFO and Ms. Paurvi Srivastava, Company Secretary, are the Key Managerial Personnel of the Company during the year under review.

### Independent Directors' Declaration

The definition of 'Independence' of Directors is derived from Section 149(6) of the Companies Act, 2013. Based on the confirmation / disclosures received from the Directors and on evaluation of the relationships disclosed, the following Non-Executive Directors are Independent in terms of Section 149(6) of the Companies Act, 2013:

- a) Mr. Anal Kumar Jain
- b) Ms. Chandni Gupta Ohri (*Resigned w.e.f 26<sup>th</sup> June, 2020*)
- c) Mr. Pradip Kumar Saha
- d) Mr. Sethuraman Ganesh



In compliance with the provisions of Section 149(7) of the Companies Act, 2013, the Company has received declarations from all the Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under the Companies Act, 2013. Further, the independent directors have adhered to the Code for Independent Directors prescribed under Schedule IV to the Companies Act, 2013 and there has been no change in the circumstances which may affect their status as independent director during the year under review.

Further all the independent directors have registered themselves with the Independent directors' databank in accordance with the provisions of Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

### ***Performance Evaluation of Board, Committees and Directors***

The Board of Directors and Remuneration & Nomination Committee has put in place a framework for the performance evaluation of the Board as a whole, its committees and individual directors, in compliance with the provisions of the Companies Act, 2013. The evaluation framework of the Board and its committees is based on parameters like composition, quality and effectiveness of deliberations, vision and strategy, monitoring etc. The individual directors are evaluated on criteria such as attendance, participation, understanding of business, domain knowledge, contribution to decision making, compliance with code of conduct, independence, etc.

The evaluation of the Board, its committees and individual directors for the reporting financial year was conducted through an online evaluation solution "Survey Monkey" portal and the results of the evaluation exercise were discussed in the Remuneration & Nomination Committee meeting held on June 28, 2021.

The Board of Directors in their meeting held on June 29, 2021 noted the outcome of Board evaluation and expressed their appreciation and satisfaction on the performance of the Chairman, Managing Director, Independent, Non-Independent Directors, Committees and the Board as a whole.

Further the Independent Directors evaluated the performance of the Chairman, non-Independent directors and Board as a whole in their separate meeting held on June 28, 2021 and expressed their satisfaction.

### ***Directors' Responsibility Statement***

Pursuant to Section 134(5) of the Companies Act, 2013 and based on the representations received from the management, the directors hereby confirm:

1. That in the preparation of the annual accounts for the financial year 2020-21, the applicable accounting standards have been followed and there are no material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year;
3. That the Directors have taken proper and sufficient care to the best of their knowledge and ability for the maintenance of adequate accounting records in accordance with the provisions of the Act and confirms that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the annual accounts on a going concern basis;
5. That the Directors, have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly; and
6. That the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Corporate Governance

Your Company is committed to achieve the good standards of Corporate Governance and adheres to the Corporate Governance requirements set by the Regulators/applicable laws. Accordingly, your Board functions as trustees of the shareholders for ensuring the long-term economic value for its shareholders while balancing the interest of all the stakeholders.

### (i) COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance envisages attainment of better transparency and accountability in all facets of operations and in all its interactions with its stakeholders including shareholders, employees, bankers and the auditors. The Company constantly endeavors to achieve standards of Corporate Governance in order to enhance the long term stakeholders' value and maintain good Corporate Governance. The Company has well established, transparent and fair administrative set up to provide for professionalism and accountability.

### (ii) BOARD OF DIRECTORS

The Board meets at regular intervals to discuss and decide on Company's / business policies and strategies apart from other Board business. However, due to lock down and various travel restrictions in the country throughout the year holding of physical meetings were not feasible and the Ministry of Corporate Affairs has also announced relief on holding physical meetings and issued guidelines, from time to time, on holding meetings of Board of Directors and Board Committees through Video Conferencing mode. Hence during the Financial Year under review all the meetings were held through the Video Conferencing mode.

#### a) Composition, Category of the Board of Directors

As on March 31, 2021, the Board of the Company consisted of 10 Directors, of which 3 were Independent Directors and 6 Directors were Non-Executive while 1 Executive Director, being the Managing Director.

The composition of the Board is in conformity with the Companies Act, 2013. The composition of the Board, other directorships of the Board members, number of Board Meetings held along with the attendance of the Directors thereat during the Financial Year 2020-21 along with the details of Committees of the Board, its membership and Terms of reference (ToR) are contained hereunder:

Sr. No.	Name of Director	Category	No. of Directorships in other Companies (as on date)
1.	Mr. Anup Kumar Singh	Managing Director	1
2.	Mr. Anal Kumar Jain	Independent Director	3
3.	Mr. Sethuraman Ganesh	Independent Director	1
4.	Mr. Pradip Kumar Saha	Independent Director	-
5.	Mr. Kenneth Dan Vander Weele	Nominee Director	10
6.	Mr. Saurabh Kumar Johri	Nominee Director	-
7.	Mr. Sanjay Goyal	Nominee Director	1
8.	Mr. R.V Dilip Kumar	Nominee Director	6
9.	Mr. Aditya Mohan	Nominee Director	-
10.	Mr. Benoit Marie Luc Monsaingeon	Nominee Director	-

**b) Number of meetings and attendance of the Board of Directors**

The Board met five (5) times in financial year 2020-21. The maximum interval between any two meetings did not exceed 120 days.

Sr. No.	Date of Board Meeting	Place/ Mode of Meeting	Members attended Board Meeting
1.	June 26, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Ms. Chandni Gupta Ohri Mr. Kenneth Dan Vander Weele Mr. Sethuraman Ganesh Mr. Sanjay Goyal
2.	September 22, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Mr. Kenneth Dan Vander Weele Mr. Sethuraman Ganesh Mr. Sanjay Goyal Mr. Saurabh Kumar Johri
3.	November 12, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Mr. Kenneth Dan Vander Weele Mr. Sethuraman Ganesh Mr. Sanjay Goyal Mr. Saurabh Kumar Johri
4.	December 03, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Mr. Kenneth Dan Vander Weele Mr. Sethuraman Ganesh Mr. Sanjay Goyal Mr. Saurabh Kumar Johri Mr. R.V Dilip Kumar
5.	February 24, 2021	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Aditya Mohan Mr. Anal Kumar Jain Mr. Anup Kumar Singh Mr. Benoit Monsaingeon Mr. Kenneth Dan Vander Weele Mr. Sethuraman Ganesh Mr. Sanjay Goyal Mr. Saurabh Kumar Johri

**Notes:**

- None of the Directors held directorship in more than 10 Public Limited Companies
- None of the Directors were related to any Director or were a member of an extended family.

**(iii) BOARD COMMITTEES****a. AUDIT COMMITTEE**

The Chairman of the Committee is an Independent Director. During the financial year 2020-21 the Committee has met five times. The composition of the Audit Committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Meeting
1.	June 25, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri Mr. R. V. Dilip Kumar
2.	July 08, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri Mr. R. V. Dilip Kumar
3.	September 21, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri Mr. R. V. Dilip Kumar
4.	November 11, 2020	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri Mr. R. V. Dilip Kumar
5.	February 23, 2021	Via Video Conferencing	Mr. Pradip Kumar Saha, Chairman Mr. Anal Kumar Jain Mr. Sethuraman Ganesh Mr. Saurabh Kumar Johri

***Brief Terms of Reference of Audit Committee:***

- a) To review the Financial Reporting & to ensure the correctness of Financial Statements.
- b) Recommendation of Internal and External Auditors, scope of their Audits and Audit reports to the Board.
- c) To review the functioning of the whistle-blower mechanism.
- d) To review the valuations of undertakings and assets of the Company, wherever necessary;
- e) Reviewing and scrutinizing with management the periodic financial statements/results before submission to the Board, focusing primarily on:
  - matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of Clause (c) of sub-section (3) of section 134 of the Companies Act, 2013;
  - any changes in accounting policies and practices;
  - any related party transaction
  - the adequacy of internal audit function
- f) Reviewing the findings of any internal investigations by the internal auditors into the 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;
- g) To ensure that an Information System Audit of the internal systems and processes is conducted yearly to assess operational risks faced by the Company.



- h) To consider the approval and subsequent modification of any transactions of the Company with related parties.

**b. REMUNERATION & NOMINATION COMMITTEE**

The Chairman of the Committee is an Independent Director. During the financial year 2020-21 no meeting of Remuneration and Nomination committee was held.

***Brief Terms of reference of Remuneration and Nomination Committee:***

- a) To identify the persons who are qualified to become the directors or appointed as Senior Management Personnel and to ensure fit and proper credentials of proposed/ existing Directors.
- b) To evaluate the Board of Directors, the committees constituted by the Board and the Board as a whole in accordance with the section 178 (2) of the Companies Act, 2013 and requirements of Rule 8(4) of the Companies (Accounts) Rules, 2014.
- c) To recommend the sitting fee payable to the Independent directors and to decide the remuneration for the Whole Time Director / Managing Director.
- d) To review the administration of ESOP Schemes of the Company, determining the eligibility criteria, vesting conditions, grant of options, performance evaluation and recommending the same to the board.

**c. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

The Board of Directors, in compliance of the Companies Act, 2013 and rules made thereunder, constituted Corporate Social Responsibility (CSR) Committee at their meeting held on November 15, 2013.

During the financial year 2020-21, the Committee has met two times. The composition of the Corporate Social Responsibility committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Meeting
1.	June 25, 2020	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Anup Kumar Singh Mr. P.K. Saha Mr. Sanjay Goyal
2.	February 23, 2021	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Anup Kumar Singh Mr. P.K. Saha

***Brief Terms of reference of Corporate Social Responsibility Committee:***

- a) Formulation and recommendation to the Board, a Corporate Social Responsibility Policy, which shall indicate the activities to be undertaken by the company in areas or subject, as specified in Schedule VII of the Companies Act 2013.
- b) Formulation and recommendation to the Board, an annual action plan of the CSR expenditure to be made during the financial year.
- c) Recommendation to the Board for setting off any expenditure which has been made in excess of the annual budget.
- d) Recommendation to the Board for defining any project as “on going” project as per the definition as covered in the Companies (Corporate Social Responsibility Policy) Amendment Rules 2021.
- e) Recommendation of the amount of expenditure to be incurred on the CSR activities and monitoring the same and monitoring the Corporate Social Responsibility Policy of the company from time to time.

**d. RISK MANAGEMENT COMMITTEE**

During the financial year 2020-21 the Committee has met two (2) times. The composition of the Risk Management committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Meeting
1.	September 22, 2020	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Aditya Mohan Mr. P.K. Saha Mr. Akhilesh Kumar Singh Mr. Shrikant Bhargava
2.	February 23, 2021	Via Video Conferencing	Mr. Sethuraman Ganesh, Chairman Mr. Aditya Mohan Mr. P.K. Saha Mr. Akhilesh Kumar Singh Mr. Shrikant Bhargava Mr. Snehdeep Agnihotri

**Brief Terms of reference of Risk Management Committee:**

- a) To assist in setting risk strategy policies in liaison with management.
- b) 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.
- c) 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.
- d) To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risks.
- e) To review the risk bearing capacity of the Company in light of its reserves, insurance coverage, guarantee funds or other such financial structures.

**e. IT STRATEGY COMMITTEE**

During the financial year 2020-21 the Committee has met two (2) times. The composition of the IT Strategy Committee and the brief terms of reference are shown below:

Sr. No.	Date of Meeting	Place/ Mode of Meeting	Members attended Meeting
1.	September 21, 2020	Via Video Conferencing	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh Mr. Akhilesh Kumar Singh Mr. Ashutosh Chaturvedi Mr. Shyam Kanhaiya Yadav
2.	February 23, 2021	Via Video Conferencing	Mr. Anal Kumar Jain, Chairman Mr. Anup Kumar Singh Mr. Akhilesh Kumar Singh Mr. Ashutosh Chaturvedi Mr. Shyam Kanhaiya Yadav

**Brief Terms of reference of IT Strategy Committee:**

- a) To approve the IT strategy and Policy documents and ensuring that an effective strategic planning process has been put in place.
- b) To ensure that such process and practices have been implemented so that the IT delivers value to the business.
- c) To review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, Cyber security arrangements, and any other matter related to IT Governance.
- d) To ensure that the IT investments represent a balance of risks and benefits and that the budgets are acceptable.
- e) To monitor and provide direction for sourcing and use of IT resources.
- f) To ensure a balance between IT investments and exposure towards IT risks and controls.
- g) To oversee the implementation of new software and to monitor the progress of the project and the milestones to be reached according to the project timetable.
- h) To ensure due compliance of RBI Master Direction DNBS.PPD.No.04/66.15.001/2016-17 dated June 08, 2017 or any amendment thereof.

**(iv) GENERAL MEETINGS****A. Date, Venue and Time for the last three Annual General Meetings**

AGM for the FY	Date & time of AGM	Venue/ Mode of the AGM
2019-20	September 30, 2020	Via Video Conferencing
2018-19	September 30, 2019	II Floor, CP-1, PG Tower, Kursi Road, Vikas Nagar, Lucknow – 226026 (Registered Office)
2017-18	September 28, 2018	II Floor, CP-1, PG Tower, Kursi Road, Vikas Nagar, Lucknow – 226026 (Registered Office)

**B. Details of special resolutions passed in the previous three Annual General Meetings**

AGM Date	As per Companies Act, 2013	Particulars of Special Resolutions
September 30, 2020	N.A	None
September 30, 2019	N.A	None
September 28, 2018	<ul style="list-style-type: none"> <li>• U/s 152(2), 196, 117(3) &amp; 203</li> <li>• U/s 149 and 152 read with Schedule IV</li> </ul>	<ul style="list-style-type: none"> <li>• Re-Appointment of Mr. Anup Kumar Singh as Managing Director of the Company, for a period of 5 (Five) consecutive years w.e.f from April 01, 2019 upto March 31, 2024.</li> <li>• Re-Appointment of Mr. Anal Kumar Jain as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 (five) consecutive years, i.e. up to March 31, 2024.</li> <li>• Re-Appointment of Ms. Chandni Gupta Ohri as an Independent Director of the Company, not liable to retire by rotation, to hold office for a second term of 5 (five) consecutive years, i.e. up to March 31, 2024.</li> </ul>

**C. Details of Extra-Ordinary General Meetings held during the year:**

EGM Date	As per Companies Act, 2013	Particulars of Resolutions
June 26, 2020	U/s 180 (1) (c), 180 (1) (a) and 42	<ul style="list-style-type: none"> <li>Approval u/s 180 (1) (c) of Companies Act, 2013 to borrow any sum or sums of money from time to time exceeding the aggregate of its paid-up capital, free reserves &amp; securities premium</li> <li>Approval of creation of charge, mortgage or hypothecation on the assets of the Company under section 180 (1)(a) of the Companies Act, 2013</li> <li>Approval of offer or invitation to subscribe to Non-Convertible Debentures on private placement basis under section 42 of the Companies Act, 2013</li> </ul>

**(v) CODE OF CONDUCT**

The board has laid down a “Code of Conduct” for all the board members and the senior management and other employees of the company and the Code of Conduct has been posted on the website of the company at, <https://www.sonataindia.com/COC.aspx>.

**(vi) OTHER DISCLOSURES**

- During the period under review no prosecutions have been initiated against the Company neither any fines have been imposed for alleged offences under the Act, however Reserve Bank of India vide its order dated March 23, 2021, imposed a penalty of Rs. 15 Lakh alleging the company for delay in refund of the amount of excess interest charged pursuant to para 54 (ii) and 54 (iv) of the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The company has paid the penalty amount to the demarcated account and the issue stands settled.
- During the year, no expenditure has been debited in the books of accounts, which are not for the purposes of business of the company.
- During the year, no expenses, which are of personal nature, have been incurred for the Board of Directors and top management.
- During the year, no application involving the company was made nor is any proceeding pending against the company, under the Insolvency and Bankruptcy Code, 2016.

**(vii) MEANS OF COMMUNICATION**

The Annual Report and other statutory information are being sent to shareholders through electronic mode.

**(viii) FAMILIARISATION OF BOARD OF DIRECTORS**

The Board of Directors are regularly informed about the developments in reference to the performance of the Company, industry scenario & regulatory changes. The policies and procedures of the company are provided to the Board members to familiarise them with the functioning of the company. All the corporate policies are reviewed by the Board on an annual basis. Department-wise detailed presentations are made at the Board and Committee meetings of the company to update the board members on the key performance indicators vis-à-vis the business plan, industry overview, opportunities and risks faced by the company and changes in the regulatory environment. Various reports are submitted to the Board on a monthly/ quarterly basis to enable them to effectively understand and monitor the performance of the company.

**(ix) GENERAL SHAREHOLDERS INFORMATION**

- a) As per the notice attached to this Annual Report, the Annual General Meeting of the Company will be held on September 30, 2021.
- b) The Financial Year of the Company is from April 01 to March 31.

**Contracts or Arrangements with Related Parties**

During the year, the company did not enter into any materially significant contract/ arrangement/transaction with related parties, which may have potential conflict with the interest of the Company at large. The Company has a policy on dealing with the Related Party Transactions (including for material related party transactions) and necessary approval of the Audit Committee and Board of Directors is taken, wherever required in accordance with the Policy. However, during the reporting year the company has given mandate to Vivriti Capital Private Limited (“Vivriti”), wherein one of Board Member is also a Director, for availing its assistance/arranger services in Fund raising.

In compliance with section 188(1) of the Companies Act, 2013, the disclosure on related party transactions in Form AOC-2 is enclosed as **Annexure-I**. Further, details of Related Party Transactions, as required to be disclosed, as per IND AS-24 “Related Party Disclosures” specified under section 133 of the Companies Act, 2013 are given in the Notes to the Financial Statements.

**Corporate Social Responsibility (CSR)**

Corporate Social Responsibility of the Company is harmonious with its vision of building a society that contains an opportunity to develop the minimal socio-economic conditions needed to live a life of dignity. Over the past few years, the company has put its dedicated and consistent efforts for promotion of education and infrastructural development of primary schools located in its area of operations, with a belief that quality of education is the most important factor which determines the ability of our target communities to build a better future and a life of dignity for themselves.

The CSR initiatives of the company are guided and monitored by the Corporate Social Responsibility (CSR) Committee constituted under the provisions of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, as amended from time to time. The details of composition of the CSR Committee and its scope are provided in the para pertaining to Corporate Governance. Further, the Annual Corporate Social Responsibility Report prepared as per the provisions of Rule 8(1) of the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2021 and statutory disclosures with respect to the CSR initiatives undertaken by the Company during the year, forms a part of this Report and is enclosed as **Annexure-II**.

During the period under review, the Company was not obligated to spend any amount towards CSR activities since the average net profit/(loss) for previous three financial years, amounted to a loss. However, despite there being no obligation to deploy funds for CSR activities in the Financial Year 2020-21, the CSR committee decided to earmark an amount of Rs. 25,00,000/- (Rupees Twenty-Five Lakhs Only) including the unspent carried forward amount of the previous year amounting to Rs. 7,23,536/- Out of the total earmarked budget Rs. 5,00,000/- was donated towards PM CARES fund for COVID-19 pandemic and the balance towards CSR initiatives in the financial year 2020-21. The company in the aggregate spent Rs. 27,43,949 (Rupees Twenty Seven Lakhs Forty Three thousand Nine Hundred and Forty Nine Only) on CSR activities during the Financial Year.

**Annual Return**

As required under Section 134(3)(a) of the Act, the Annual Return of the Company for the FY 2020-21 has been disclosed on the website of the Company and the same can be accessed at [www.sonataindia.com](http://www.sonataindia.com)

**Management Discussion and Analysis Report**

As required by the listing agreement, a report on Management Discussion and Analysis Report is appended as **Annexure-IV** to the Board Report.



### **Disclosure of Remuneration and Nomination Criteria**

The Board has, on the recommendations of the Remuneration & Nomination Committee and in compliance of the Companies Act, 2013, has framed a Remuneration and Nomination criteria for selection, evaluation, appointment of Directors, Key Managerial Personnel, other employees, fixing their remuneration including criteria for determining qualifications, positive attributes, independence of a director and related matters as provided under the said act. The Remuneration and Nomination Committee forms critical part of the Corporate Governance Policy of the Company and the aforesaid policy is available on the website of the Company.

### **Internal Control**

Your Company has laid down set of standards, processes and structure which enables it to implement internal financial control across the organization and ensure that the same are adequate and operating effectively. These systems help to detect and prevent frauds & errors and ensure accuracy and completeness of the accounting records relevant to the preparation and presentation of financial statements.

Further the company's financial system and procedures were duly audited by M/s S. R. Batliboi & Associates, LLP, Chartered Accountants, who have reported that the financial systems are as per the requirements.

### **Human Resource Development**

The Company focuses on effective management of employees such that they help their business gain a competitive advantage. It has continuously adopted structures that help attract best external talent and promote internal talent to higher roles and responsibilities. Its people centric focus providing an open work environment, fostering continuous improvement and development helped several employees realize their career aspirations during the year.

During the year under review, the company had 2,873 regular employees' vis-à-vis 2,920 regular employees as on March 31, 2020. The disclosures required to be made under the provisions of section 197(12) of the Companies Act, 2013 read with Rule 5(1), (2) and (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as *Annexure – V* to the Directors' Report.

### **Risk Management**

Risk Management is essential as it is required for long-term sustainability of the company. The objective of risk management of the company is to provide reasonable assurance that the business is being managed sustainably. Rather than focusing on current or historical financial performance, risk management focuses on the ability of the company to identify and manage future risks, and this is viewed as being the best predictor of long-term success and sustainability.

The Company has an efficacious risk management structure. It works simultaneously to review policies and procedures, identify risk, understand existing risk mitigation/controlling strategies and identify gaps in the existing controlling strategies and to improve upon the same.

The Risk Management function is overseen by the Risk Management Committee/ Audit Committee of the Company on a continuous basis. The committee reviews comprehensive risk reports on key risk indicators pertaining to Environmental, market and geographical risk, Credit risk, Operational risk including systems, HR and Regulatory risk, Liquidity risk, ALM and interest rate risk, and other risks faced by the company. The position of the company against these risk indicators is continuously monitored and the effectiveness of risk management strategies is reviewed by the Committee.

The Company has Board approved Risk Management Policy wherein all material risks faced by the Company are identified and assessed.

### ***Vigilance Mechanism***

The Company promotes ethical behavior in all its business activities and as per Section 177 (9) and (10) of Companies Act 2013, read with Rule 7 of the Companies (Meeting of Board and its Powers) Rules, 2014 the Company has established a vigilance mechanism which allows Directors, employees and stakeholders associated with the company to report instances of illegal, unethical behavior or violation of applicable laws and code of conduct. The Company has a Board approved Vigilance Mechanism & Whistle Blower Policy, to provide adequate safeguards against victimization of persons who avail the mechanism and a provision for direct access to the Chairperson of the Audit Committee.

During the year under review, no complaints were received under the Vigil mechanism and no employee was denied access to the Audit Committee.

Further, the Vigilance Mechanism Policy and other details are also available on the website of the Company.

### ***Disclosure as per Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013***

The Company has zero tolerance for sexual harassment at workplace towards verbal, psychological conduct of a sexual nature by any employee or stakeholder that directly or indirectly harasses, disrupts, or interfaces with another's work performance or that creates an intimidating, offensive, or hostile environment and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (referred to as Act) and the rules framed thereunder. Further, the company has constituted Core Internal Complaints Committee and Regional Internal Complaints Committees at respective regional offices as per the requirements of the Act. During the year under review, the Company has not received any complaints on sexual harassment.

### ***Environmental and Social Aspects***

We ensure sound and sustainable business practices so as to establish a creative partnership between development and environment. Increase in green cover, conservation of scarce resources, control of pollution, promotion of economic progress are important guiding lights to follow for nurturing such relationship through continuous education of its employees which in turn would lead to awareness of their families and lastly to Company's clients. Your Company will always and consistently exclude itself from engaging into any activities, which are detrimental to the environment.

Your Company also recognizes the importance of implementing sound social practices and continues to integrate such practices into its daily office based activities. We also make sure that working conditions in the organization meet international labor standards and in this regard the company ensures that there is no forced labor, no gender in-equality, acceptance of equal pay for equal work, no child labor has been or shall be employed in any of the offices of the company. We provide equal and adequate terms of employment to both genders, provision of adequate process for employees to voice complaints and many more.

As we all are aware, COVID 19 pandemic has impacted the life of millions worldwide. Therefore we, at Sonata, tried our level best, to minimize the difficulties of our clients and dedicated employees, by strictly following the government guidelines in order to avoid any untoward incidents.

### ***Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo***

The company being a Non-Banking Financial Company, the particulars of conservation of energy, technology absorption are not applicable on the company. The only use of energy is the consumption of electricity at the offices of the company. However the company is making full efforts to conserve the wastage of energy and has replaced the electricity fixtures with energy saving rating equipments.

Further, there was no foreign exchange inflow or outflow during the year under review.

### **Instances of Fraud, if any reported by the Auditor pursuant to Section 143 (12) of the Companies Act, 2013**

During the year under review, the Statutory Auditors and the Secretarial Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee under section 143(12) of the Companies Act, 2013, details of which need to be mentioned in this Report.

### **Client Grievance**

During the year under review, the status of client grievances is as follows:

<b>No. of complaints*</b>	<b>March 31, 2021</b>	<b>March 31, 2020</b>
Pending at the beginning of the year	20	70
Received during the year	625	216
Redressed during the year	637	266
Pending at the end of the year	8	20

\* **excluding general enquiry from customers on loans products.**

### **Compliance with Secretarial Standards**

During the year, the Company has complied with the applicable Secretarial Standards issued by the Institute of Companies Secretaries of India.

### **Documents placed on the website**

In compliance with the requirements of Companies Act 2013, SEBI (LODR) Regulations 2015 and RBI Master Directions, 2016, following documents have been placed on the website of the Company ([www.sonataindia.com](http://www.sonataindia.com)):

- Annual Reports of the Company
- SONATA Code of Conduct
- Financial statements of the Company along with relevant documents as per third proviso to section 136(1).
- Credit Loss Estimation Policy
- Fair Practice Code in English and Hindi language
- Ombudsman Scheme in English and Hindi language
- Policy on Co-lending with Banks
- Equal Opportunity Policy
- Resource Planning Policy
- Environmental & Social Policy
- Procurement Policy
- Retention & Destruction Policy
- Cyber Security Policy
- Information Security Policy
- Fraud Prevention Policy
- Loan and Interest Rate Policy
- Recovery Policy
- Related Party Transactions Policy
- Know Your Customer (KYC), Anti Money Laundering (AML) & Combating Financing of Terrorism (CFT) Policy
- Vigil Mechanism/ Whistle Blower Policy
- General Risk Management Policy
- Corporate Social Responsibility Policy
- Fit and Proper Criteria Policy
- Corporate Governance Policy

- Policy against Sexual Harassment in English and Hindi Language
- Investment Policy
- Business Model Policy
- Code of Practices and Procedures for fair Disclosure of Unpublished Price sensitive Information
- Intimations/ Documents filed with the Stock Exchange
- Details of Credit Ratings
- The terms and conditions of appointment of independent directors as per schedule IV to the Act.

#### Annexures

The list of annexure forming part of the Board Report is as follows:

Name of the Annexure	Annexure No.
Related Party Transactions (AOC-2)	I
Annual Corporate Social Responsibility Report	II
Secretarial Audit Report	III
Management Discussion and Analysis Report (MDAR)	IV
Ratio of the remuneration of each director to the median employees remuneration	V

#### Acknowledgements

The Directors wish to convey their appreciation to business associates for their support and contribution during the year. The Directors would also like to thank the employees, shareholders, customers, suppliers, alliance partners and bankers for the continued support given by them to the Company and the confidence reposed in the management.

On behalf of the Board of Directors  
Of Sonata Finance Private Limited



Anup Kumar Singh  
Managing Director  
DIN: 00173413



Pradip Kumar Saha  
Director  
DIN: 02947368

Place: Lucknow  
Date: September 28, 2021



**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)**

This form pertains to the disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in Sub-section (1) of Section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

**Details of contracts or arrangements or transactions not at arm's length basis**

There were no contracts or arrangements or transactions entered during the year ended March 31, 2021, which were not at arm's length basis.

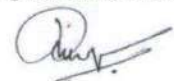
**Detail of material contracts or arrangements or transactions at arm's length basis**

<b>Name of the Related Party &amp; Nature of Relationship</b>	<b>Nature of contracts/ arrangements/ transactions</b>	<b>Duration of the contracts / arrangements / transactions</b>	<b>Salient terms of the contracts/ arrangements/ transactions including the value</b>	<b>Date(s) of approval by the Board/ Audit Committee</b>	<b>Amount paid as advances</b>
Vivriti Capital Private Limited  <i>(Mr. Kenneth Dan Vander Weele, being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited)</i>	In the Ordinary Course of Business	24 months	<b>Term Loan Facility</b> of Rs. 7,50,00,000/- (Rupees Seven Crores Fifty Lakhs Only).  <b>Interest rate:</b> 13.80% p.a  <b>Processing Fees:</b> 1%  <b>Security:</b> Exclusive charge by way of hypothecation on receivables of at least 1.1x at all times during the currency of the facility.	Passed through circular resolution dated 17 <sup>th</sup> September 2019 and taken note in the Audit Committee Meeting held on 11 <sup>th</sup> November, 2019.	Nil
Vivriti Capital Private Limited  <i>(Mr. Kenneth Dan Vander Weele, being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited)</i>	In the Ordinary Course of Business	24 months	To act as a <b>Guarantor</b> , for the term loan facility of Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) from Axis Bank Limited, to provide unconditional, irrevocable, payable on demand guarantees, that covers minimum of 16% of the initial principal value of the facility amount and the duration is 24 months.  <b>Guarantee Cap:</b> Covering minimum of 16% of the initial principal value of the facility amount.	Audit Committee Meeting dated 20 <sup>th</sup> February, 2020.	Nil



<p>Vivriti Capital Private Limited</p> <p>(Mr. Kenneth Dan Vander Weele, being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited)</p>	<p>In the Ordinary Course of Business</p>	<p>24 months</p>	<p><b>Term Loan Facility</b> of Rs. 15,00,00,000 /-(Rupees Fifteen Crores Only)</p> <p><b>Interest rate :</b> 14.5% p.a</p> <p><b>Processing Fees:</b> 1%</p> <p><b>Security:</b> Exclusive charge by way of hypothecation on receivables of at least 1.1x at all times during the currency of the facility.</p>	<p>Passed through circular resolution dated 21<sup>st</sup> March 2020 and taken note in the Audit Committee Meeting held on 25<sup>th</sup> June, 2020.</p>	<p>Nil</p>
<p>Vivriti Capital Private Limited</p> <p>(Mr. Kenneth Dan Vander Weele, being common director on the board of Vivriti Capital Private Limited and Sonata Finance Private Limited)</p>	<p>In the Ordinary Course of Business</p>	<p>24 months</p>	<p><b>Term Loan Facility</b> of Rs. 13,00,00,000 /- (Rupees Thirteen Crores Only)</p> <p><b>Interest rate:</b> 13.75% p.a</p> <p><b>Processing Fees:</b> 1%</p> <p><b>Primary Security:</b> Exclusive charge by way of hypothecation upto 1.1x on identified receivables from assets created out of the loan amount.</p> <p><b>Cash Collateral:</b> In the form of fixed deposit for an amount equivalent to (i) 5% (five percent) of the aggregate loan amount outstanding at the time of occurrence of the Rating Downgrade Event, in case of occurrence of the First Rating Downgrade Event; and (ii) 10% (ten percent) of the aggregate loan amount outstanding at the time of occurrence of the Rating Downgrade Event, in case of occurrence of the Second Rating Downgrade Event with a scheduled commercial bank as acceptable to the lender</p>	<p>Passed through circular resolution dated 03rd February, 2021 and taken note in the Audit Committee Meeting held on 23rd February, 2021.</p>	<p>Nil</p>

On behalf of the Board of Directors  
Of Sonata Finance Private Limited



Anup Kumar Singh  
Managing Director  
DIN: 00173413



Pradip Kumar Saha  
Director  
DIN: 02947368

Place: Lucknow  
Date: September 28, 2021

# Annual Report on Corporate Social Responsibility (CSR) Activities

## 1. A brief outline of the Company's CSR policy:

The CSR policy of the company was approved on October 30, 2015 and is reviewed annually by the Board of Directors. It defines the company's relationship with the common stakeholders and the community for the social and the environmental good. It aims to work towards the elimination of all barriers for the social inclusion of disadvantaged groups – such as the poor, socially backward and financially excluded group of persons. CSR activities are carried out in an environment friendly manner. The company will give special preference to the local areas and areas where it operates for spending the amount that is earmarked by the CSR Committee. The CSR policy serves as a guiding document and helps the Company to identify, monitor and execute the CSR projects and keep it within the spirit of this policy. The policy lays down the guiding principles for selection, implementation and monitoring of activities as well as formulation of the annual action plan.

Further the CSR policy of the company was amended in compliance with the MCA notification dated January 22, 2021, amending the Companies (Corporate Social Responsibility Policy) Rules, 2014. The revised policy was approved by the Board of Directors of the company in their meeting held on June 29, 2021, based on the recommendations of the CSR Committee.

## 2. Composition of CSR Committee:

- Mr. Sethuraman Ganesh (*Chairman*)
- Mr. Anup Kumar Singh
- Mr. Pradip Kumar Saha
- Mr. Sanjay Goyal

## 3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:

Weblink for the above mentioned details is <https://www.sonataindia.com/CSR.aspx>

## 4. Provide the 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 (attach the report): *Not Applicable*

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

## 6. Average net profit of the company as per section 135(5): *Rs. (59,99,881)*

## 7. (a) Two percent of average net profit of the company as per section 135(5): *Rs. (1,19,998)*

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: *NIL*

(c) Amount required to be set off for the financial year, if any: *NIL*

(d) Total CSR obligation for the financial year (7a+ 7b- 7c): *NIL*

The average net profits for immediately preceding three financial years, aggregates to a loss of Rs. 59,99,881. Hence, the Company was not obligated to spend any amount on CSR activities in the financial year 2020-21. However, despite there being no obligation to deploy funds for CSR activities in the Financial Year 2020-21, in order to maintain the projects already undertaken by the company and not to stop the social work, the budget of Rs 25,00,000/- was approved to be earmarked for CSR activities during the FY 2020-21.

**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
27,43,949	NIL	NIL	NIL	NIL	NIL

**(b) Details of CSR amount spent against ongoing projects for the financial year: *Not Applicable***

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

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sl. No.	Name of the Project	Item from the list of activities in schedule VII to the Act	Local area (Yes/No)	Location of the project		Amount spent for the project (in Rs.)	Mode of implementation – Direct (Yes/No)	Mode of implementation – Through implementing agency	
				State	District			Name	CSR registration number
1	Providing learning infrastructure and teaching material: - Ensuring proper sitting arrangement, Almirah, Library set-up and ceiling fan	Promotion of education	Yes	Uttar Pradesh	Allahabad	85,992	Yes	N.A.	N.A.
					Lucknow	69,312	Yes	N.A.	N.A.
					Varanasi	70,264	Yes	N.A.	N.A.
2	Ensuring water and sanitation facility	Promotion of education	Yes	Uttar Pradesh	Allahabad	57,500	Yes	N.A.	N.A.
					Lucknow	57,500	Yes	N.A.	N.A.
3	Setting up smart classes	Promotion of education	Yes	Uttar Pradesh	Allahabad	1,80,000	Yes	N.A.	N.A.
					Lucknow	60,000	Yes	N.A.	N.A.
					Varanasi	1,80,000	Yes	N.A.	N.A.

4	Supporting institutions working for differently abled person: Setting of advance computer lab to help in learning and connect with outer world.	Promotion of education	Yes	Uttar Pradesh	Rehabilitation Society of the Visually Impaired (RSVI), Lucknow,	2,00,125	Yes	N.A.	N.A.
5	Painting, and cleanliness of the school	Promotion of education	Yes	Uttar Pradesh	Varanasi	2,99,629	Yes	N.A.	N.A.
					Prayagraj	38,692	Yes	N.A.	N.A.
					Lucknow	97,848	Yes	N.A.	N.A.
					Chandauli	96,707	Yes	N.A.	N.A.
6	Facilitate basic infrastructure, Arrangement of pure drinking water	Promotion of education	Yes	Uttar Pradesh	Chandauli	3,90,450	Yes	N.A.	N.A.
					Jaunpur	2,95,050	Yes	N.A.	N.A.
<b>TOTAL (Rs.)</b>						<b>21,79,069</b>			
<b>Donation to PM Cares Fund for Covid -19 Pandemic (Rs.)</b>						<b>5,00,000</b>			
<b>Total CSR expenditure for FY 2020-21 (Rs.) (exclusive of Administrative Overheads)</b>						<b>26,79,069</b>			

(d) Amount spent in Administrative Overheads: Rs. 64,880

(e) Amount spent on Impact Assessment, if applicable: *Not Applicable*

(f) Total amount spent for the Financial Year: Rs. 27, 43,949

(g) Excess amount for set off, if any:

Sl. No.	Particular	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per Section 135(5)	(1,19,998)
(ii)	CSR obligation of the company	0.00
(iii)	Total amount spent for the Financial Year	27, 43,949
(iv)	Excess amount spent for the financial year [(iii)-(ii)]	27,43,949
(v)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	0.00
(vi)	Amount available for set off in succeeding financial years [(iii)-(iv)]	<b>27,43,949</b>

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): *Not Applicable*



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: *Not Applicable*

*(Asset-wise details)*

(a) *Date of creation or acquisition of the capital asset(s):* N.A

(b) *Amount of CSR spent for creation or acquisition of capital asset:* N.A

(c) *Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc:* N.A

(d) *Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset):* N.A

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): N.A

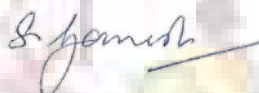
### RESPONSIBILITY STATEMENT

Pursuant to the provisions of Companies Act, 2013 and Companies Rules (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time, Mr. Anup Kumar Singh, Managing Director and Mr. Sethuraman Ganesh, Chairman of CSR Committee, do confirm that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company.

**On behalf of the Board of Directors  
Of Sonata Finance Private Limited**



**Anup Kumar Singh**  
Managing Director  
DIN: 00173413



**Sethuraman Ganesh**  
Chairman - CSR Committee  
DIN: 07152185

**Place: Lucknow**  
**Date: September 28, 2021**





**AMIT GUPTA & ASSOCIATES**

Practicing Company Secretaries

B-12 Basement, Murli Bhawan, 10-A, Ashok Marg, Lucknow – 226 001

Phone : 0522 – 4024033, Mobile : 94150 05108, 7905798954

E-mail : amitguptacs@gmail.com

**FORM NO. MR.3****SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2021****[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,  
**SONATA FINANCE PRIVATE LIMITED,**  
(CIN - U65921UP1995PTC035286)  
II FLOOR, CP. 1, PG. TOWERS, KURSI ROAD,  
VIKAS NAGAR LUCKNOW UP 226026 INDIA

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s SONATA FINANCE PRIVATE LIMITED (hereinafter called “the Company”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company’s books, papers, minute books, forms, returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit,

We hereby report that in our opinion

- i.* The Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2021 complied with the statutory provisions listed hereunder and also
- ii.* That the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter.

We have examined the books, papers, minute books, forms, returns filed and other records maintained by the Company for the financial year ended on 31<sup>st</sup> March, 2021 according to the provisions of:

- i.* The Companies Act, 2013 (the Act) and the rules made there under;
- ii.* The Securities Contracts (Regulation) Act, 1956 (‘SCRA’) and the rules made there under;

- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011- **Not applicable as the Company has not made any public offer of securities during the period under review;**
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018- **Not applicable as the Company has not made any public offer of securities during the period under review;**
  - d. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 - **Not applicable as the equity shares of the company are not listed;**
  - e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - f. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client – **Not applicable as the Company is not registered as Registrar to Issue and Share Transfer Agent during the financial year under review;**
  - g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **Not applicable as the Company is not having any listed equity shares;**
  - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - **Not applicable as the Company has not bought back/propose to buyback any of its securities during the financial year under review.**
- vi. The following other laws as may be applicable specifically to the Company:
  - a. RBI Act, 1934 and Rules, Directions & Guidelines including MFI regulations made there under,
  - b. Master Circular –Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended

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

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India; and
- (ii) Listing Agreements entered into by the Company with BSE Limited for its debt instruments.

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

- RBI imposed a penalty of Rs. 15 Lakh alleging the company for delay in refund of the amount of excess interest charged as per the para paragraph 54 (ii) and 54 (iv) of the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The company has paid the penalty amount to the demarcated account and the issue stands settled.

**We further report that:**

- The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and 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. However, we have noted delays in sharing of the Audited Financial Statements with the Audit Committee and the Board Members.
- Majority decision is carried through while the dissenting members' views, if any, are captured and recorded as part of the minutes.

**We further report that** there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

**We further report that** during the audit period during the following material event having bearing on the affairs of the Company took place:

- The members of the company had accorded authorisation to the Board u/s 180 (1) (c) of Companies Act, 2013 to borrow any sum or sums of money from time to time exceeding the aggregate of its paid-up capital & free reserve provided that the total amount upto which monies may be borrowed by the Board of Directors or the Committee authorized by Board shall not exceed Rs. 2300 Crores (Rupees Two Thousand Three Hundred Crores Only) at any time.
- The members of the Company had accorded approval to the Board for the creation of charge, mortgage or hypothecation on the assets of the Company under section 180 (1)(a) of the Companies Act, 2013 provided that maximum amount of the indebtedness secured by the properties of the Company shall not exceed Rs. 2530 Crores (Rupees Two Thousand Five Hundred and Thirty Crores Only) at any time.
- The Board has been empowered to issue Non-Convertible Debentures on Private Placement basis under section 42 read with section 71 of the Companies Act,

2013 provided that the aggregate amount of non-convertible debentures offered/proposed to be offered shall not exceed Rs. 500 crores (Rupees Five hundred crore only), which shall be within the overall borrowing limit of Rs. 2,300 Crores (Rupees Two thousand three hundred crore only) provided for the Company pursuant to the shareholder's resolution passed under Section 180(1) (c) of the Companies Act, 2013.

**For Amit Gupta & Associates**  
**Company Secretaries**

**AMIT**  
**GUPTA**



**Amit Gupta**  
**Proprietor**  
**Membership No. : F5478**  
**C.P. No. 4682**

UDIN - F005478C000853963

Date: August 29, 2021

Place: Lucknow

Note: This report should be read with the letter of even date by the Secretarial Auditors.

To,

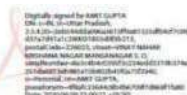
The Members,  
SONATA FINANCE PRIVATE LIMITED,  
II FLOOR, CP. 1, PG. TOWERS, KURSI ROAD,  
VIKAS NAGAR LUCKNOW U.P. 226026 INDIA

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

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and books of accounts of the Company.
4. Wherever required, we have obtained the management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure 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.

**For Amit Gupta & Associates**  
**Company Secretaries**

**AMIT  
GUPTA**



**Amit Gupta**  
**Proprietor**  
**Membership No. : F5478**  
**C.P. No. 4682**

UDIN - F005478C000853963

Date: August 29, 2021

Place: Lucknow



# Management Discussion & Analysis Report

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## *Industrial Overview*

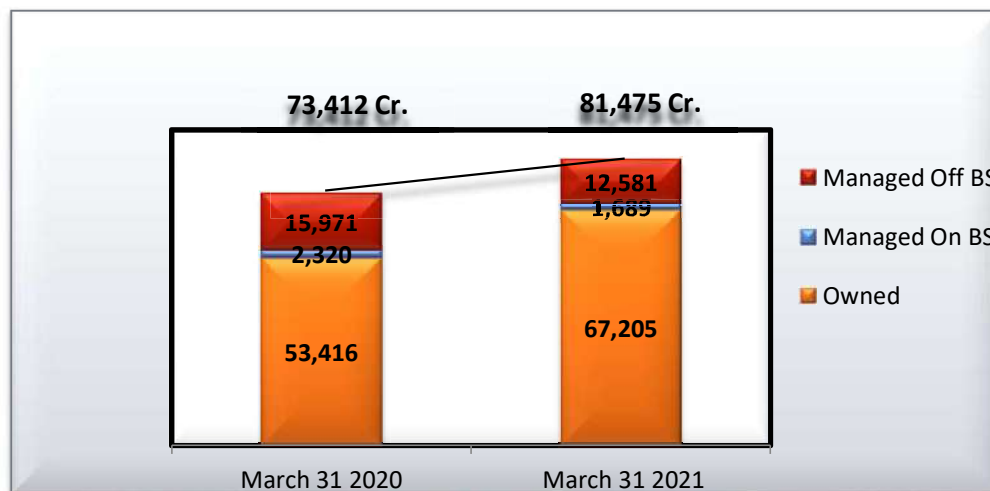
Non-Banking Financial Companies (“NBFCs”) and banks, are critical pillars for financial services in India. They play an important role in reaching out to a under/unserved part of the population and thereby broad basing the formal lending ecosystem. The NBFCs play an important role in the Indian financial system by complementing and competing with banks, specializing in credit delivery to un-banked segments of the society. The financial year 2020-21 began with strict nationwide lockdown in India with tough restrictions on economic activity and mobility and an unprecedented disruption to lives and livelihood across the world. A stringent nationwide lockdown was imposed in India during the initial phase of the pandemic in March-June 2020. The impact of pandemic and lockdown was disproportionately felt across industries. India experienced first economic recession in 4 decades. Indian economy shrunk by 24.4% in Q1 FY 2020-21.

The micro finance sector was severely hit during this time, as on one hand, the demand for micro credit plunged, and on the other hand, the quality of the book worsened. As per government directives moratorium was offered to borrowers for a period of 6 months to support them from impact of COVID and related lockdown. RBI also undertook Long Term Repo Operations (LTROs) with banks to provide fiscal and monetary support during the lockdown. The government and regulators rolled out multiple measures to support the sector; however, most of the players turned conservative limiting the growth and focused solely on collections and recovery. The Company, moved swiftly to meet safety and health-related challenges of its people, ensure business continuity under lockdown, adapt the organisation to operate efficiently in the new environment and prepare to ramp-up operations as restrictions were gradually lifted. The gradual lifting of lockdown, easing of movement restrictions and several projects by Government helped the microfinance sectors to bounce back.

However, with the second wave hitting the country and the consistent rise in the number of new infections, resulting in significant disruption in the business operations. As a result, managing asset quality and cost of operations again become more important in the first half of the current year. With the focus on both protecting lives as well as livelihoods through mass vaccinations as well as micro containment strategy, we anticipate a faster economic recovery in the second half of the financial year. Furthermore, the concerted efforts of the government along with the strong participation from private sector should go a long way in effectively handling the pandemic and its after-effects.

**Portfolio:**

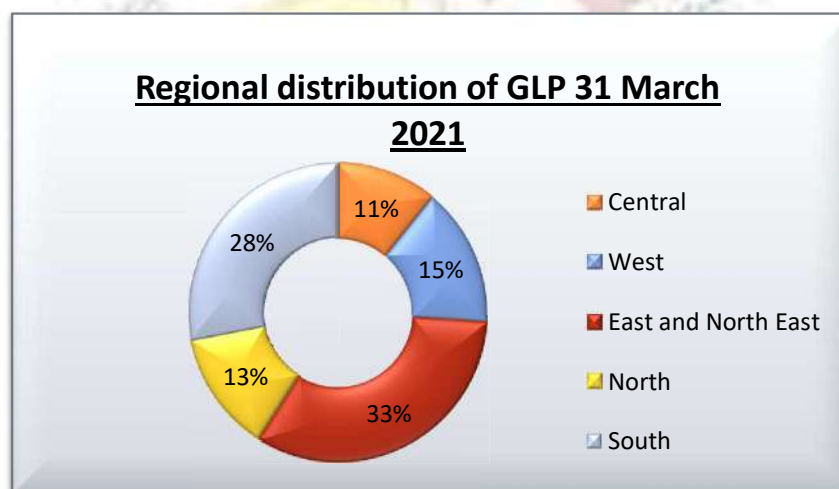
MFI's have an extensive presence across 27 states and 5 Union Territories with an aggregate Gross Loan Portfolio (GLP) as on March 31, 2021 of Rs 81,475 Cr including owned portfolio Rs 68,894 Cr and managed portfolio (off BS) of Rs 12,581 Cr. The owned portfolio of MFIN members is about 85.5% of the NBFC-MFI universe portfolio of 80,549 Cr. On YoY basis, GLP has increased by 11% as compared to March 31, 2020.

**Portfolio- Portfolio at Risk (PAR):**

PAR>30 has increased from 2.4% as on 31 March, 2020 to 9.2% as on 31 March, 2021 due to the effect of the pandemic.

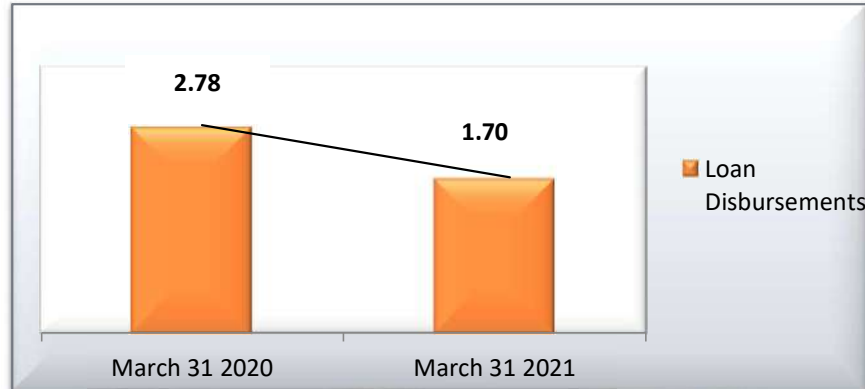
**Portfolio- Regional Distribution:**

In terms of regional distribution of portfolio (GLP), East and North-East accounts for 33% of the total NBFC-MFI portfolio, South 28%, West 15%, North 13% & Central contributes 11%.



### Loan Disbursements:

During the FY 20-21, MFIs disbursed 1.7 Cr. loans worth INR 57,891 Cr. compared with FY 19-20, there has been a YoY drop of 39 % in number of loans disbursed and 24.8 % in loan amount disbursed.



Based on data available for FY 20-21, the majority of NBFC-MFIs have disbursed 96% of their loan through cashless mode.

### Debt Funding:

During FY 20- 21, NBFC MFIs received a total of Rs 40,797 Cr in debt funding (from Banks and other Financial Institutions) which is a growth of 9.2 % as compared to FY 19-20.

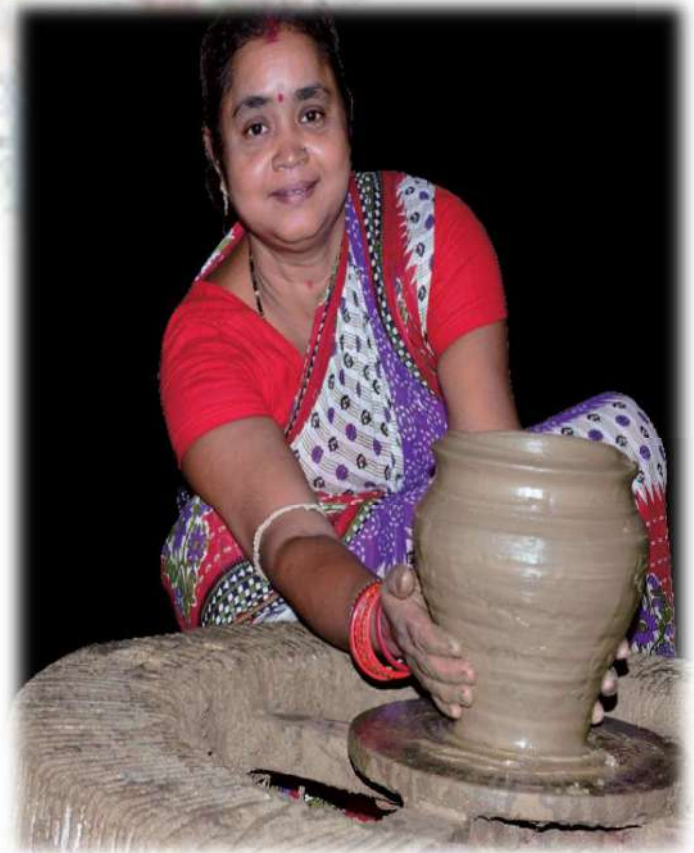
In spite of strong competition faced by the NBFCs, the inner strength of NBFCs viz local knowledge, credit appraisal skill, well trained collection machinery, close monitoring of borrowers and personalized attention to each client, are catering to the needs of small and medium enterprises in the rural and semi urban area, enabling the Government and Regulators to further the mission of financial inclusion.

### *Organisational Overview*

The company is a Microfinance company registered as NBFC-MFI (Non-Deposit taking) Non-Banking Finance Company with Reserve Bank of India vide registration no. B- 12.00445, with its registered office in Lucknow.

The company is primarily engaged in providing microfinance loans to low income households thereby leading towards financial inclusion and economic empowerment of women and underprivileged sections of the society. The core business of the Company is to provide small value loans and certain other basic financial services to its clients who either do not have any access to loans from institutional sources of financing or the same is very limited. The Company aims to provide financial services at the doorstep of its clients. The borrowers of the company are predominantly located in rural/ semi urban areas and the Company extends loans to them mainly for use in small businesses or for other income-generating activities.

As we walk this path, our primary purpose of touching the lives of millions remains at the core. We have been



traversing on this route as we provide capital to low-income households, fostering a spirit of entrepreneurship. Our offerings help our customers diversify their businesses while increasing their income-earning potential. Our diverse services not only help in asset creation but also in reducing poverty by bringing economic stability. Hence, growing with our stakeholders while being firmly rooted as we play our part in nation- building.

The Company provides loans to joint liability groups as well as individuals for a range of income-generating activities. It caters to more than seven lakh clients mostly, in rural and semi-urban areas. Besides lending for income generation activities under the joint liability group (JLG) model, the company provides a wide range of products including sanitation loans, housing loans, utility loans, two-wheeler loans, individual loans and MSME loans to meet the financial needs of its customers.

## **Business Review**

We have always believed that “*While growth shapes our today, our values shape our tomorrows*”. Time and again, through the most difficult crises and headwinds, we have evinced a strong resolve through our consistent performance. Despite the challenges faced by the Company due to outspread of pandemic, the business operations of the Company started showing the signs of improvement in the collections and disbursements. Our strong comebacks testify our ability to emerge and beat our own benchmarks. The company had achieved its pre COVID levels of business in the last quarter of the financial year 2020-21 however the out spread of the second wave of COVID impacted its efforts.

The review of business and operations of the Company during the FY 2020- 21 is as under.

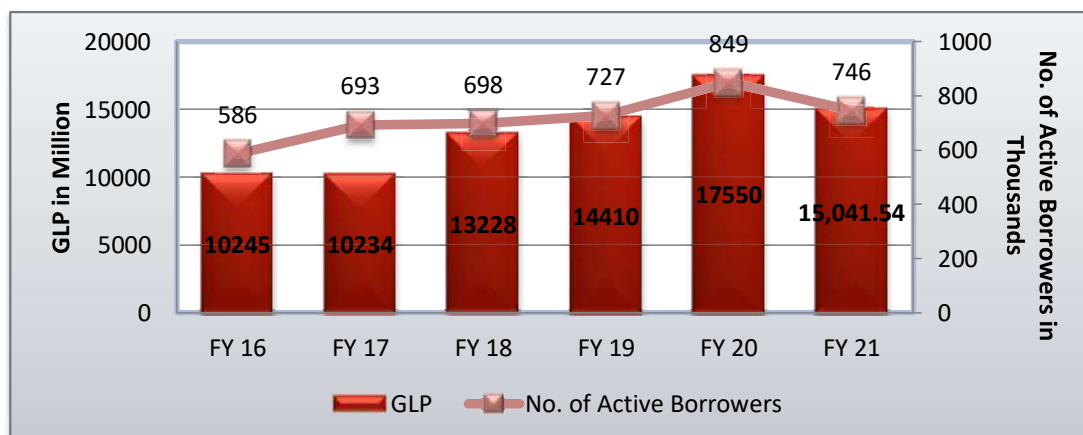
### **Geographical Expansion:**

SONATA is a renowned microfinance player in North India, we expanded our operations to 1 new state and 7 new districts in FY 2020-21, marking our presence in a total of 9 states covering 130 districts viz., Uttar Pradesh, Madhya Pradesh, Jharkhand, Maharashtra, Uttarakhand, Punjab, Haryana, Bihar and Rajasthan. As on March 2021, the company had 450 branches.

### **Discussion on Financial Performance vis a vis Operational Performance:**

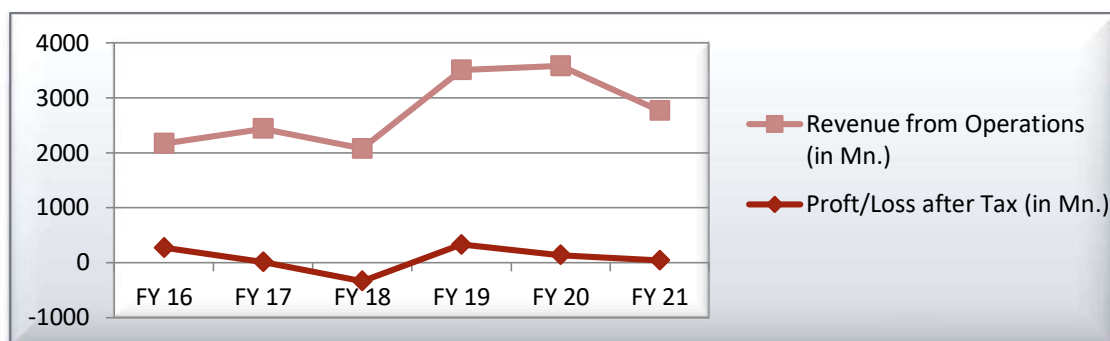
The COVID-19 pandemic has immensely impacted the profitability of the Company for the FY 2020-21, the Company’s total revenue from operations and profit have considerably reduced to INR 2696.30 Mn. and INR 43.89 Mn. respectively, as compared to the previous financial year 2019-20. Further the Company had 0.75 Mn. active borrowers with a Gross Loan Portfolio of INR 15,041.54 Mn. as on March 2021. The lockdown imposed by the Government of India typically impacted the collections and disbursements of the company, the results of which are reflected in the financials.

The year on year position of the Gross Loan Portfolio and number of active borrowers of the Company is as under:





The year on year position of profitability and total revenue of the Company is as under:



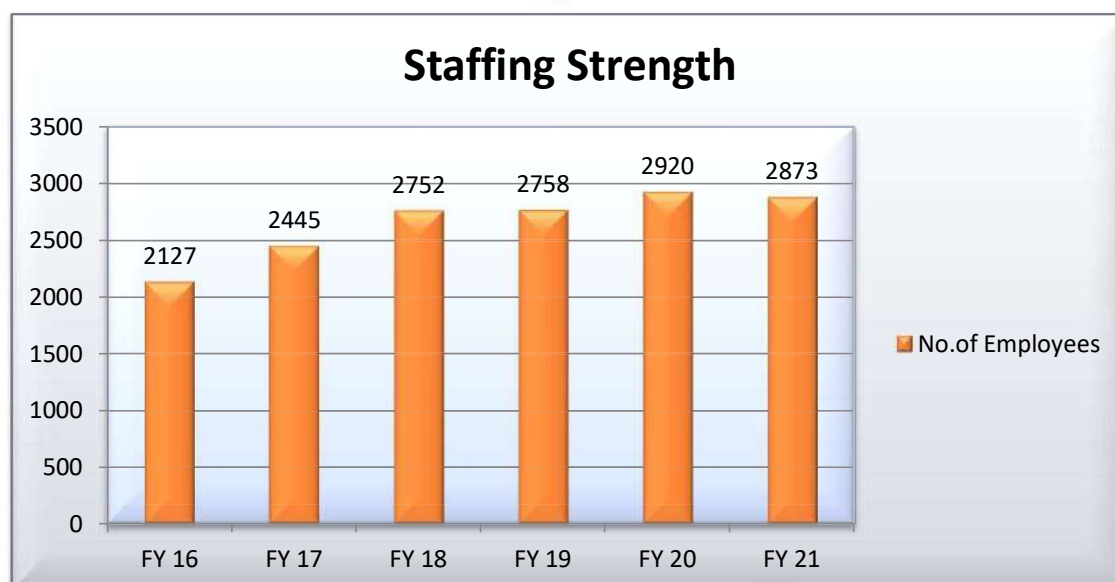
- **Figures of FY 19, 20 and 21 are as per Ind-AS**

The disbursements and collections have improved but the growth path has been slow due to limited liquidity. In order to achieve its' growth target, the Company is focused on cashless disbursements and collections by updating various features in its in house SAKHEE application.

Over years of operation, your Company has developed partnerships with over large number of public sector banks, private sector banks, foreign banks and other domestic and overseas financial institutions. We have also availed various External Commercial Borrowings and other credit facilities from Banks, domestic and international lenders and from institutions for its microfinance operation, which is the main activity of the Company.

### **Human Resource Management**

The Company believes that employees are the key for achievement of Company's objectives and strategies. SONATA believes in fostering the personal as well as professional growth of all its employees. The Company provides its employees a fair and equitable work environment and support from their peers with a view to develop their capabilities leaving them with the freedom to act and to take responsibilities for the task assigned. In line with that, regular training sessions are conducted at both the head office and field levels. Recruits are provided induction training coupled with role-specific knowledge transfer to ensure maximum productivity. The HR team constantly works towards aligning the goals of the employees with that of the Company. Timely performance reviews are conducted and a culture of meritocracy is fostered. Several checks such as periodical transfers and role rotations are in place to negate any chances of fraud. The Company provides a wide range of benefits to its employees including health insurance for all employees and their dependents. We also provide stock option benefits to the eligible employees by which the employees get opportunity to acquire shares in the company. The total number of regular employees at the end of FY 2020-21 was 2,873.





## Opportunities

NBFCs have been playing a very important role both from macroeconomic prospective and the structure of the Indian Financial System.. Microfinance industry has already proved its viability as a business model, as well as, its ability to reach out to a significant section of the population, which needs mainstreaming. It will continue to remain a relevant and important conduit for providing financial services to a vast segment of the population, acting in complementarily to banks. Moreover, the banking system clearly constrained in terms of expanding their lending activities, the role of NBFCs becomes even more important now, especially when the government has a strong focus on promoting entrepreneurship so that India can emerge as a country of job creators instead of being one of job seekers. Innovation and diversification are the important contributors to achieve the desired objectives. Currently, Company can see lot of potential for growth in various regions, which are still untapped, and where there is substantial need, demand and opportunity for microfinance.

We intend to expand our reach and operations in the states where we are currently present and new states by establishing new offices, both by increasing business transacted through existing branches, and by establishing new branches.



NBFCs are playing a key role in inclusion, both financial as well as social, and it has gone under a significant transformation in the last decade. In India, a country of 1.3 billion people, the debt-to-GDP ratio is the lowest compared to in the developing /developed worlds. Across different segments, debt-to-GDP is very low, varying from 20% to 85% with 60-65% at an aggregate level. We are still not adequately banked. NBFCs have done well but not enough, access to debt is still a challenge in India. We still have huge gap to fill.

On top of the rapidly evolving technological platform, NBFCs have enabled the 3Ds in India – Disintermediation (removed intermediates), Disaggregation (disaggregated bundle of services), Democratising the financial services. We have just started scratching the surface of the demand opportunity. The NBFC-MFI industry grows about only 30 to 40% every year and it will continue to grow for the foreseeable future, likewise there are opportunities for other segments too.

The Company continuously efforts to focus on their strengths while improving on their weaknesses. We will continue to evaluate opportunities for alliances, collaborations and partnerships, that meet our strategic and financial return criteria, and to strengthen our portfolio.

## Challenges

Milton Friedman once said that *"the poor stay poor, not because they're lazy, but because they have no access to capital."* Till date, a huge section of population remains outside the formal banking system. Microfinance institutions are the only ones equipped to reach the 'unbankable' or 'unbanked' masses, and make financial services accessible to them.

Microfinance institutions serving retail customers have to face quite a specific set of challenges, which cannot be addressed with solutions meant for commercial banks. There are several challenges for microfinance sector in India that are limiting the growth of MFIs in



terms of reach and disbursement. NBFC-MFIs operate under certain regulatory constraints, which put them at a disadvantage vis-à-vis banks. While there has been a regulatory convergence between banks and NBFCs on the asset side, on the liability side, NBFCs still do not enjoy a level playing field. Further, the funds to the sector has dried up of late and resulting in higher cost of funds. This needs to be addressed to help NBFCs by realizing their full potential and thereby perform their duties with greater efficiency. The rapid growth of the microfinance industry is leading to a scenario of over-borrowing on the part of loan seekers, putting the sector at considerable risk. MFIs incur high operational costs, especially for searching and collecting information during loan origination and during monitoring and collections, which limits their ability to maximize the outreach. The small loan sizes and short tenure further intensify the challenge. Further, to compete with Banks, MFIs are facing challenge to raise capital and manage credit risks.

The coronavirus pandemic has left the global economy in a volatile situation. Though the Company has been witnessing significant improvements in its operations post the pandemic shock, constant vigilance and immediately implementable mitigation measures need to be in place. The outspread of COVID-19 has deeply impacted the business of the company. The situation of un-certainty caused the liquidity issues in the sector. The challenge is to achieve the targeted profit during such uncertain period of pandemic.

There has been an increase in the number of banks and fintech companies offering customized products to the unbanked and under banked population of the country. Consequently, the competitive environment has become more aggressive.

## ***Risks and Concerns***

### **Risks:**

As an NBFC, the Company is exposed to specific risks that are specific to its business and environment within which it operates including economic cycle, credit, liquidity and interest rate risk. Managing risk effectively also helps in achieving the desired outcome, while fixing the responsibility and accountability. Sustained efforts to strengthen the risk framework and portfolio quality have yielded consistently better outcomes for the Company. Furthermore, our Company is exposed to various types of risks relating to failure to comply with financial and other covenants under our loan agreements, which may materially and adversely affect our financial condition, results of operations, cash flows and business prospects.

Similarly, financial performance is exposed to interest rate risk, and an inability to manage our interest rate expenses may have a material adverse effect on our business prospects and result of operations.



Operations involve handling of cash through a dispersed network of branches, which makes us susceptible to operational risks. The sector in which we operate is highly regulated. Regulations governing us may in future become more stringent and onerous and the changes introduced may adversely affect our business prospects and financial performance.

To prepare itself for these risks, Company maintains reserves and provisions in its financials for meeting expected or unexpected future contingencies. The Company follows a conservative financial approach by following prudent business and risk management practices. Further, Company has sufficient caution in the system/ process to mitigate the adverse effect of the risk. The Board periodically reviews the risk assessment and mitigation procedures and suggests the controlling actions.



## **Concerns:**

### ***Using technology as a differentiator for driving growth***

SONATA is a well-differentiated financial services company. Technology is always an enabler and crucial in eliminating the discretion and subjectivity in decision-making. The leaders at SONATA identified this early and therefore, technology adoption has been one of our key differentiators.

Unlike other businesses, “NBFC-MFI Ecosystem is regulatory-scrutiny-transaction intensive,” and thus pivoting the company around right fundamentals is very crucial. All the ecosystem players scrutinise the company on a day-to-day basis, the business has to get every transaction right and every customer touch point right. So, unless there is a robust system in place, it is very difficult to really replicate and scale the business.

### ***Impact of Covid-19***

In the last quarter of the financial year 2019-20, the organizations across the globe have undergone an unprecedented change and transformation in their businesses led by the impact of COVID 19 pandemic. A stringent nationwide lockdown was imposed in India during the initial phase of the pandemic in March-June 2020 which deeply affected the overall business operations of the organization. The government intervened with monetary and fiscal policy to counter the downturn and provide temporary income support to businesses and households. On the green shoots of recovery, the country again witnessed devastated second wave of pandemic which peaked during the last week of April 2021 leading to disruptions in the business operations. However, the full impact of the second wave of COVID-19 and its recovery is still not known.



### ***NBFC-MFI sector in the new normal***

The one thing that this pandemic has done not only to the financial services but also to the general industry is, it has accelerated the technological adoption by various industries with an aim to reduce physical touchpoint with customers. MFI is a transaction-intensive industry. The question is how to really bring in the technology and processes to remove some of the subjectivity and discretionary elements in decision-making is crucial element moving forward in a post pandemic world.



We should really learn and ensure that the process is digitised – end to end. The platform-based models are going to be the successful models of the future and any company which wants to be successful has to adopt digitalization. SONATA is on already on the journey. We should resist our temptation in chasing growth at the cost of Quality. We need to make sure that we have the process bandwidth, people bandwidth and technology bandwidth to handle the transaction-intensive areas of our financial services business.

### ***Alliances, capability building and the way forward***

Adding unique capabilities through alliances is a continuous process and technology partnership is first in the list. The equity and debt partnership is one of the other things that's needed. Our Company has BC partnerships and will explore more such partnerships because these partners have access to capital and we have the network and execution capabilities both of these can be leveraged for the benefit of the stake holders.

In the NBFC industry, during the pandemic, although the MFI segment was the first to be impacted, it was also the first to bounce back rapidly. The collection efficiency reached around 90-95%. The Company is optimistic that "It is going to be back to its pre-Covid levels maybe in the next couple of months."

During the tough times, businesses have learned valuable lessons. Ecosystem with regulators, credit bureaus, SROs, Industry players and the broader society worked diligently to weather Pandemic shock. The future looks promising and process orientation, putting quality over growth and continuous innovation as critical success factors for NBFCs and financial services.

### ***Internal Control Systems & their Adequacy***

The Company has an effective Internal Control System, commensurate with its size and nature to ensure smooth business operations to provide reasonable assurance that all of its assets are safeguarded and protected from any kind of loss or misuse, transactions are authorized, recorded and reported properly and that all the applicable statutes and corporate policies are duly complied with. Our internal control framework also includes internal financial controls, encompassing clear delegation of authority and standard operating procedures across all businesses and functions. As part of the effort to evaluate the effectiveness of the internal control systems, the Internal Auditors of the Company conduct audit of various departments covering key area of operations and reviews and evaluates the adequacy and effectiveness of internal controls, ensuring adherence to operating guidelines and systems and recommending improvements for strengthening them.

The Audit Committee of the Board of Directors, comprising of independent directors, periodically reviews the internal audit reports, covering findings, adequacy of internal controls, compliances applicable on the Company. The Audit Committee also meet the Company's Statutory Auditors to ascertain their views on the financial statements, including the financial reporting system, compliance to accounting policies and procedures, the adequacy and effectiveness of the internal control and systems followed by the Company. The Management acts upon the observations and suggestions of the Audit Committee. Further, the company has the financial system and procedures duly audited by M/s S. R. Batliboi & Associates LLP, Chartered Accountants, Kolkata, who have reported that the financial systems are as per the requirements.

### ***Capital Adequacy***

At the end of the year, the Capital to Risk Adjusted Assets Ratio [CRAR] of the Company stood comfortably at 23.00% (Tier I: 19.85% and Tier II: 3.15%) as against the RBI requirement of 15%.

**On behalf of the Board of Directors  
Of Sonata Finance Private Limited**



**Anup Kumar Singh**  
Managing Director  
DIN: 00173413



**Pradip Kumar Saha**  
Director  
DIN: 02947368

**Place: Lucknow**

**Date: September 28, 2021**

*Source of Industry data: MFIN Micrometer data as of March 31, 2021*



The ratio of the remuneration of each Director to the median employee's remuneration and such other details in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 (1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

S.No.	Requirements	Disclosure
i.	The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year.	Mr. Anup Kumar Singh (MD): 76.19:1
ii.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year.	Mr. Anup Kumar Singh (MD): 8.32% Mr. Akhilesh Kumar Singh (CFO):0% Ms. Paurvi Srivastava (CS): 0%
iii.	The percentage increase in the median remuneration of employees in the financial year.	During the reporting period there is no increase in the median remuneration of the employees.
iv.	The number of permanent employees on the rolls of the Company.	2873
v.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	During the reporting period there was no increase in the salaries of employees other than the managerial personnel.  The average increase in the managerial remuneration: 5.29%

Statement in terms of Section 197(12) of the Companies Act, 2013 read with Rule 5 (2) & (3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

*Names of the top ten employees in terms of remuneration drawn and the name of every employee, who-*

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



## List of Top Ten Employees of the Company:

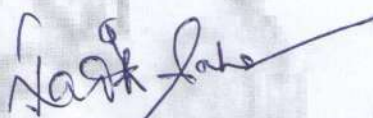
S. No	Employee Name & Designation	Previous Organization	Qualification and Experience	Date of Joining	Age	Remuneration received (annually)	Percent age of equity shares held by the employee	Relative of any director of the company
1.	Akhilesh Kumar Singh <i>(Chief Financial Officer)</i>	Microsave & Casphor Micro Credit	Certified Expert in SME Finance from Frankfurt School of Finance and Management, Germany.  Graduate In mathematics & holds advance diploma in Rural Technology Development and Management.  He has 22 years of experience.	03-04-17	49	51,50,400	-	None
2.	Manish Raj <i>(Chief Account Controller)</i>	Sahara India Financial Co. Ltd.	MBA (Finance) from FMS BHU.  He has experience of more than 22 years in Finance.	07-07-18	48	37,04,724	-	None
3.	Bramhanand <i>(Finance Head)</i>	Casphor Micro Credit	CA (Inter), M.com and LLB.  He has 21 years of experience in microfinance.	26-12-05	43	30,44,724	0.0038 %	None
4.	Davendra Singh <i>(Chief Compliance Officer)</i>	Sahara India Medical Institute Ltd	Fellow Company Secretary with 34 years of experience.	09-06-16	59	27,44,724	-	None
5.	Ashish Singh <i>(Chief Operations-IL)</i>	Casphor Micro Credit	MBA (Finance & Banking).  Holds 18 years of experience in microfinance	19-08-06	39	22,64,724	0.11%	None
6.	Vinay Pratap Singh <i>(Chief</i>	Casphor Micro Credit	Masters of Business Administration and 21 years of	31-08-09	46	22,64,724	0.106%	None

	Operations- JLG)		experience in MFI sector.					
7.	Tarun Kumar Srivastava  (Internal Audit Head)	Casphor Micro Credit	Masters in Social Welfare and Bachelor of Law.  Holds 23 years of experience in Microfinance.	01-02-07	50	22,04,724	0.11%	None
8.	Shyam Kanhaiya  (IT Head)	NA	Master of Computer Applications and experience of 14 years	04-08-06	40	22,04,724	0.08%	None
9.	Richa Sharma  (Accounts Head)	Hindustan Glass Works Ltd	Chartered Accountant and experience of 11 years	15-05-13	37	19,64,724	0.076%	None
10.	Mohd. Saif Khan  (Chief Operations- BC)	NA	MBA (Finance & Banking).  Holds 17 years of experience in microfinance	31-08-09	40	19,64,724	0.110%	None

On behalf of the Board of Directors  
Of Sonata Finance Private Limited



Anup Kumar Singh  
Managing Director  
DIN: 00173413



Pradip Kumar Saha  
Director  
DIN: 02947368

Place: Lucknow  
Date: September 28, 2021

