

Annual Report FY 2015-16



SONATA FINANCE PVT. LTD.

Registered Office: 2nd Floor, CP-1, PG Towers,
Kursi Road, Vikas Nagar, Lucknow – 226026, Uttar Pradesh

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MANAGING DIRECTORS' SPEECH

Dear Shareholders,

It gives me immense pleasure to welcome you all to the 21st Annual General Meeting of the Company. The notice convening the AGM, Balance Sheet and Directors' Report for the year ended 31st March 2016 are already with you and with your permission, I take them as read. I consider it as my privilege to address and share my views on performance of the Company and future scenario.



PERFORMANCE OVERVIEW:

During the year under report, Sonata Finance Private Limited continues to be major player in the Micro Finance Sector. The FY 2015-16 was a tough year for the overall business amidst the challenging macro-economic environment, however even though the Company witnessed a phenomenal growth in the Gross Loan Portfolio which crossed the Rs.1000 Crore Mile stone. During the year under review the Gross Loan portfolio of the Company as on 31st March, 2016 was Rs.1027 Crores as compared to Rs. 595 Crores as on 31st March, 2015. Further the company reported a net profit after tax amounting to Rs 27.02 Crores as compared to Rs 18.09Crores in 2014-15.

Owing to the tight regulatory framework of the RBI for NBFC-MFIs and services provided by Credit Bureaus, client protection in micro finance has improved significantly over the years. There has been a strong growth in the MFI industry over the last 2-3 years, enabling the industry to bridge a part of the unserved demand gap. However, as in any form of lending, more so in an unsecured form of lending like Micro Finance, high growth does lead to concerns about prudent ground level practices of the MFIs. The Associations, MFIN and Sa-dhan have come out with a Joint Code of Conduct for the MFIs to improve various credit and governance aspects of micro finance lending. It is hoped that the MFIs would adhere to such codes in letter and spirit and create an environment where the credit needs of the low income households are met in a sustainable manner.

Even though the performance of the company has been phenomenal however, in order to conserve the resources of the company, it is proposed not to declare any dividend on the equity shares of the company.

FUTURE SCENARIO:

Moving forward, the company has projected a gross loan portfolio of Rs. 1573 Crores in its business plan for the in FY 2016-17. Though the projected GLP is on a higher end keeping in view of the economic conditions in the country, however the company aims to achieve the targets by following sound business systems and practices and intensified its disbursement efforts leading to quality asset portfolio, and containing the slippages. Systems and procedures are being further made more standardized, as per the size of the company.

Corporate Information

Board of Directors

Mrs. Chandni Gupta Ohri	Chairman &Independent Director
Mr. Anup Kumar Singh	Managing Director
Mr. Anal Kumar Jain	Independent Director
Mr. Prakash Kumar****	Nominee Director (SIDBI)
Mr. Kenneth Dan Vander Weele	Nominee Director (Creations)
Mr. R.V. Dilip Kumar	Nominee Director (SVCL)
Mr. S. Ganesh	Independent Director
Mr. Vishal Bharat	Nominee Director (IFIF)

Registered Office

IIInd Floor, CP-1, PG-Towers,
Kursi Road, Vikas Nagar,
Lucknow-226022, U.P.
Phone No. 0522-2334900

Company Secretary

Ms. Paurvi Srivastava
Membership No. 34110

Auditors

M/s. S.R. Batliboi & Co. LLP, Chartered Accountants
Reg. No. 301003E
Kolkata

Registrar

Skyline Financial Services Private Limited

D-153 A | 1st Floor | Okhla Industrial Area, Phase – I | New Delhi-110 020.

Tel.: +91 11 64732681 - 88 | Fax: +91 11 26812682 |

Web: www.skylinerta.com

*Mr. S. Ganesh was appointed as an (Independent Director) Non Executive Director of the Company w.e.f. 25th May, 2015 based on the recommendations of the Nomination & Remuneration Committee.

**Mr. Vivek Kumar Mehrotra (representing SIDBI) has resigned from the directorship of the company on 3rd November, 2015 and Mr. Bhanu Prakash was appointed as Nominee Director at his place w.e.f 13th January, 2016

***Mr. R.V Dilip Kumar was appointed as Nominee Director (representing SIDBI Venture Company Limited) w.e.f 29th December, 2015

**** Replaced Mr. Bhanu Prakash Verma w.ef 12th August, 2016

Debenture Trustee:

GDA Trustee Limited

Axis Trustee Limited

Bankers

SIDBI

Corporation Bank

Andhra Bank

Axis Bank Ltd.

DCB Bank Ltd.

IFMR Capital Finance Pvt. Ltd.

Kotak Mahindra Bank Limited

Dena Bank

Caspian Impact Investments Pvt. Ltd.

Standard Chartered Bank

State Bank of Patiala

Capital First Limited

Maanaveeya Development &

Finance Pvt. Ltd

MUDRA

Union Bank of India

IDBI Bank Ltd.

IndusInd Bank Ltd

Reliance Capital Ltd.

RBL Bank Ltd.

YES Bank Ltd.

BNP Paribas

UCO Bank

Vijaya Bank

State Bank of Bikaner & Jaipur

United Bank of India

Capital First Limited

Central Bank of India

DIRECTORS' REPORT

TO THE MEMBERS

The Board of Directors of your Company are pleased to present the Twenty First (21st) Directors' Report of the Company together with Audited Financial Statements for the year ended on March 31, 2016.

1. FINANCIAL RESULTS

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

Particulars	(Rs. In Mn.)	
	31 st March 2016 Amt (In Mn.)	31st March 2015 Amt (in Mn)
Revenue from operations	1655.54	1,004.68
Other Income	243.44	129.39
(A) Total Income	1898.98	1,134.07
Employee benefit expenses	330.45	187.09
Finance Costs	1000.36	580.93
Depreciation Expense	7.46	7.03
Other Expenses	102.59	97.06
(B) Total Expenses	1481.87	872.11
Profit before prior period expenses	417.11	261.96
Profit before Tax	417.11	261.96
(C) Total Tax Expenses	145.08	80.97
Profit for the Year	272.03	180.99
Share Capital	193.19	168.75
Reserve and Surplus	1314.48	834.99
Long-term borrowings	4589.47	3,009.17
Other long- term liabilities	3.466	33.23
Long- term provisions	40.07	17.87
Short- term borrowings	470	376.18
Other current liabilities	4903.82	3,375.67
Short- term provisions	105.27	89.09
Total Liabilities	11,619.79	7,904.94
Fixed assets	10.24	8.53
Non-current investment	0.5	0.50
Deferred Tax Assets	25.85	22.61
Long term loans and advances	2630.84	1,200.82
Other non-current assets	511.71	399.17
Current Investments	2.12	1,149.21
Cash and Bank Balances	2839.17	1,972.91
Short- term loans and advances	5487.30	3,055.67
Other current assets	112.03	95.53
Total Assets	11,619.79	7,904.94

2. REVIEW OF THE BUSINESS OPERATIONS

During the year under review, the Company has earned an income of ₹1898.98 Mn. as against ₹1134.07 Mn of previous financial year. The profit after Tax for the period under review has been ₹27,2.02 Mn. as against ₹180.98 Mn. during the previous financial year. Your Directors are continuously looking for avenues for future growth of the Company in the Micro-finance Industry.

Year ended 31 st March	As on 2016	As on 2015	Changeover %
Number on Branches	314	209	50% ↑
Number of Employees	2,127	1,325	61% ↑
Number of Loan Clients	568,297	406,861	40% ↑
Amount Disbursed (In Mn)	31,358	1,9464.4	61% ↑
Gross Loan Portfolio (In Mn)	10,269	5951	72% ↑

3. DIVIDEND

In order to conserve the resources of the company, it is proposed not to declare any dividend on the equity shares of the company.

Further an amount of ₹4.5 Mn was paid by your Company as Fixed Dividend on 9% Optionally Convertible Preference Shares ("OCPS") to SIDBI for Financial Year 2015-16.

4. TRANSFER TO RESERVES

The Board of Directors of the company recommends to carry 20% of the profit after tax, amounting to ₹54.04 Mn. to the Statutory Reserve Fund of the company.

5. CAPITAL STRUCTURE / ALTERATION OF SHARE CAPITAL

During the year under review, the Company made a issue of 22,03,226 equity shares of ₹10/- each at a premium of ₹103.47 per equity share aggregating to ₹25 Cr. to M/s SIDBI Trustee Company Limited (A/c Samridhi fund).

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 made during the year under review.

d. Employee Stock Option Plans

i. Options Granted during the year

During the year under review, the Company had granted 2,00,000 additional Stock Options each at a price of Rs. 67 under the Employees Stock Option Plan 2013. The terms and conditions of the grant are regulated by the ESOP Scheme 2013, approved by the Shareholders of the Company on 20th March 2014.

ii. Options Exercised during the year

During the year under review 2,16,250 Equity Shares of INR 10 each were transferred to the Promoter through Sonata Employee Welfare Trust (SEWT) under the ESOP Scheme 2009.

Further, the company has provided ESOPs to its employees under the ESOP Scheme 2013 and certain eligible employees have exercised their right and 24,600 shares have been transferred from SEWT to the respective employees.

6. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Your Company has eight (8) Directors consisting of Three (3) Independent Directors, Four (4) Nominee Directors and one (1) Managing Director as on March 31, 2016.

Mr. S. Ganesh was appointed as an (Independent Director) Non-Executive Director of the Company w.e.f. 25th May, 2015 based on the recommendations of the Nomination & Remuneration Committee.

Mr. Vivek Kumar Mehrotra (representing SIDBI) has resigned from the directorship of the company on 3rd November, 2015 and Mr. Bhanu Prakash was appointed as Nominee Director at his place w.e.f. 13th January, 2016

Mr. R.V Dilip Kumar was appointed as Nominee Director (representing SIDBI Venture Capital Limited) w.e.f. 29th December, 2015

Pursuant to the provisions of Section 203 of the Act, Mr. Anup Kumar Singh, Managing Director, and Ms. Paurvi Srivastava, Company Secretary, were the Key Managerial Personnel of the Company. During the year, Ms. Shalini Baghel resigned as the Company Secretary of the Company w.e.f. 21.10.2015 and Ms. Paurvi Srivastava was designated as the Company Secretary of the Company w.e.f. 21.10.2015.

7. DISCLOSURE OF REMUNERATION & NOMINATION CRITERIA

The Board has, on the recommendation of the Remuneration & Nomination Committee and in compliance of the Companies Act, 2013, has framed a Nomination and Remuneration 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 aforesaid section. The

Remuneration and Nomination criteria forms part of the Corporate Governance Policy of the Company and is available on the website of the Company.

Further details of composition of the Remuneration & Nomination Committee and other details are also provided in the Para pertaining to Corporate Governance which forms part of this report

8. CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions that were entered during the financial year were in the ordinary course of the business of the Company and were on arm's length basis. There were no materially significant related party transactions entered by the Company with Promoters, Directors, Key Managerial Personnel or other persons which may have a potential conflict with the interest of the Company. Further, The Company did not entered into contract or arrangements with related parties referred to in Section 188(1) of the Companies Act, 2013. However Mr. Anup Kumar Singh, Managing Director and Ms. Paurvi Srivastava, Company Secretary of the Company are getting the salary in the capacity of Managing Director & Company Secretary. Consequent upon which details as prescribed in Form AOC-2 are not required to be disclosed.

The details of transactions/contracts/arrangements entered by the Company with related party (ies) as defined under the provisions of Section 2(76) of the Companies Act, 2013, during the Financial Year under review, is given under Note 29 of the Notes to Accounts, which forms part of the Annual Report.

The policy on materiality and dealing with Related Party Transactions has been framed and is available on the website of the company.

9. EXTRACT OF ANNUAL RETURN

The extract of Annual Return as provided under Sub-Section (3) of Section 92 of the Companies Act, 2013 (the "Act") is enclosed as **Annexure-I** in the prescribed form **MGT-9** and forms part of this Report.

10. CORPORATE SOCIAL RESPONSIBILITY (CSR)

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established Corporate Social Responsibility (CSR) Committee and statutory disclosures with respect to the CSR Committee and an Annual Report on CSR Activities forms part of this Report as **Annexure-II**. Further details of composition of the Corporate Social Responsibility Committee and other details are also provided in the Para pertaining to Corporate Governance which forms part of this report.

11. HUMAN RESOURCES DEVELOPMENT

The Company has continuously adopted structures that help attract best external talent and promote internal talent to higher roles and responsibilities. The Company's 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 report, your Company had witnessed a higher absorption rate and as on March 31, 2016, your Company had 2,127 employees vis-à-vis 1,325 employees as on March 31, 2015. In order to augment more experienced staff, your Company has recruited officers across various verticals of the Company.

12. FIXED DEPOSIT

During the year under review, your company has not accepted any deposits as per the provisions of Companies Act, 2013 and as such no amount of principal or interest was outstanding as of Balance Sheet date.

13. DISCLOSURE AS PER SEXUAL HARRASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has zero tolerance for sexual harassment at workplace 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 and the rules framed thereunder. During the financial year 2015-16, the Company has not received any complaints on sexual harassment.

14. INDEPENDENT DIRECTORS' DECLARATION

Our 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) Ms. Chandni Gupta Ohri
- b) Mr. Anal Kumar Jain
- c) Mr. S. 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, there has been no change in the circumstances which may affect their status as independent director during the year.

15. DIRECTORS' RESPONSIBILITY STATEMENT

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

- i. in the preparation of the annual accounts for the financial year 2015-16, the applicable accounting standards have been followed and there are no material departures;
- ii. they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year;
- iii. they 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. They confirm that there are adequate systems and controls for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. they have prepared the annual accounts on a going concern basis;
- v. they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating properly; and
- vi. they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

16. 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 is achieved 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 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 / business policy and strategy apart from other Board business. The notice of Board meeting is given well in advance to all the Directors. The Agenda for the Board and Committee meetings includes detailed notes on the items to be discussed at the meeting to enable the Directors to take an informed decision.

a) Composition, Category of the Board of Directors

As on March 31, 2016, the Board of the Company consisted of 8 (eight) Directors, out of whom 3 are Independent Directors including the Woman Director; 4 (Four) Directors are Non-Executive while 1 (one) is Executive Director being the Managing Director.

The composition of the Board is in conformity with the Companies Act, 2013. The composition of the Board, number of Board Meetings held, attendance of the Directors at the Board Meetings and last Annual General Meeting and the number of Directorship and Chairmanship/ Membership of Committees in other Companies in respect of each Director as on March 31, 2016 is reproduced here-in below:

Sr. No.	Name of Director	Category	No. of Directorships in Other Companies
1.	Mr. Anup Kumar Singh	Managing Director	1
2.	Ms. Chandni Gupta Orhi	Independent Director	2
3.	Mr. Anal Kumar Jain	Independent Director	9
4.	Mr. S. Ganesh	Independent Director	1
5.	Mr. Kenneth Dan Vander Weele	Nominee Director	1
6.	Mr. Vishal Bharat	Nominee Director	4
7.	Mr. Bhanu Prakash Verma	Nominee Director	1
8.	MR. R.V Dilip Kumar	Nominee Director	3

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

The Board met five (5) times in financial year 2015-2016. The maximum interval between any two meetings did not exceed 120 days.

Sr. No.	Date of Board Meeting	Place of Meeting	Members attended Board Meeting
1.	30 th April, 2015	Hotel Radisson Blu Plaza, New Delhi	Ms. Chandni Gupta Ohri, Chairman, Mr. Anup Kumar Singh, Mr. Anal Kumar Jain, Mr. Kenneth Dan Vander Weele, Mr. Satyam Darmora, Mr. Vishal Bharat, & Mr. Vivek Kumar Malhotra,
2.	13 th July 2015	Head Office Lucknow	Ms. Chandni Gupta Ohri, Chairman, Mr. Anup Kumar Singh, Ms. Anal Kumar Jain, Mr. Vishal Bharat, & Mr. Vivek Kumar Malhotra,

3.	30 th July, 2015	Hotel Taj Vivanta	Ms. Chandni Gupta Ohri, Chairman, Mr. Anup Kumar Singh, Ms. Anal Kumar Jain, Mr. Sethuraman Ganesh, Mr. Kenneth Dan Vander Weele, Mr. Vishal Bharat, & Mr. Vivek Kumar Malhotra,
4.	30 th October, 2015	Hotel The Leela Ambience, Gurgaon	Ms. Chandni Gupta Ohri, Chairman, Mr. Anup Kumar Singh, Ms. Anal Kumar Jain, Mr. Sethuraman Ganesh, Mr. Kenneth Dan Vander Weele, & Mr. Vishal Bharat
5.	23 rd February, 2016	Hotel JW Marriott, New Delhi	Ms. Chandni Gupta Ohri, Chairman, Mr. Anup Kumar Singh, Ms. Anal Kumar Jain, Mr. Sethuraman Ganesh, Mr. Kenneth Dan Vander Weele & Mr. Vishal Bharat Mr. Bhanu Prakash Verma

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) AUDIT COMMITTEE:

a) Composition and brief Terms of reference

The Chairman of the Committee is an Independent Director. The composition of the Audit Committee and the brief terms of reference are shown below:

Name/ category	Position in the Committee	Terms of Reference
Mr. S. Ganesh	Chairman	To review the Financial Reporting & to ensure the correctness & suitability of Financial Statements.
Mr. Kenneth Dan Vander Weele	Member	
Ms. Chandni Gupta Ohri	Member	

(iv) NOMINATION & REMUNERATION COMMITTEE:

a) Composition and brief Terms of reference

The Chairman of the Committee is an Independent Director. The composition of the Nomination and Remuneration committee and the brief terms of reference are shown below:

Name/ category	Position in the Committee	Terms of reference
Mr. Anal Kumar jain	Chairman	To ensure the fit & proper credentials of the proposed & existing directors as per RBI Guidelines.
Ms. Chandni Gupta Ohri	Member	
Mr. Anup Kumar Singh	Member	
Mr. Bhanu prakash Verma	Member	
Mr. Kenneth Dan Vandar Weele	Member	

(v) 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 15th November, 2013.

a) Composition and brief Terms of reference

The composition of the Corporate Social Responsibility committee and the brief terms of reference are shown below:

Sl. No.	Name of Director	Position in the Committee	Terms of reference
1.	Ms. Chandni Gupta Ohri	Chairman	To approve the CSR Policy & expenditure as per Companies Act.
2.	Mr. Bhanu Prakash Verma	Member	
3.	Mr. Sethuraman Ganesh	Member	

(vi) RISK MANAGEMENT COMMITTEE

a) Composition and brief Terms of reference

The composition of the Risk Management committee and the brief terms of reference are shown below:

Name/ category	Position in the Committee	Terms of reference
Vishal Bharat	Chairman	To assist the Board in review & assessment of risk associated with the business.
Anup Kumar Singh	Member	
Bramhanand	Member	
Mithun Bose	Member	

(vii) GENERAL BODY MEETING

A. Date, Venue and Time for the last three Annual General Body Meetings:

AGM for the FY	Date & time of AGM	Venue of the AGM
2014-15	28.09.2015	II Floor, CP-1, PG Tower, Kursi Road, Vikas Nagar, Lucknow – 226026 (Register Office)
2013-14	29.09.2014	II Floor, CP-1, PG Tower, Kursi Road, Vikas Nagar, Lucknow – 226026 (Register Office)
2012-13	23.09.2013	II Floor, CP-1, PG Tower, Kursi Road, Vikas Nagar, Lucknow – 226026 (Register Office)

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

AGM Date	As per Companies Act	Particulars of Special Resolutions
23/09/2013	U/s 225 of CA 1956	Appointment of auditors other than retiring one Approval of ESOP Scheme 2013
29/09/2014	U/s 61	Increase in Authorized Share Capital Adoption of new set of Articles of Association

28/09/2015	U/s 42	Approval of draft Offer Letter (PAS -4) to be issued to SIDBI trustee Company Limited. To take consent for execution of share Subscription agreement. To take consent for execution of new shareholders agreement
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(viii) DISCLOSURES:

- a. Transaction with the related party during the period:
 - The Company did not enter into material transactions with the related parties that may potentially conflict with the interests of the Company at large during the year.
- b. There has been no non-compliance by Sonata Finance Private Limited nor any penalties imposed on the Company by any authorities.
- c. The Company has a Whistle Blower Policy duly approved by the Board, which has been circulated to all the employees of the Company and also placed on the website www.sonataindia.com of the Company. Further, it is affirmed that no personnel has been denied access to the Audit Committee.
- d. During the year, no expenditure has been debited in the books of accounts which are not for the purposes of business.
- e. During the year, no expenses which are of personal nature have been incurred for the Board of Directors and top management.

(ix) MEANS OF COMMUNICATION

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

(x) TRAINING OF BOARD OF DIRECTORS

The Company furnishes a set of documents to the directors & informs them about the important data regarding recent developments about the performance of the Company, industry scenario & regulatory changes.

(xi) GENERAL SHAREHOLDERS INFORMATION

- a) As per the notice attached to this Annual Report, the Annual General Meeting of the Company will be held on 27th September, 2016.
- b) The Financial Year of Sonata Finance Private Limited is from April 1, to March 31.

17. PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

There have been no loans, guarantees and investments under Section 186 of the Act during the financial year 2015-16 except pursuant to Section 186(11) of the Companies Act, 2013 loans made, guarantees given or securities provided or acquisition of securities by a Non Banking Financial company in the ordinary course of its business are exempted from disclosure in the Annual Report.

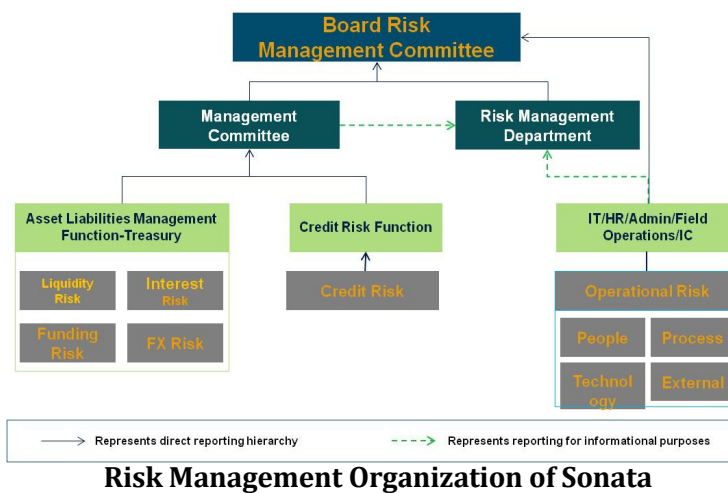
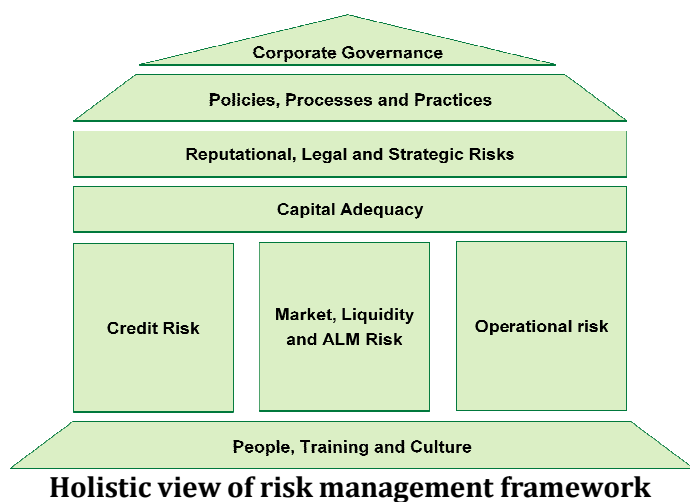
18. INTERNAL CONTROL

Your Company had laid down set of standards, processes and structure which enables to implement internal financial control across the organization and ensure that the same are adequate and operating effectively. Further the company has got the financial system and procedures duly audited by M/s E&Y, Mumbai who have reported that the financial systems are as per the requirements.

19. RISK MANAGEMENT

Your Company has Board approved Risk Management Policies wherein all material risks faced by the Company are identified and assessed. Further, the Risk Management is overseen by the Risk Management Committee/Audit Committee of the Company on a continuous basis.

The Company has underwent Risk Control Self Assessment exercise and adopted following measures concerning the development and implementation of a Risk Management Policy of the Company after identifying the priority areas of risks which in the opinion of the Board may threaten the very existence of the Company itself.



The Board was pleased to inform that your 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.

20. MATERIAL CHANGES AND COMMITMENT AFFECTING FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments, affecting the financial position of the Company which has occurred between the end of the financial year of the Company till the date of date of this report.

21. VIGIL MECHANISM

The Company has established a vigil mechanism for Directors and employees to report their genuine concerns. Your Company has established a mechanism called 'Vigil Mechanism' for directors and employees to report to the appropriate authorities of unethical behavior, actual or suspected, fraud or violation of the Company's code of conduct or ethics policy and provides safeguards against victimization of employees who avail the mechanism. During the year under review, no employee was denied access to the Audit Committee.

Further the Vigil Mechanism Policy and other details are also provided on the website of the Company.

22. SUBSIDIARIES/ JOINT VENTURE/ ASSOCIATE

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

23. STATUTORY AUDITORS & AUDITORS' REPORT

Pursuant to the provisions of Section 139 of the Act and the rules framed thereunder, M/s S. R. Batiboi & Co. LLP, Chartered Accountants, Kolkata, were appointed as statutory auditors of the Company by the members at Annual General Meeting of the company held on 29th September 2014 for the period of 4 years. There were no qualification(s) or observation(s) or other remarks made by the Statutory Auditors in the Independent Auditor's Report of your Company for the Financial Year 2015-16. There are no major observations in the Report of the Statutory Auditors' that requires clarification on behalf of the Board of Directors.

24. SECRETARIAL AUDIT REPORT

The Board of Directors of the Company has appointed M/s Amit Gupta & Associates, Practicing Company Secretary; Lucknow to conduct the Secretarial Audit of the Company for Financial Year 2015-16 and the Audit has been duly convened and there are no major observations in the Secretarial Audit Report that requires clarification on behalf of the Board of Directors. The Secretarial Audit Report for the Financial Year ended 31 March, 2016 is given in this Report as Annexure-IV.

25. MANAGEMENT DISCUSSION AND ANALYSIS

As required by of the listing agreement, a report on Management Discussion and Analysis is appended as Annexure-III to this Report.

26. 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 is not applicable on the company. The only use of energy is the consumption of electricity at the offices of the company.

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

27. DOCUMENTS PLACED ON THE WEBSITE

The following documents have been placed on the website in compliance with the Act:

- Corporate Social Responsibility Policy as per section 135(4)(a)
- Corporate Governance Policy
- Financial statements of the Company along with relevant documents as per third proviso to section 136(1).
- Details of vigil mechanism for directors and employees to report genuine concerns as per proviso to section 177(10).
- The terms and conditions of appointment of independent directors as per schedule IV to the Act.
- Related Party Transactions Policy as per guidelines issued by the Reserve Bank of India (RBI).
- Sexual Harassment Of Women At Workplace (Prevention, Prohibition And Redressal) Act, 2013

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 their confidence reposed in the management.

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

Sd/-

Anup Kumar Singh
Managing Director

Sd/-

Vishal Bharat
Director

Place: New Delhi

Date: August 12, 2016

FORM MGT-9

Extract of Annual Return as on the financial year ended on 31 March, 2015

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

I. REGISTRATION AND OTHER DETAILS:

Sl. No	Particulars	Details
1.	CIN	U65921UP1995PTC035286
2.	Registration Date	06-April-1995
3.	Name of the Company	Sonata Finance Private Limited
4.	Category / Sub-Category of the Company	Company Limited by Shares / Indian Non-Government Company
5.	Address of the Registered office and contact details	<p>IInd Floor, CP-1,PG Towers, Kursi Road, Vikas Nagar, Lucknow-226026</p> <p>Email:info@sonataindia.com</p> <p>Ph:91-522-2334900</p>
6.	Whether listed company Yes / No	Yes (Debentures of the Company are listed)
7.	Name, Address and Contact details of Registrar and Transfer Agent, if any	<p>Skyline Financial Services Private Limited D-153 A 1st Floor Okhla Industrial Area, Phase - I New Delhi-110 020. Tel.: +91 11 64732681 - 88 Fax: +91 11 26812682 Web:www.skylinerta.com</p>

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

Sl. No	Name and description of main products / services	NIC code of the product/ service	% to total turnover of the Company
1.	Micro Finance Lending	64990	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S.No	Name and address of the company	CIN	Holding/ Subsidiary/ Associate	% of shares Held	Applicable Section
1.					

IV. SHAREHOLDING PATTERN (Equity share capital breakup as percentage of total equity)

I. Category-wise shareholding

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A.Promoters									
(1)Indian									
a)Individual/HUF	6,59,112	-	6,59,112	4.60%	6,59,112	2,16,350	8,75,462	5.29%	15%
b)Central Govt.	-	-	-	-	-	-	-	-	-
c)State Govt.	-	-	-	-	-	-	-	-	-
d)Bodies Corporate	-	-	-	-	-	-	-	-	-
e)Bank/FI	-	-	-	-	-	-	-	-	-
f) Any other.	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	6,59,112	-	6,59,112	4.60%	6,59,112	2,16,350	8,75,462	5.29%	15%
(2)Foreign									
a)NRIs-Individuals	-	-	-	-	-	-	-	-	-
b)Other Individuals	-	-	-	-	-	-	-	-	-
c)Bodies Corporate	-	-	-	-	-	-	-	-	-

d)Banks/FI	-	-	-	-	-	-	-	-	-
e)Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	6,59,112	-	6,59,112	4.60%	6,59,112	2,16,350	8,75,462	5.29%	15%
B.PUBLIC SHAREHOLDING									
(1)Institutions	-	-	-	-	-	-	-	-	-
a)Mutual Funds	-	-	-	-	-	-	-	-	-
b)Banks/FI	-	-	-	-	-	-	-	-	-
c)Central Govt.	-	-	-	-	-	-	-	-	-
d)State Govt.	-	-	-	-	-	-	-	-	-
e)Venture Capital Funds	-	-	-	-	-	-	-	-	-
f)Insurance Companies	-	-	-	-	-	-	-	-	-
g)FII's	4,780,006	-	4,780,006	33.36%	4,780,006	-	4,780,006	28.91%	(13.33%)
h)Foreign Venture Capital Funds	59,64,485	-	59,64,485	41.63%	59,64,485	-	59,64,485	36.08%	(13.33%)
i)Other Specify	-	-	-	-	-	-	-	-	-
SUB TOTAL (B) (1):	10,744,491	-	10,744,491	74.99%	10,744,491	-	10,744,491	64.99%	(26.66%)
(2)Non Institutions									
a)Bodies Corporate									
i)Indian	-	-	-	-	-	2,203,226	2,203,226	13.33%	13.33%
ii)Overseas	-	-	-	-	-	-	-	-	-
b)Individuals									
i)Individual shareholders holding nominal share capital upto ` 1 Lakh	-	-	-	-	-	24,600	24,600	0.15%	.15%
ii) Individual shareholders holding	471,375	-	471,375	3.29%	471,375	-	471,375	2.85%	(13.07%)

nominal share capital in excess of ` 1 Lakh									
c)Others	100	-	100	0%	-	-	-	-	
Trust	-	2,455,000	2,455,000	17.13%	-	2,214,150	2,214,150	13.39%	(21.8%)
SUB TOTAL (B) (2):	4,71,475	2,455,000	29,26,475	20.42%	471,375	44,41,976	49,13,351	29.72%	(21.39%)
Total Public Shareholding (B)=(B)(1)+(B)(2)	11,215,966	2,455,000	13,670,966	95.41%	11,215,866	44,41,976	15,657,842	94.71%	(48.05%)
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	11,875,078	2,455,000	14,330,078	100%	11,874,978	46,58,326	16,533,304	100%	(33.05%)

II. Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	%of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged/ encumbered to total shares	
1.	Mr. Anup Kumar Singh	6,59,112	4.60%	-	8,75,462	5.29%	-	0.69%
	Total	6,59,112	4.60%	-	8,75,462	5.29%	-	0.69%

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of Shares	% of total shares of the company
	At the beginning of the year	6,59,112	4.60%	6,59,112	4.60%
	Date wise Increase/Decrease In Promoters Share Holding during the year specifying the reasons for increase / decrease	216350 (Allotment of 216250 shares and	0.69%	216350	0.69%

	(e.g. allotment/ Transfer/bonus/sweat equity etc)	transfer of 100 shares)			
	At the end of the year	8,75,462	5.29%	8,75,462	5.29%

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

S N o.	Name of Shareholders	Shareholding at the beginning of the year as on 01.04.2015		Change in shareholding during the year		Shareholding at the end of the year as on 31.3.2016	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Creation Investments Social Ventures Fund II, L.P.	4,473,364	31.22%	-	(4.16%)	4,473,364	27.06%
2.	SDBI Trustee Company Limited	-	-	-	-	2,203,226	13.33%
3.	Sonata Employee Welfare Trust	2,455,000	17.13%	(2,40,850)	(3.74%)	2,214,150	13.39%
4.	Indian Financial Inclusion Fund	2,000,000	13.96%	-	(1.86 %)	2,000,000	12.10%
5.	Creation Investments Social Ventures Fund I	1,491,121	10.41%	-	(1.39%)	1,491,121	9.02%
6.	Michael & Susan Dell Foundation	1,241,285	8.66%	-	(1.15%)	1,241,285	7.51%
7.	Caspian Impact Investments Advisors Private Limited (earlier known as Caspian Advisors Private Limited, Trustee of Bellwether Microfinance Trust	1,071,871	7.48%	-	(1%)	1,071,871	6.48%
8.	Caspian Impact Investments Private Limited (formerly known as Bellwether Microfinance Fund Private Limited)	466,850	3.06%	-	(.24%)	466,850	2.82%
9.	Swaminathan Shankar Aiyar	471,375	3.29%	-	(0.44%)	471,375	2.85%

10	Shares held by Employees (via ESOP)	-	-	-	-	24,600	0.15%
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iv. Shareholding of Directors and Key Managerial Personnel:

Sl. No.	For Each of the Directors & KMP*	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	6,59,112	4.60%	6,59,112	4.60%
	Date wise Increase/Decrease in Shareholding during the year specifying the reasons for Increase/Decrease (e.g. allotment/transfer/bonus/swe at equity etc)	216350 (Allotment of 216250 shares and transfer of 100 shares)	0.69%	216350	0.69%
	At the end of the year	8,75,462	5.29%	8,75,462	5.29%

v. Indebtedness

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

(Rs. in Cr.)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year (01.04.2015)				
i) Principal Amount	417.57	19.10	-	436.67
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	4.42	-	-	4.42
TOTAL (i+ii+iii)	421.99	19.10	-	441.09
Change in Indebtedness during the financial Year				
Addition	230.15	34.90	-	265.05
(Reduction)	-	-	-	-
Exchange Difference	-	-	-	-
Net Change	230.15	34.90	-	265.05
Indebtedness at the end of the financial year (31.03.2016)				
i) Principal Amount	647.72	54.00	-	701.72
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	7.12	0.25	-	7.37
TOTAL (i+ii+iii)	654.84	54.25	-	709.09

VI. Remuneration of Directors and Key Managerial Personnel

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

Name of Managing Director : Mr. Anup Kumar Singh		
Sr. No	Particulars of Remuneration	Rs. in lacs
1.	Gross Salary	
	1(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	34.14
	1(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	.75
	1(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-
2	Stock Option	-
3	Sweat Equity	-
4	Commission	
	-as a % of profit	41.25
	-others (specify)	
5	Others, please specify : Travelling expenses reimbursed	18.78
	Total	94.92

B. Remuneration to other directors:

(in Rs.)

S No.	Name of the Directors	Fee for attending board/ committee meetings	Others, please specify (Professional Fee)	Total
1.	Mr. S Ganesh	.60	1.40	2.00
2.	Mrs. Chandni Gupta Ohri	.80	1.20	2.00
3.	Mr. Anal Kumar Jain	.80	1.20	2.00

C. Remuneration to key managerial personnel other than MD/Manager/WTD

(in Rs.)

Sr. No	Particulars of Remuneration	Key Managerial Personnel	
		Company Secretary (Ms. Shalini Bhagel) Part of year from 1 st April 2015 to 21 st October, 2015	Company Secretary (Ms. Pauravi Srivastava) Part of year from 21 st October, 2015 to 31 st March, 2016
1.	Gross Salary		
	1(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	3.77	1.55
	1(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	-
	1(c) Profits in lieu of salary	-	-

		under section 17(3) Income-tax Act, 1961		
2		Stock Option	-	-
3		Sweat Equity	-	-
4		Commission	-	-
		-as a % of profit	-	-
		-others (specify)	-	-
5		Others, please specify : Retirement Benefits	-	-
		Total	3.77	1.55

VII. PENALTIES/ PUNISHMENT/ COMPOUNDING OF OFFENCES UNDER COMPANIES ACT' 2013:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
B. DIRECTORS					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-
C. OTHER OFFICERS IN DEFAULT					
Penalty	-	-	-	-	-
Punishment	-	-	-	-	-
Compounding	-	-	-	-	-

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

Sd/-

Sd/-

Anup Kumar Singh
Managing Director

Vishal Bharat
Director

Place: New Delhi
Date: August 12, 2016

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY POLICY - OVERVIEW

The Corporate Social Responsibility Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board. The CSR Policy may be accessed on the Company's website.

In line with the CSR policy and in accordance of Schedule VII of the Companies Act, 2013, the Company shall undertake the Corporate Social Responsibility activities as defined under the Schedule VII to the Act.

The main objectives of CSR Policy are:

- (i) To directly or indirectly take up programs that benefit the communities in and around its workplace and results, over a period of time, in enhancing the quality of life and economic well-being of the local populace.
 - (ii) To generate through its CSR initiatives, a community goodwill for the company and help reinforce a positive & socially responsible image of Sonata Finance Private Limited as a corporate entity and as a good Corporate Citizen.
 - (iii) Ensure commitment at all levels in the organization, to operate its business in an economically, socially and environmentally sustainable manner, while recognizing the interest of all its stakeholders
- The terms of reference of the CSR Committee is as under:
 - (i) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of Companies Act, 2013;
 - (ii) To recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above;
 - (iii) To monitor the Corporate Social Responsibility Policy of the company from time to time.

Composition of CSR Committee

Members of the committee are:

1. Ms. Chandni Gupta Ohri (Chairman)
2. Mr. Prakash Kumar
3. Mr. Sethuraman Ganesh

Average net profits and prescribed CSR expenditure:

The average net profits and prescribed CSR expenditure is as detailed below:

Particulars	Rs. in Lacs
Average net profits for last three financial years	932
Prescribed CSR expenditure	18.65

Details of CSR spent during the financial year 2015-16.

Particulars	Rs. in Lacs
Total amount to be spent for the year:	18.48
Amount unspent	0.17

Manner in which the amount spent during the financial year:

S. No.	CSR project or activity identified	Sector in which the Project is covered	Projects/ Programmes 1. Local area/ others 2. Specify the state and district where project/ Programme was undertaken	Amount outlay (budget) project or Programme wise (in Lacs)	Amount spent on the project/ programme 1.Direct expenditure on project or programmes 2.Overheads (in Lacs)	Cumulative expenditure upto to the reporting period (in Lacs)	Amount spent: Direct/ through implementing agency*
1.	Education	Technology incubators	Uttar Pradesh	1.68	1.60	1.60	-
2.	Education	Furnishing schools (Livelihood enhancement)	Uttar Pradesh	5.71	5.63	5.63	-
3.	Education	Vocational and technical training	Uttar Pradesh	11.25	11.25	11.25	-
					18.48	18.48	-

Pursuant to the provisions of Companies Act, 2013 and Companies Rules (Corporate Social Responsibility Policy) Rules, 2014, Mr. Anup Kumar Singh, Managing Director and Ms. Chandni Gupta Ohri, 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.

- The main objectives of CSR Policy are:
 - (i) To directly or indirectly take up programs that benefit the communities in and around its workplace and results, over a period of time, in enhancing the quality of life and economic well-being of the local populace.
 - (ii) To generate through its CSR initiatives, a community goodwill for the company and help reinforce a positive & socially responsible image of Sonata Finance Private Limited as a corporate entity and as a good Corporate Citizen.
 - (iii) Ensure commitment at all levels in the organization, to operate its business in an economically, socially and environmentally sustainable manner, while recognizing the interest of all its stakeholders

- The terms of reference of the CSR Committee is as under:
 - i) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of Companies Act, 2013;
 - ii) To recommend the amount of expenditure to be incurred on the activities referred to in clause (a) above;
 - iii) To monitor the Corporate Social Responsibility Policy of the company from time to time.

We hereby confirm, on behalf of the CSR Committee, that the implementation and monitoring of CSR policy is in compliance with the CSR objectives and policy of the Company.

Sd/-
Mr. Anup Kumar Singh
(Managing Director)

Sd/-
Ms. Chandni Gupta Ohri
(Chairman of the CSR Committee)

Place: New Delhi
Date: August 12, 2016

Management Discussion & Analysis

INDUSTRY OVERVIEW

The country's growth has led to a rise in financing needs. NBFCs have played a major role in complementing banks and other financial institutions, and help fill the gaps in availability of financial services with respect to products as well as customer and geographical segments. Strong linkages at the grassroots level makes them a critical cog in catering to the unbanked masses in rural and semi-urban reaches, enabling the Government and Regulators to further the mission of financial inclusion. The sheer size of the market in terms of financially excluded households presents large opportunities for a business model that offers sustainable credit to the unbanked and under-banked at affordable rates and a repayment cycle spread over a longer duration. Banking and NBFC sectors have, however, had a challenging phase as certain industrial sectors suffered a downturn.

On the regulatory front, NBFCs are regulated by the Reserve Bank of India (RBI) almost at par with banks. All the prudential norms for asset classification, income recognition, provisioning etc., are applicable to NBFCs in India. Given the continuously high levels of inflation through FY 13, the Reserve Bank of India (RBI) has no option but tighten monetary policies. This has resulted in an increase in domestic interest rates.

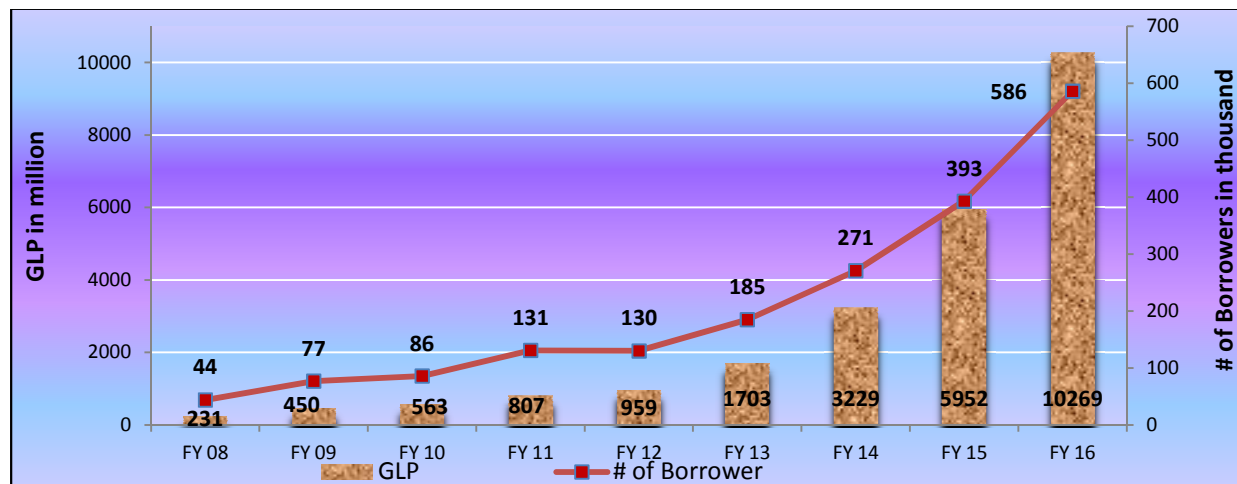
DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Non-Banking Finance Companies (NBFCs) are an integral part of the country's financial system because of their complementary as well as competitive role. They act as a critical link in the overall financial system catering to a large market of niche customers. 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. However, as a result of consolidation and restructuring in the financial sector and liberalisation and globalisation of markets only few strong NBFCs now remain in business.

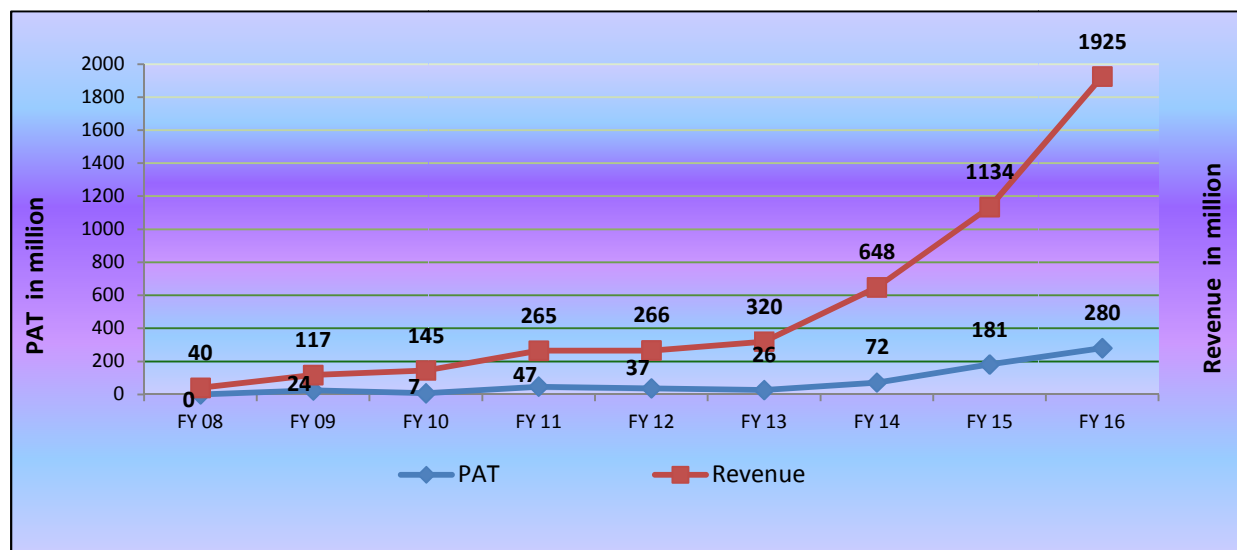
During the year under report, Sonata Finance Private Limited continues to be major player in the Micro Finance Sector. The FY 2015-16 was a tough year for the overall business amidst the challenging macro-economic environment, however even though the Company witnessed a phenomenal growth in the Gross Loan Portfolio which crossed the Rs.1000 Crore Mile stone. During the year under review the Gross Loan portfolio of the Company as on 31st March, 2016 was Rs.1027 Crores as compared to Rs. 595 Crores as on 31st March, 2015. Further the company reported a net profit after tax amounting to Rs 27.02 Crores as compared to Rs 18.09Crores in 2014-15.

Owing to the tight regulatory framework of the RBI for NBFC-MFIs and services provided by Credit Bureaus, client protection in micro finance has improved significantly over the years. There has been a strong growth in the MFI industry over the last 2-3 years, enabling the industry to bridge a part of the unserved demand gap. However, as in any form of lending, more so in an unsecured form of lending like Micro Finance, high growth does lead to concerns about prudent ground level practices of the MFIs. The Associations, MFIN and Sa-dhan have come out with a Joint Code of Conduct for the MFIs to improve various credit and governance aspects of micro finance lending. It is hoped that the MFIs would adhere to such codes in letter and spirit and create an environment where the credit needs of the low income households are met in a sustainable manner.

Operational Performance:



Financial Performance:



OPPORTUNITIES AND THREATS

Financial sector development provides small enterprises and households with market access leading to their inclusion in the regional and ultimately the global economy. RBI has recently increased the limit of eligible borrowers to whom NBFC-MFI can lend and further liberalized some norms which is good for the growth of the industry and for the borrowers. This has improved the support and confidence of all stakeholders for the microfinance sector. The Company is operating in Northern India and is making all efforts to use its experience of working in the same geography for last many years.

In financial services business, effective risk management has become very crucial. As an NBFC, your Company is exposed to credit risk, liquidity risk and interest rate risks. Your company has in place suitable mechanisms to effectively reduce such risks. All these risks are continuously analysed and reviewed at various levels of management through an effective information system. The Company is having excellent Board of Directors who are Expert in financial sector, and are helping the Company in making good Investment.

CHALLENGES

While the regulatory environment has improved the stakeholder's confidence still continue to be exposed to inherent risks in business model. Given that the microfinance borrowers belong to low income segment, customers are more prone to default. Moreover, with MFI operations concentrated in specific geographies, geographic concentration risks persist, these risks include natural disasters, social unrests, or political upheavals. The Reserve Bank of India has issued a series of circulars, directions and notifications to give the required regulatory/ clarity. Also the MFI industry has also collectively worked to bring back the stakeholders' confidence by working responsibly. To overcome these challenges the Company has a strong and experienced Board having multiple personalities having experience in different areas. The Company's senior management team has expertise in their respective field and the Company has geographical advantage, lime tested systems and processes, effective internal audit and risk department, association with a large number of lenders and clean repayment track record, good credit rating in the sector which helped the Company to achieve the performance better than its competitors.

OUTLOOK AND FUTURE PROSPECTS

Competition continues to be intense, as the Indian and foreign banks have entered the retail lending business in a big way, thereby exerting pressure on margins. The erstwhile providers of funds have now become competitors. NBFCs can sustain in this competitive environment only through optimization of funding costs, identification of potential business areas, widening geographical reach, and use of technology, cost efficiencies, strict credit monitoring and raising the level of customer service.

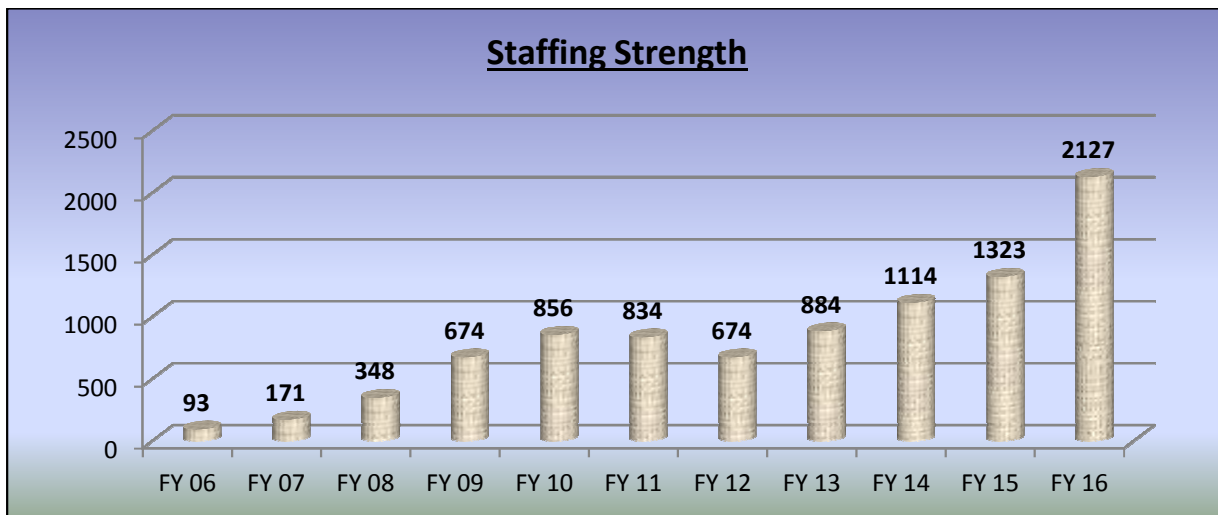
RISKS & CONCERNS

In today's complex business environment, almost every business decision requires executives and managers to balance risk and reward. Effective risk management is therefore critical to an organization's success. Globalization, with increasing integration of markets, newer and more complex products & transactions and an increasingly stringent regulatory framework has exposed organisations to newer risks. As a result, today's operating environment demands a rigorous and integrated approach to risk management. Timely and effective risk management is of prime importance to our continued success. Increased competition and market volatility has enhanced the importance of risk management. The sustainability of the business is derived from the following:

- Identification of the diverse risks faced by the company.
- The evolution of appropriate systems and processes to measure and monitor them.
- Risk management through appropriate mitigation strategies within the policy framework.
- Monitoring the progress of the implementation of such strategies and subjecting them to periodical audit and review.
- Reporting these risk mitigation results to the appropriate managerial levels.

HUMAN RESOURCES

The Company's relations with the employees continued to be cordial. The Company has provided a wide range of benefits to its employees including health insurance for all employees and their dependents. The Company also provides stock option benefits to all employees by which the employees get opportunity to acquire shares in the company. The number of employees as at the end of the year was 2,127.



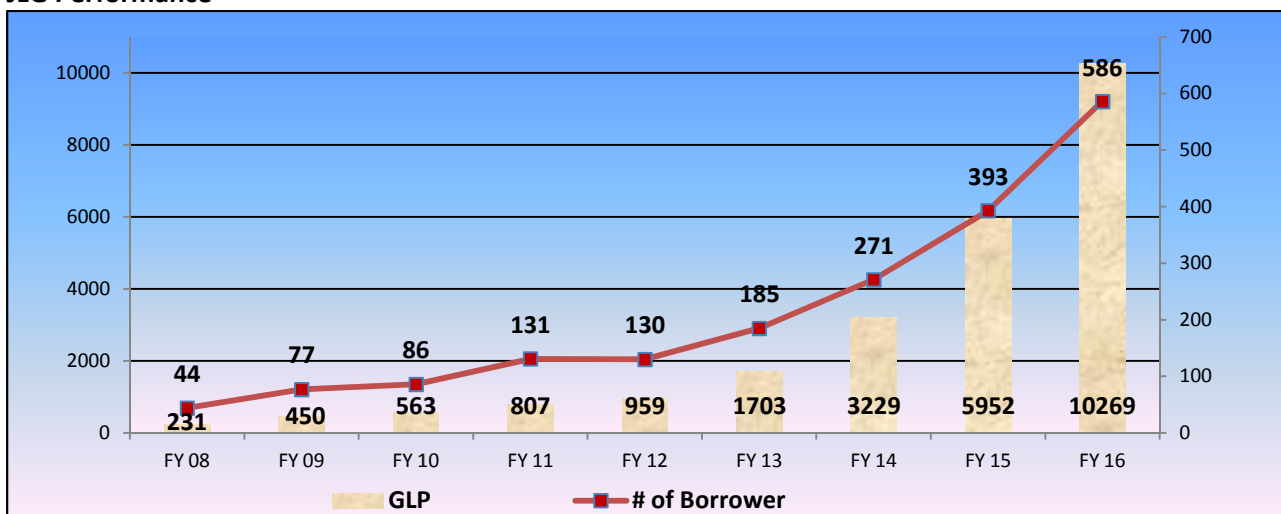
SEGMENT WISE OR PRODUCT WISE PERFORMANCE

The company offers micro/small loans which are categorised as per the needs of the customers.
Income Generation Loans

❖ Joint Liability Group (JLG)

Under this group the Company lends money to groups of 10 to 20 women members and designates them as the ultimate guarantor of each of its members. If one member does not repay the loan, no individual in the group is eligible to receive another loan. The Company reaches out to women in rural and urban-poor areas via Loan Officers who generally are local people and have a fairly good idea of the geography, the demographics and the competition. Sonata has initiated to act as BC (Business Correspondent) to our BC partners namely Indusind Bank, IDBI Bank, Kotak Mahindra Bank & RBL Bank Ltd. ; under this model the lending is done to JLG.

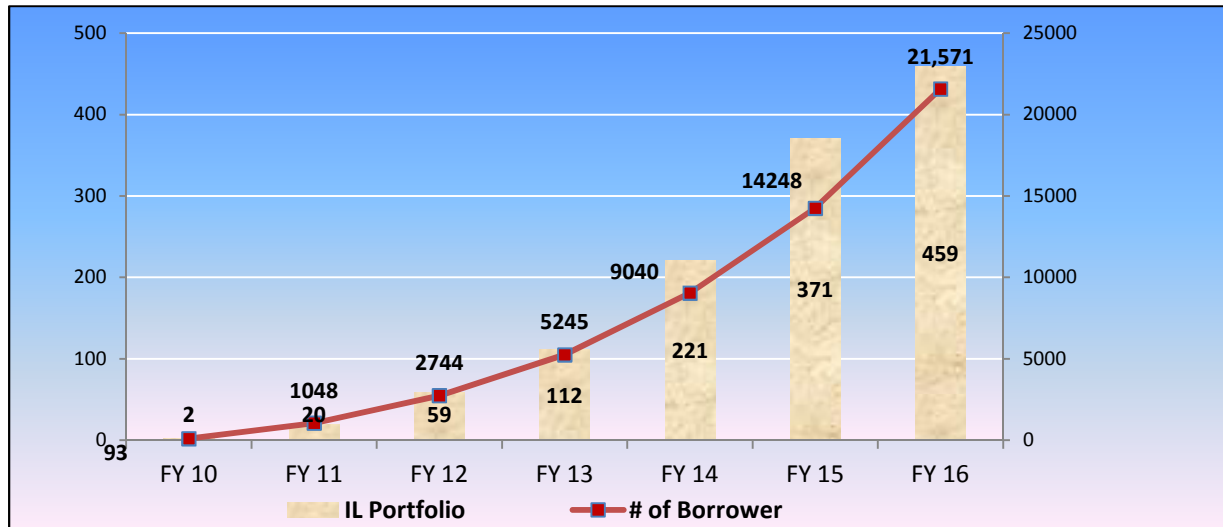
JLG Performance



❖ Individual Lending (IL)

Individual Loans are provided to existing borrowers with excellent repayment record in the form of business loan to facilitate financing of small enterprises in rural areas. The Loans Officers selling the IGL products offers the Individual Loan product to suitable individual candidates while scanning the market.

IL Performance



INTERNAL CONTROL SYSTEMS AND THEIR ADEQUENCY

Your Company has an effective system of accounting and administrative controls supported by an internal audit system with proper and adequate system of internal check and controls to ensure safety and proper recording of all assets of the Company and their proper and authorised utilization. As part of the effort to evaluate the effectiveness of the internal control systems, your Company's internal audit department reviews all the control measures on a periodic basis and recommends improvements, wherever appropriate. The Audit Committee regularly reviews the audit findings as well as the, an Information Security Assurance Service is also provided by independent external professionals. Based on their recommendations, the Company has implemented a number of control measures both in operational and accounting related areas, apart from security related measures. Further the company has got the financial system and procedures duly audited by M/s E&Y, Mumbai who have reported that the financial systems are as per the requirements.

CAPITAL ADEQUACY

As at the end of the year, the Capital to Risk Adjusted Assets Ratio [CRAR] stood comfortably at 24.67% as against the RBI requirement of 15%.

**AMIT GUPTA & ASSOCIATES**

Practicing Company Secretaries

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

Phone : 0522 - 4024033, Mobile : 94150 05108

E-mail:amitguptacs@gmail.com

FORM NO. MR.3**SECRETARIAL AUDIT REPORT****FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2016****[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 IN**

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 my opinion thereon.

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

We hereby report that in our opinion

- i.* The Company has, during the audit period covering the financial year ended on 31st March, 2016 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 and returns filed and other

records maintained by the Company for the financial year ended on 31st March, 2016 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, 1992- **Not applicable as the Company has not made any public offer of securities during the period under review;**
 - c.* The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009- **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 (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999/Securities And Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (effective 28th October 2014) - **Not applicable as the Company has not issued any ESOP during the period under review;**
 - 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;
 - g.* The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **Not applicable as the Company has not delisted/propose to delist its equity shares from any stock exchange during the financial year under review;**
 - 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 – (NBFC-MFIs) Directions.
 - (c) Master Circular – “Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015

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:

- (i) The Company has listed its debt instruments with BSE Limited and accordingly becomes a listed company in terms of the provisions of section 2(52) of the Companies Act, 2013, however CIN of the Company requires to be updated to reflect the said status. Further the Company has considered its status as an unlisted company for compliances of section 93, 134, 138, 197(12) & 203 of the Companies Act, 2013.
- (ii) The Company has made compliances as per SEBI (Listing obligations & Disclosure Requirements) Regulations, 2015, except regarding newspaper publications.
- (iii) The Company has filed few forms/ returns with delay with the Registrar of Companies, Ministry of Corporate Affairs, Kanpur under the provisions of the Companies Act, 2013.

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 generally sent at least seven days in advance. However, we have noted delay in sending agenda papers in few cases, and a system exists for seeking and obtaining further information and clarifications on

the agenda items before the meeting for meaningful participation at the meeting.

- 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 the systems and processes in the Company require further strengthening and improvements, considering the size and operations of the Company to enable better monitoring and ensuring of timely compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period the company has:

- (i) Raised funds of Rs. 25 crores by making issue and allotment of 2203226 equity shares of Rs. 10/- each at premium of Rs. 103.47/- pe share on 23rd December, 2015.
- (ii) Raised funds of Rs. 15.00 crores by issue of Unsecured Unlisted NCD's
- (iii) Raised Rs. 65.00 Crores by way issue of Secured NCD's, out of which NCD's amounting to Rs. 25.00 Crores are Un-listed.

For Amit Gupta & Associates
Company Secretaries

sd/-

Amit Gupta

Proprietor

Membership No. : F5478

C.P. No. 4682

Date: 10.08.2016

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 UP 226026 IN

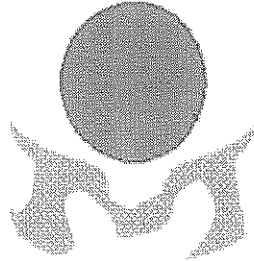
Our Report of even date is to be read along with this letter.

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

sd/-

Amit Gupta
Proprietor
Membership No. : F5478
C.P. No. 4682
Date: 10.08.2016
Place: Lucknow



REPORTS OF INDEPENDENT AUDITORS
&
FINANCIAL STATEMENTS

Year ended March 31st, 2016

SONATA FINANCE PRIVATE LIMITED

2nd Floor, CP 1, P.G. Towers, Vikas Nagar, Kursi Road, Lucknow - 226026 (UP)

INDEPENDENT AUDITOR'S REPORT

To the Members of Sonata Finance Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Sonata Finance Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the Company as at March 31, 2016, its profit, and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors

is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act;

- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company does not have any pending litigations which would impact its financial position;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

sd/-

per Bhaswar Sarkar
Partner
Membership Number: 55596

Place of Signature: Kolkata

Date: July 14, 2016

Annexure 1 referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our report of even date to the members of Sonata Finance Private Limited as at and for the year ended March 31, 2016

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, there are no immovable properties, included in fixed assets of the company and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (ii) The Company's business does not involve inventories and, accordingly, the requirements under paragraph 3(ii) of the Order are not applicable to the Company.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities given in respect of which provisions of section 185 and 186 of the Companies Act 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Company is not in the business of sale of any goods. Therefore, in our opinion, the provisions of clause 3(vi) of the Order are not applicable to the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, excise duty, cess and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been slight delay in payment of TDS, ESI and service tax.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, service tax, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

- (c) According to the information and explanations given to us, there are no dues of income tax, service tax and cess which have not been deposited on account of any dispute.

In respect of sub clauses (vii) (a) to (vii) (c) above, the Company did not have any dues towards sales tax, custom duty, value added tax and excise duty, during the year.

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank or government or dues to debenture holders.
- (ix) According to the information and explanation given by the management, the Company has not raised any money by way of initial public offer or further public offer, hence not commented upon.
Further, money raised by the Company by way of term loans were applied for the purpose for which those were raised, though idle/ surplus funds were gainfully invested in fixed deposits/ liquid assets, pending for the purpose for which they were raised/ utilised.
- (x) We have been informed that there were instances of misappropriation of cash aggregating Rs. 789,995 by the employees of the Company. As informed, services of the employees have been terminated and the Company has taken legal action against the employees concerned. The Company has withheld the terminal benefit of the employees involved in the fraud.
- (xi) The Company been a private Company, the provision of Section 197 read with schedule V of the Act is not applicable and hence not commented upon.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the order are not applicable to the Company and hence not commented upon.
- (xiii) According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
- (xiv) According to the information and explanations given by the management, the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the equity shares issued during the year. According to the information and explanations given by the management, we report that the amounts raised, have been used for the purposes for which the funds were raised.

- (xv) According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of Companies Act, 2013.
- (xvi) According to the information and explanations given to us, we report that the Company has registered as required, under section 45-IA of the Reserve Bank of India Act, 1934.

For S.R. Batliboi & Co. LLP
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

sd/-

per Bhaswar Sarkar
Partner
Membership Number: 55596

Place of Signature: Kolkata

Date: July 14, 2016

Annexure 2 referred to in paragraph 2 (f) under the heading “Report on Other Legal and Regulatory Requirements” of our report of even date to the members of Sonata Finance Private Limited as at and for the year ended March 31, 2016

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

We have audited the internal financial controls over financial reporting of Sonata Finance Private Limited (“the Company”) as of March 31, 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

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

Auditor’s Responsibility

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

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

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations¹ of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal control over financial reporting criteria established by the Company, considering the essential

components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **S.R. Batliboi & Co. LLP**
Chartered Accountants
ICAI Firm Registration Number: 301003E/E300005

sd/-

per Bhaswar Sarkar
Partner
Membership Number: 55596

Place of Signature: Kolkata

Date: July 14, 2016

Sonata Finance Private Limited			
Balance Sheet as at March 31, 2016			
	Notes	As at	As at
		March 31, 2016	March 31, 2015
		(Rs.)	(Rs.)
I. Equity and liabilities			
Shareholders' funds			
Share capital	3	193,191,540	168,750,780
Reserves and surplus	4	1,314,489,120	834,990,612
		1,507,680,660	1,003,741,392
Non-current liabilities			
Long-term borrowings	5	4,589,470,062	2,769,167,472
Other long-term liabilities	6	3,466,790	33,227,138
Long term provisions	7	40,077,075	31,804,591
		4,633,013,927	2,834,199,201
Current liabilities			
Short-term borrowings	8	470,000,000	376,177,436
Other current liabilities	9	4,903,823,014	3,615,673,312
Short-term provisions	7	105,279,415	75,148,657
		5,479,102,429	4,066,999,405
Total		11,619,797,016	7,904,939,998
II. Assets			
Non-current assets			
Fixed assets	10	10,248,669	8,532,500
Non-current investments	11	500,000	500,000
Deferred tax assets	12	25,853,580	22,609,001
Long term loans and advances	13	2,630,845,048	1,205,816,104
Other non-current assets	14	511,714,507	394,167,174
		3,179,161,804	1,631,624,779
Current assets			
Current investments	11	2,120,033	1,149,210,855
Cash and Bank Balances	15	2,839,176,839	1,957,909,950
Short-term loans and advances	13	5,487,304,937	3,070,667,817
Other current assets	14	112,033,403	95,526,597
		8,440,635,212	6,273,315,219
Total		11,619,797,016	7,904,939,998
Summary of significant accounting policies	2.1		
The accompanying notes are an integral part of the financial statements.			
As per our report of even date			
For S.R.Batliboi & Co. LLP		For and on behalf of the Board of Directors of	
Firm Registration No.301003E/E300005		Sonata Finance Private Limited	
Chartered Accountants			
sd/-		sd/-	sd/-
per Bhaswar Sarkar		Managing Director	Director
Partner			
Membership No.: 055596		sd/-	
		Company Secretary	
Place: Kolkata		Place: Delhi	
Date: July 14, 2016		Date: July 14, 2016	

Sonata Finance Private Limited			
Statement of Profit and Loss for the year ended March 31, 2016			
	Notes	Year ended March 31, 2016	Year ended March 31, 2015
		(Rs.)	(Rs.)
I. Income			
Revenue from operations	16	1,655,542,903	1,004,677,643
Other income	17	243,440,502	129,393,147
Total Income		1,898,983,405	1,134,070,790
II. Expenses			
Employee benefit expenses	18	330,452,853	187,092,733
Finance costs	19	1,000,362,631	581,882,967
Depreciation expense	20	7,469,936	7,031,797
Other expenses	21	102,591,052	67,041,793
Provisions and write offs	22	40,994,287	29,060,924
Total Expenses		1,481,870,759	872,110,214
Profit before Tax		417,112,646	261,960,576
Tax expense			
- Current tax		146,472,614	102,400,000
- Deferred tax credit		(1,389,103)	(21,427,610)
Total Tax Expenses		145,083,511	80,972,390
Profit for the year		272,029,135	180,988,186
Earning per equity share (EPS)	23		
Basic		21.36	14.78
Diluted		17.85	12.13
Nominal value of share		10	10
Summary of significant accounting policies 2.1			
The accompanying notes are an integral part of the financial statements.			
As per our report of even date			
For S.R.Batliboi & Co. LLP		For and on behalf of the Board of Directors of Sonata Finance Private Limited	
Firm Registration No.301003E/E300005			
Chartered Accountants			
sd/-		sd/-	sd/-
per Bhaswar Sarkar		Managing Director	Director
Partner			
Membership No.: 055596			
		sd/-	
		Company Secretary	
Place: Kolkata		Place: Delhi	
Date: July 14, 2016		Date: July 14, 2016	

Sonata Finance Private Limited		
Cash Flow Statement for the year ended March 31, 2016		
Particulars	Year ended	Year ended
	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)
A. Cash flow from Operating Activities :		
Net Profit Before Taxation :	417,112,646	261,960,576
Adjustments for :		
Depreciation	7,469,936	7,031,797
Provision for standard and non performing assets	34,275,066	19,005,504
Provision for portfolio loan securitised	(4,481,302)	7,719,428
Portfolio loans written-off	6,019,038	2,335,992
Provision for death claim receivable	5,141,845	-
Operating Profit Before Working Capital Changes	465,537,229	298,053,297
Movements in working capital:		
Increase in Other Current Assets	(16,506,806)	(43,747,804)
Increase in Other Non-Current Assets	(10,003,146)	(3,061,589)
Increase in Short Term Loans & Advances	(2,444,387,233)	(1,204,933,737)
Increase in Long Term Loans & Advances	(1,403,195,817)	(562,531,159)
Increase in Long Term Provisions	7,482,448	4,121,606
Increase in Short Term Provisions	5,140,104	7,719,428
Increase/(Decrease) in Other Long Term Liabilities	(29,760,348)	28,802,842
Increase/(Decrease) in Other Current Liabilities	(36,834,805)	73,643,878
Cash generated from / (used in) operations	(3,462,528,374)	(1,401,933,238)
Direct Taxes Paid	154,967,014	103,484,583
Net Cash flow generated from/(used in) Operating Activities (A)	(3,617,495,388)	(1,505,417,821)
B. Cash flow from Investing Activities :		
Purchase of Fixed Assets	(11,311,225)	(4,939,029)
Increase in fixed deposits (net)	(149,256,855)	(169,613,280)
Sale / (Purchase) of current investments (net)	1,147,090,822	(289,017,034)
Net Cash flow generated from/(used in) Investing Activities (B)	986,522,742	(463,569,343)
C. Cash flow from Financing Activities :		
Proceeds from Issuance of Share Capital	254,920,200	-
Payment of Share/Debenture Issue expenses	(17,593,951)	(16,518,848)
Proceeds from long-term borrowings (net)	3,145,287,097	1,324,166,555
Proceeds from short-term borrowings (net)	93,822,564	1,747,388,191
Payment of Dividend including dividend tax	(5,416,094)	(1,312,589)
Net Cash generated from/(used in) Financing Activities (C)	3,471,019,816	3,053,723,309
Net Increase In Cash And Cash Equivalents (A+B+C)	840,047,170	1,084,736,145
Cash And Cash Equivalents at the beginning of the year	1,567,752,674	483,016,529
Cash And Cash Equivalents at the end of the year (refer note 15)	2,407,799,844	1,567,752,674
* Represents cash and bank balances as indicated in Note No.15 and excludes Rs.91,48,07,900/- (Previous Year : Rs.76,60,43,994/-) being Fixed Deposits with restricted use and with original maturity of more than three months.		
Summary of significant accounting policies (refer note 2.1)		
The accompanying notes are an integral part of the financial statements.		
As per our report of even date		
For S.R.Batliboi & Co. LLP Firm Registration No.301003E/E300005 Chartered Accountants	For and on behalf of the Board of Directors of Sonata Finance Private Limited	
sd/- per Bhaswar Sarkar Partner Membership No.: 055596	sd/- Managing Director	sd/- Director
Place: Kolkata Date: July 14, 2016	sd/- Company Secretary Place: Delhi Date: July 14, 2016	

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

1. Corporate information

Sonata Finance Private Limited ("the Company") is a private company incorporated in India. The Company was registered as a non-deposit accepting Non-Banking Financial Company ('NBFC-ND') with the Reserve Bank of India ('RBI') and has got classified as a Non-Banking Financial Company – Micro Finance Institution ('NBFC-MFI') with effect from December 3, 2013.

The Company is engaged in providing financial services to women in the rural areas of India who are organized as Joint Liability Groups.

2. Basis of preparation

The financial statements of the company have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP). The company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the provisions of the RBI as applicable to a NBFC-MFI and Systematically Important NBFC-ND.

The financial statements have been prepared under the historical cost convention on an accrual basis except interest on Non-Performing Loans which is accounted for on realisation basis. The accounting policies applied by the Company are consistent with those applied in the previous year.

2.1 Summary of significant accounting policies

(a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(b) Tangible fixed assets

All tangible fixed assets are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price and any directly attributable cost of bringing the asset to its working condition for its intended use.

(c) Depreciation on tangible fixed assets

Depreciation on tangible fixed assets is calculated on the written down value method as per the useful life prescribed under Schedule II to the Companies Act, 2013, which is the useful lives of the underlying assets as estimated by the management.
Fixed assets costing upto Rs. 5,000 individually are fully depreciated over a period of one year.

(d) Leases

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

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

(e) Borrowing Cost

Borrowing costs includes interests which are recognised on time proportion basis taking into account the amount outstanding and the rate applicable on the borrowings.

Ancillary fees incurred for arrangement of borrowings from banks and financial institutions are amortized over the tenure of respective loans and those incurred in connection with securitization transaction are amortized over the tenure of the securitization deal.

(f) Impairment of fixed assets

The carrying amounts of assets are reviewed at each balance sheet date to determine if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount which is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

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

(g) Investments

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried in the financial statement at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments. On disposal of investment, the difference between the carrying amount and net disposal proceeds are charged or credited to the statement of profit and loss.

(h) Revenue recognition

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

- i) Interest income on portfolio loans is recognized in the Statement of profit and loss on time proportion basis taking into account the amount outstanding and the rates applicable, except in the case of non-performing assets ("NPA's"), where it is recognized, upon realization, as per prudential norms of RBI. Any such income recognised before the assets become non-performing and remaining unrealised are reversed.
- ii) The profit / premium arising at the time of securitization of loan portfolio is recognised over the life of the underlying loan portfolio, in accordance with Guidelines on transfer of assets through securitization issued by Reserve Bank of India
- iii) Interest income on deposits with banks is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate.
- iv) Processing fees are recognized as income upfront when it becomes due.
- v) Income from services rendered in connection with loans given on behalf of banks to joint liability groups organized / monitored by the Company are recognized on accrual basis as and when such services are rendered.

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

vi) All other income is recognized on an accrual basis.

(i) Foreign currency transactions

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

(j) Retirement and other employee benefits

Retirement benefit in the form of provident fund is a defined contribution scheme. The Company has no obligation, other than the contribution payable under the scheme. The Company recognizes contribution payable to the provident fund scheme as expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each year. Actuarial gains and losses for defined benefit plan are recognized in full in the year in which they occur in the statement of profit and loss.

The company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred.

Short term compensated absences are provided for based on estimates.

(k) Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carried forward unabsorbed depreciation or tax losses, all deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient taxable income will be available in future against which such deferred tax assets can be realised. At each reporting date, the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised. The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of deferred tax assets to the extent that it is no longer reasonably certain or virtually certain, as the

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

case may be, that sufficient future taxable income will be available against which deferred tax assets can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available.

(l) Earnings Per Share

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

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(m) Provisions

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

(n) Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The company does not recognize a contingent liability but discloses its existence in the financial statements.

(o) Cash and cash equivalents

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

(p) Classification of Portfolio loans

Loans are classified as follows:

Asset Classification	Period
Standard Assets	Current Loan and overdue upto 90 days
Non-Performing Assets	Overdue from 91 days and more

“Overdue” refers to interest and / or installment remaining unpaid from the day it became receivable.

The above classification is in compliance with Non-Banking Financial Company-Micro Finance Institutions (NBFC-MFIs) Directions, December 02, 2011, as amended from time to time.

Sonata Finance Private Limited

Notes to the Financial Statements as at and for the year ended March 31, 2016

(q) Provision for loan portfolio

Provisions on portfolio loans (including other than microfinance loans) are made at the higher of management estimate or minimum provision required as per Non-Banking Financial Company Micro Finance Institutions (Reserve Bank) Directions, 2011 as amended from time to time. The Management treats a loan overdue as soon as a scheduled installment is failed.

As per the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011, the aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of a) 1% of the outstanding loan portfolio or b) 50% of the aggregate loan installments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan installments which are overdue for 180 days or more.

Provision for losses arising under securitized / managed portfolio is on the basis of incurred losses (shortfall in collection), subject to the maximum guarantee given in respect of securitisation arrangements.

All overdue loans more than 180 days from the date of expiry of loan period and in the opinion of the management not recoverable are written off.

(r) Corporate Social Responsibility (CSR) expenditure

The provision made towards CSR expenses is charged to the Statement of Profit and Loss.

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

3	Share capital	March 31, 2016	March 31, 2015
		(Rs.)	(Rs.)
	Authorized Shares		
	30,000,000 (March 31, 2015: 30,000,000) equity shares of Rs. 10/- each	300,000,000	300,000,000
	10,000,000 (March 31, 2015: 10,000,000) preference shares of Rs. 10/- each	100,000,000	100,000,000
		400,000,000	400,000,000
	Issued, subscribed and fully paid-up shares		
	16,533,304 (March 31, 2015:14,330,078) equity shares of Rs. 10/- each	165,333,040	143,300,780
	Less: Amount recoverable from Sonata Employee Welfare Trust #	22,141,500	24,550,000
		143,191,540	118,750,780
	5,000,000 (March 31, 2015:5,000,000) 9% Optionally Convertible Preference Shares (OCPS) of Rs. 10/ each	50,000,000	50,000,000
	Total issued, subscribed and fully paid-up share capital	193,191,540	168,750,780

Represents equity shares issued to the Sonata Employee Welfare Trust, which are yet to be exercised by the beneficiaries under the terms of ESOP Plans administered through a Trust.

A. Reconciliation of the shares outstanding at the beginning and at the end of the reporting year

Equity Shares	March 31, 2016		March 31, 2015	
	Number	(Rs.)	Number	(Rs.)
Outstanding at the beginning of the year #	14,330,078	143,300,780	14,330,078	143,300,780
Issued during the year	2,203,226	22,032,260	-	-
Shares outstanding at the end of the year #	16,533,304	165,333,040	14,330,078	143,300,780

includes shares issued to Sonata Employee Welfare Trust under the various ESOP Schemes (Refer Note 28)

9% Optionally Convertible Preference Shares (OCPS)	March 31, 2016		March 31, 2015	
	Number	(Rs.)	Number	(Rs.)
Outstanding at the beginning of the year	5,000,000	50,000,000	-	-
Issued during the year	-	-	5,000,000	50,000,000
Shares outstanding at the end of the year	5,000,000	50,000,000	5,000,000	50,000,000

B. Terms/rights attached to equity shares

<p>The Company has only one class of equity shares having par value of Rs. 10/- per share. Each holder of equity shares is entitled to one vote per share for matters other than "Investor Reserved Matters".</p> <p>The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.</p> <p>In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.</p>

C. Terms of conversion/redemption of OCPS

<p>On February 06, 2014, the Company had issued 50,00,000 OCPS of Rs. 10/- each fully paid-up to Small Industries Development Bank of India (SIDBI) carrying a coupon of 9%, convertible into Equity Shares of Rs. 10/- each, at the option of the holder, at a price equal to the break up value (book value) of the Company's equity shares, based on the latest audited financial statements.</p> <p>In the event of failure to convert the OCPS in full, the OCPS are redeemable at par in the following manner:-</p> <ol style="list-style-type: none"> 50 % of outstanding OCPS at the end of 4 years and Remaining outstanding OCPS at the end of 5 years, commencing from the subscription date (December 31, 2013).
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Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016
D. Details of shareholders holding more than 5% shares in the Company

Name of Shareholder	March 31, 2016		March 31, 2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
Equity Shares of Rs. 10/- each fully paid				
Creation Investments Social Ventures Fund II LP	4,473,364	27.06%	4,473,364	31.22%
Sonata Employee Welfare Trust (under various ESOP schemes - refer note 28)	2,214,150	13.39%	2,455,000	17.13%
India Financial Inclusion Fund	2,000,000	12.10%	2,000,000	13.96%
Creation Investments Social Ventures Fund	1,491,121	9.02%	1,491,121	10.41%
Michael and Susan Dell Foundation	1,241,285	7.51%	1,241,285	8.66%
SIDBI Trustee Company Limited [A/c Samridhi Fund]	2,203,226	13.33%	-	-
Caspian Impact Investments Advisors Private	1,071,871	6.48%	1,071,871	7.48%
Anup Kumar Singh	875,362	5.29%	-	-
Total	15,570,379	94.18%	12,732,641	88.86%
Optionally Convertible Preference Shares of Rs. 10/- each fully paid				
Small Industries Development Bank of India	5,000,000	100.00%	5,000,000	100.00%
Total	5,000,000	100.00%	5,000,000	100.00%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

E. Shares reserved for issue under options

- For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, please refer note 28.
- For details of shares reserved for issue on conversion of optionally convertible preference shares, refer note 3 (C) regarding terms of conversion / redemption of preference shares.

4 Reserves and surplus	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)
A. Securities premium account		
Balance as per last financial statements	457,303,627	473,822,475
Add: Addition during the year	230,479,440	-
Less: Share / debenture issue expenses adjusted during the year (net of deferred tax asset of Rs. 18,55,475/-) (Previous Year: Nil)	17,593,951	16,518,848
Closing Balance	670,189,116	457,303,627
B. Statutory reserve		
Balance as per last financial statements	79,279,802	43,082,165
Add: Amount transferred from surplus balance in the Statement of Profit and Loss during the year	54,405,827	36,197,637
Closing Balance	133,685,629	79,279,802
C. Capital Reserve	2,268,400	2,268,400
D. Surplus in the Statement of Profit and Loss		
Balance as per last financial statements	296,138,783	156,764,329
Profit for the year	272,029,135	180,988,186
Less: Appropriations		
Transferred to Statutory Reserve	54,405,827	36,197,638
Proposed Preference Dividend (including Corporate Dividend Tax)	5,416,116	5,416,094
Total Appropriations	59,821,943	41,613,732
Net surplus in the Statement of profit and loss	508,345,975	296,138,783
Total	1,314,489,120	834,990,612

5 Long-term borrowings	Non Current Portion		Current Maturities	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. Debentures				
Secured				
Redeemable Non-Convertible Debentures	920,000,000	1,148,666,255	1,080,966,255	507,500,300
Unsecured (subordinated)				
Redeemable Non-Convertible Debentures	150,000,000	-	-	-
B. Term loans				
Secured				
- from Banks	2,026,836,642	1,109,490,091	2,640,111,923	1,989,444,276
- from Financial Institutions	488,520,002	139,400,000	254,579,998	60,600,000
- from Non Banking Finance Companies	504,113,418	221,611,126	563,008,001	655,137,094
Unsecured (subordinated)				
- from Financial Institutions	240,000,000	150,000,000	-	41,000,000
- from Non Banking Finance Companies	260,000,000	-	40,000,000	-
Total	4,589,470,062	2,769,167,472	4,578,666,177	3,253,681,670
Amount disclosed under the head "other current liabilities" (Refer Note 9)	-	-	(4,578,666,177)	(3,253,681,670)
Total	4,589,470,062	2,769,167,472	-	-

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

5A Long-term borrowings (Contd.)

Terms of repayment of long term borrowings as on March 31, 2016

Description	Due within 1 year		Due between 1 to 2 years		Due between 2 to 3 Years		Due between 3 to 5 Years		Above 5 Yrs		Interest Rate	Total
	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)		
Debentures:												
Secured:												
1-3 Yrs.	45	1,080,966,255	-	-	-	-	-	-	-	-	11.84% - 14.79%	1,080,966,255
3-5 Yrs.	-	-	3	370,000,000	-	-	1	300,000,000	-	-	14.00% - 14.75%	670,000,000
Above 5 Yrs.	-	-	-	-	-	-	1	150,000,000	1	100,000,000	14.00% - 14.75%	250,000,000
	45	1,080,966,255	3	370,000,000	-	-	2	450,000,000	1	100,000,000		2,000,966,255
Unsecured:												
Above 5 Yrs.	-	-	-	-	-	-	-	-	1	150,000,000	16.25%	150,000,000
Term Loans:												
Secured:												
Monthly repayment schedule												
From Banks:												
1-3 Yrs.	182	1,315,744,321	85	574,392,764	4	6,036,000	-	-	-	-	11.80% - 14.00%	1,896,173,085
From Financial Institutions:												
1-3 Yrs.	30	254,579,998	23	261,839,996	23	226,680,006	-	-	-	-	11.50% - 13.50%	743,100,000
From NBFCs:												
1-3 Yrs.	68	352,097,540	27	95,031,559	-	-	-	-	-	-	14.00% - 16.00%	447,129,099
Total (a)	280	1,922,421,859	135	931,264,319	27	232,716,006	-	-	-	-		3,086,402,184
Quarterly repayment schedule												
From Banks:												
1-3 Yrs.	68	1,057,700,936	43	722,165,453	4	90,909,091	-	-	-	-	11.50% - 14.50%	1,870,775,480
From NBFCs:												
1-3 Yrs.	15	174,243,795	16	107,579,093	6	68,169,432	-	-	-	-	14.00% - 15.00%	349,992,320
Total (b)	83	1,231,944,731	59	829,744,546	10	159,078,523	-	-	-	-		2,220,767,800
Half-yearly repayment schedule												
From NBFCs:												
1-3 Yrs.	4	36,666,666	4	16,666,666	2	16,666,668	-	-	-	-	14.75% - 16.00%	70,000,000
From Banks:												
1-3 Years	2	266,666,666	4	366,666,666	2	266,666,668	-	-	-	-	11.50% - 13.00%	900,000,000
One-time repayment schedule												
From NBFCs:												
More than 5 Years	-	-	-	-	-	-	-	-	1	200,000,000	15.60%	200,000,000
Unsecured:												
Monthly repayment schedule												
From Financial Institutions:												
Above 5 Yrs.	-	-	-	-	-	-	2	50,000,000	5	190,000,000	15.50% -15.70%	240,000,000
One-time repayment schedule												
From NBFC:												
More than 5 Years	-	-	-	-	-	-	-	-	1	100,000,000	17.00%	100,000,000
Quarterly repayment schedule												
From NBFC:												
1-3 Years	2	40,000,000	8	160,000,000	-	-	-	-	-	-	13.50%	200,000,000
Grand Total	416	4,578,666,177	213	2,674,342,197	41	675,127,865	4	500,000,000	9	740,000,000		9,168,136,239

Note:

A. Debentures

- The debentures are secured by way of exclusive charge on all receivable from underlying portfolio loans.
- Debentures amounting to Rs. 26,89,66,255 (2014-2015: Rs 47,41,66,255) are also proportionately guaranteed by third parties against a fixed guarantee fees.
- Debentures amounting to Rs. 24,00,00,000 (2014-2015: Rs 24,00,00,000) has a call / put option available with the Company / Debenture holder at the end of 18 months from the date of allotment (June 24, 2014)*.
- Debentures amounting to Rs. 24,00,00,000 (2014-2015: Rs 24,00,00,000) has a call / put option available with the Company / Debenture holder at the end of 24 months from the date of allotment (May 24, 2014)*.
- Debentures amounting to Rs. 33,20,00,000 (2014-2015: Rs 33,20,00,000) has a call / put option available with the Company / Debenture holder at the end of 3 years from the date of allotment (January 30, 2014)*.
- Debentures amounting to Rs. 37,00,00,000 (2014-2015: Rs 37,00,00,000) has a call / put option available with the Company / Debenture holder at the end of 30 months from the date of allotment (March 31, 2015).
- Debentures amounting to Rs. 30,00,00,000 (2014-2015: Rs 30,00,00,000) has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (June 30, 2015).

* considered within one year as the holder have the right to exercise the redemption option within next one year.

B. Term Loans

- The term loans are secured by hypothecation of portfolio loans covered by hypothecation loan agreement and margin money deposits.

5B Long-term borrowings (Contd.)

Terms of repayment of long term borrowings as on March 31, 2015

Description	Due within 1 year		Due between 1 to 2 years		Due between 2 to 3 Years		Due between 3 to 5 Years		Above 5 Yrs		Interest Rate	Total
	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)	No. of instalments	Amount (in Rupees)		
Debentures												
Secured												
1-3 Yrs.	43	507,500,300	31	206,666,255	1	240,000,000	-	-	-	-	13.25% - 14.70%	954,166,555
3-5 Yrs.	-	-	-	-	-	-	1	370,000,000	-	-	14.00% - 14.75%	370,000,000
Above 5 Yrs.	-	-	-	-	-	-	2	332,000,000	-	-	14.79%	332,000,000
	43	507,500,300	31	206,666,255	1	240,000,000	3	702,000,000	-	-		1,656,166,555
Term Loans												
Secured												
Monthly repayment schedule												
From Banks:												
1-3 Yrs.	160	1,118,334,342	57	472,468,328	11	61,125,000	-	-	-	-	12.30% - 14.00%	1,651,927,670
From Financial Institutions:												
1-3 Yrs.	10	60,600,000	12	72,720,000	11	66,680,000	-	-	-	-	13.50%	200,000,000
From NBFCs:												
1-3 Yrs.	73	501,819,092	28	91,869,898	10	9,722,228	-	-	-	-	15.12% - 16.00%	603,411,218
Total (a)	243	1,680,753,434	97	637,058,226	32	137,527,228	-	-	-	-		2,455,338,888
Quarterly repayment schedule												
From Banks:												
1-3 Yrs.	74	871,109,934	38	457,708,580	13	118,188,183	-	-	-	-	11.50% - 14.50%	1,447,006,697
From NBFCs:												
1-3 Yrs.	12	133,318,002	7	83,349,000	2	16,670,000	-	-	-	-	15.00%	233,337,002
Total (b)	86	1,004,427,936	45	541,057,580	15	134,858,183	-	-	-	-		1,680,343,699
Half-yearly repayment schedule												
From NBFCs:												
1-3 Yrs.	2	20,000,000	2	20,000,000	-	-	-	-	-	-	16.00%	40,000,000
Unsecured												
Monthly repayment schedule												
From Financial Institutions:												
1-3 Yrs.	3	41,000,000	-	-	-	-	-	-	-	-	4.00%	41,000,000
Above 5 Yrs.	-	-	-	-	-	-	-	-	6	150,000,000	15.50%	150,000,000
Grand Total	377	3,253,681,670	175	1,404,782,061	48	512,385,411	3	702,000,000	6	150,000,000		6,022,849,142

Note:

A. Debentures

- a) The debentures are secured by way of exclusive charge on all receivable from underlying portfolio loans.
b) Debentures amounting to Rs. 47,41,66,555 are also proportionately guaranteed by third parties against a fixed guarantee fees.
c) Debentures amounting to Rs. 24,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 18 months from the date of allotment (June 24, 2014)*.
d) Debentures amounting to Rs. 24,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 24 months from the date of allotment (May 24, 2014).
e) Debentures amounting to Rs. 33,20,00,000 has a call / put option available with the Company / Debenture holder at the end of 3 years from the date of allotment (January 30, 2014).
f) Debentures amounting to Rs. 37,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 30 months from the date of allotment (March 31, 2015).
g) Debentures amounting to Rs. 30,00,00,000 has a call / put option available with the Company / Debenture holder at the end of 36 months from the date of allotment (June 30, 2015).
* considered within one year as the holder have the right to exercise the redemption option within next one year.

B. Term Loans

- a) The term loans are secured by hypothecation of portfolio loans covered by hypothecation loan agreement and margin money deposits.

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

6 Other long-term liabilities		March 31, 2016		March 31, 2015	
		(Rs.)		(Rs.)	
Deferred gain on portfolio loans securitised		3,466,790		33,227,138	
Total		3,466,790		33,227,138	

7 Provisions:	Long Term		Short Term	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. Provision for employee benefits				
Provision for Gratuity	11,801,153	4,318,705	491,544	208,725
Provision for Leave	-	-	9,338,587	-
	11,801,153	4,318,705	9,830,131	208,725
B. Provision for portfolio loans				
On standard assets	-	13,338,257	51,973,282	18,488,251
On non performing assets	28,275,922	14,147,629	-	-
	28,275,922	27,485,886	51,973,282	18,488,251
C. Others				
Provision for taxation [Net of advance tax Rs. 13,16,73,787/-(March 31, 2015: 13,25,90,550/-)]	-	-	34,821,761	43,316,160
Provision for Preference Dividend	-	-	4,500,000	4,500,000
Provision for Dividend Distribution tax	-	-	916,115	916,093
Provision for Securitised / Managed Portfolio loans	-	-	3,238,126	7,719,428
	-	-	43,476,002	56,451,681
Total	40,077,075	31,804,591	105,279,415	75,148,657

8 Short-term borrowings		March 31, 2016		March 31, 2015	
		(Rs.)		(Rs.)	
Secured					
Short Term loan from a bank		470,000,000		370,000,000	
Bank Overdraft		-		1,866,646	
Unsecured					
Bank Overdraft		-		4,310,790	
Total		470,000,000		376,177,436	

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9 Other Current liabilities		March 31, 2016		March 31, 2015	
		(Rs.)		(Rs.)	
Current maturities of long-term borrowings (Refer Note 5)		4,578,666,177		3,253,681,670	
Interest accrued but not due on borrowings		73,727,624		44,207,479	
Deferred gain on portfolio loans securitised		37,774,865		67,600,577	
Payable for portfolio loans securitised		129,783,832		163,474,887	
Processing Fees Payable		1,055,609		15,034,072	
Expenses Payable		27,882,576		13,052,392	
Statutory Dues Payable		10,577,715		7,400,769	
Advance received against portfolio loans		38,204,038		47,102,838	
Temporary Book Overdraft		5,693,306		2,646,415	
Other payables		457,272		1,472,213	
Total		4,903,823,014		3,615,673,312	

10 Fixed Assets					(Rs.)
Cost or Valuation	Furniture & Fixtures	Computers	Office Equipments	Vehicles	Total
At April 1, 2014	8,457,368	8,479,185	5,250,231	1,513,803	23,700,587
Additions	1,855,956	1,779,102	1,303,971	-	4,939,029
At March 31, 2015	10,313,324	10,258,287	6,554,202	1,513,803	28,639,616
Additions	4,344,871	2,836,314	2,004,920	-	9,186,105
Disposals	-	-	-	-	-
At March 31, 2016	14,658,195	13,094,601	8,559,122	1,513,803	37,825,721
Depreciation					
At April 1, 2014	3,866,677	6,359,559	2,263,143	585,940	13,075,319
Charge for the Year	2,370,126	1,873,258	2,485,842	302,571	7,031,797
Disposals	-	-	-	-	-
At March 31, 2015	6,236,803	8,232,817	4,748,985	888,511	20,107,116
Charge For the Year	3,068,962	2,404,082	1,808,451	188,441	7,469,936
At March 31, 2016	9,305,765	10,636,899	6,557,436	1,076,952	27,577,052
Net Block					
At March 31, 2015	4,076,521	2,025,470	1,805,217	625,292	8,532,500
At March 31, 2016	5,352,430	2,457,702	2,001,686	436,851	10,248,669

Sonata Finance Private Limited
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11 Investments	Non-current investment		Current investment	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Trade Investment (Unquoted)				
Investments in Equity Shares (valued at cost) 50,000 (March 31, 2015: 50,000) fully paid up shares of Alpha Micro Finance Consultants Private Limited at face value of Rs. 10 (March 31, 2015 : Rs. 10) per share	500,000	500,000	-	-
Non-trade Investment				
Unquoted Mutual Funds (valued at lower of cost and fair value)				
517.027 units (March 31, 2015 : 548,516.881 units) of Reliance liquidity fund- Growth plan growth option at face value of Rs. 1,000 (March 31,2015 : Rs. 1,000) per unit [Net Asset Value : Rs. 11,77,550 (March 31, 2015 : Rs. 1,15,47,04,717)]	-	-	1,174,476	1,149,210,855
4,234.64 units (March 31, 2015 : Nil units) of ICICI Prudential Flexible Income - Growth at face value of Rs. 100 (March 31,2015 : Rs. Nil) per unit [Net Asset Value : Rs. 12,15,319 (March 31, 2015 : Rs. Nil)]	-	-	945,557	-
Total	500,000	500,000	2,120,033	1,149,210,855

12 Deferred tax assets / (liabilities) (net)	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)
Deferred tax assets		
Impact of difference between tax depreciation and depreciation charged for the financial reporting	3,148,742	1,922,783
Impact of provision on portfolio and managed loans	30,672,785	18,582,269
Impact of expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	8,023,251	2,103,949
	41,844,778	22,609,001
Deferred tax liabilities		
Deferred tax liability on unamortised processing fees	(15,991,198)	-
Net deferred tax assets	25,853,580	22,609,001

13 Loans and advances (Unsecured, considered good unless stated otherwise)	Long-term		Short-term	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
A. Portfolio loans				
Considered good	2,561,034,889	1,180,651,628	5,429,374,605	3,033,508,527
Considered doubtful	34,510,850	16,429,444	-	-
	2,595,545,739	1,197,081,072	5,429,374,605	3,033,508,527
B. Security Deposits				
Considered good	1,639,723	321,698	1,012,540	1,212,400
	1,639,723	321,698	1,012,540	1,212,400
C. Capital Advance				
Considered good	2,125,120	-	-	-
	2,125,120	-	-	-
D. Advances recoverable in cash or kind				
Considered good	-	-	25,038,358	4,759,588
Considered doubtful	1,551,943	1,551,943	-	-
Less: Provision for doubtful advances	(1,551,943)	(1,551,943)	-	-
	-	-	25,038,358	4,759,588
E. Others				
Considered good				
Prepaid expenses	-	-	7,075,313	2,312,074
Loan to staff	1,237,381	1,217,468	2,749,939	2,825,587
Cenvat Credit receivable	-	-	716,870	1,245,507
Other receivable (Net of provision of Rs. 51,41,845/-) (Previous Year : Nil)*	-	-	19,141,446	-
Margin money with Non-banking financial companies and financial institutions (marked as lien towards term loan availed)	30,297,085	7,195,866	2,195,866	24,804,134
	31,534,466	8,413,334	31,879,434	31,187,302
Total	2,630,845,048	1,205,816,104	5,487,304,937	3,070,667,817

*represents amount receivable in respect of deceased borrowers / nominees of the borrowers.

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

14 Other assets (Unsecured, considered good unless stated otherwise)	Non-Current Portion		Current Portion	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Non current bank balances (Refer Note 15)	483,430,905	375,886,718	-	-
	483,430,905	375,886,718	-	-
Unamortised processing fees	10,631,630	8,540,893	35,575,023	30,372,236
	10,631,630	8,540,893	35,575,023	30,372,236
Others				
Interest accrued but not due on portfolio loans	-	-	27,266,121	22,744,707
Interest accrued but not due on deposits placed with banks and financial institutions	17,651,972	9,739,563	35,951,987	39,128,184
Service fees receivable (Refer Note 25 B)	-	-	13,240,272	3,281,470
	17,651,972	9,739,563	76,458,380	65,154,361
Total	511,714,507	394,167,174	112,033,403	95,526,597

15 Cash and Bank Balances	Non-Current Portion		Current Portion	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cash and cash equivalents				
Balances with banks				
-on current accounts	-	-	867,494,121	1,325,523,999
-deposit with original maturity of less than three months (*)	-	-	1,539,700,000	240,146,271
Cash on hand	-	-	605,723	2,082,404
	-	-	2,407,799,844	1,567,752,674
Other Bank Balances :				
Deposit with original maturity for more than 3 months but not more than 12 months (*)	6,821,570	50,184,139	94,487,008	24,843,792
Deposit with original maturity for more than 12 months (*)	476,609,335	325,702,579	336,889,987	365,313,484
	483,430,905	375,886,718	431,376,995	390,157,276
Amount disclosed under non-current assets (Refer Note 14)	(483,430,905)	(375,886,718)	-	-
Total	-	-	2,839,176,839	1,957,909,950

(*) Includes deposit certificates of Rs. 85,87,03,830/- (March 31, 2015: Rs. 75,32,28,460/-) marked as lien towards term loans availed from banks and financial institutions, towards cash collateral placed in connection with portfolio loan securitisation and business correspondent activities entered with bank.

16 Revenue from operations	Year ended March 31, 2016	Year ended March 31, 2015
	(Rs.)	(Rs.)
Interest income on portfolio loans	1,448,316,790	895,166,175
Processing fee on portfolio loans	81,222,423	57,784,911
Income from securitization of portfolio loans	126,003,690	51,726,557
Total	1,655,542,903	1,004,677,643

17 Other income	Year ended March 31, 2016	Year ended March 31, 2015
	(Rs.)	(Rs.)
Interest Income on		
- Fixed deposits with banks and others	80,531,995	53,374,485
- Others	416,178	314,900
Agency commission from insurance policies		
Net gain on sale of current investments	79,394,939	52,415,559
Commission income on money transfer	-	20,503
Service fees (Refer Note 25 B)	80,208,227	19,518,442
Miscellaneous Income	2,889,163	3,749,258
Total	243,440,502	129,393,147

18 Employee benefit expenses	Year ended March 31, 2016	Year ended March 31, 2015
	(Rs.)	(Rs.)
Salaries and bonus	288,083,008	167,301,455
Contributions to provident fund	23,230,768	12,208,793
Contribution to employees' state Insurance	1,556,226	269,156
Leave Expenses	9,817,584	1,462,342
Gratuity expenses (Refer Note 27)	7,765,267	5,850,987
Total	330,452,853	187,092,733

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

19	Finance Costs	Year ended March 31, 2016	Year ended March 31, 2015
		(Rs.)	(Rs.)
	Interest expense	936,667,608	541,176,651
	Other borrowing costs	63,695,023	40,706,316
	Total	1,000,362,631	581,882,967
20	Depreciation expense	Year ended March 31, 2016	Year ended March 31, 2015
		(Rs.)	(Rs.)
	Depreciation of fixed assets	7,469,936	7,031,797
	Total	7,469,936	7,031,797
21	Other expenses	Year ended March 31, 2016	Year ended March 31, 2015
		(Rs.)	(Rs.)
	Rent	20,695,632	13,708,101
	Rates and taxes	1,852,348	2,707,794
	Repairs & maintenance		
	- Office maintenance	9,527,352	5,168,383
	- Others	593,445	710,533
	Travelling and conveyance	11,839,043	7,602,962
	Communication expenses	6,563,281	4,769,906
	Printing & stationery	10,944,646	5,878,277
	Legal and professional fees	11,181,142	6,841,012
	Payment to auditor (refer details below)	3,231,077	2,780,360
	IT Support charges	1,427,470	1,683,223
	Bank charges	2,729,445	2,310,486
	Electricity charges	2,690,842	1,716,762
	Membership fees	1,846,199	1,233,698
	Miscellaneous Expenses	15,620,735	9,930,297
	CSR Expenditure	1,848,395	-
	Total	102,591,052	67,041,793
	Payment to auditor:		
	Particulars	Year ended March 31, 2016	Year ended March 31, 2015
		(Rs.)	(Rs.)
	As auditor:		
	Audit fee (excluding service tax)	2,350,000	1,850,000
	Other services (certification, etc.)	700,000	705,900
	Reimbursement of expenses	181,077	224,460
	Total	3,231,077	2,780,360
22	Provision for standard and non performing assets	Year ended March 31, 2016	Year ended March 31, 2015
		(Rs.)	(Rs.)
	Provision for standard and non performing assets	34,275,066	19,005,504
	Provision for portfolio loan securitised	(4,481,302)	7,719,428
	Portfolio loans written-off	6,019,038	2,335,992
	Provision for death claims receivable	5,181,485	-
	Total	40,994,287	29,060,924
23	Earnings per share (EPS)	Year ended March 31, 2016	Year ended March 31, 2015
		(Rs.)	(Rs.)
	Profit for the year	272,029,135	180,988,186
	Less:		
	Dividend on 9% OCPS	5,416,116	5,416,094
	Net profit for calculation of basic EPS	266,613,019	175,572,092
	Net Profit as above	266,613,019	175,572,092
	Add:dividends on convertible preference shares & tax thereon	5,416,116	5,416,094
	Net profit for calculation of diluted EPS	272,029,135	180,988,186
	Weighted average number of equity shares in calculating basic EPS	12,479,361	11,875,078
	Effect of dilution:		
	Convertible Preference Shares	548,303	591,541
	Stock options granted under ESOP	2,214,150	2,455,000
	Weighted average number of equity shares in calculating diluted EPS	15,241,814	14,921,619
	EPS	21.36	14.78
	Diluted EPS	17.85	12.13

Sonata Finance Private Limited

Notes to the Financial Statements as at and for the period ended March 31, 2016

24 Classification of Loan Portfolio and Loan Loss Provision:

(Amount in Rs.)

A. Quality of Portfolio on age basis			As on March 31, 2016		As on March 31, 2015	
Sl. No.	Particulars	Arrear Period	Principal Outstanding	% of portfolio outstanding	Principal Outstanding	% of portfolio outstanding
A	Joint Liability Group					
i	Standard Assets	-	7,332,284,599	91.37%	3,831,389,708	90.56%
		upto 30 days	9,574,396	0.12%	3,095,692	0.07%
		31 to 89 days	7,379,643	0.09%	3,790,312	0.09%
ii	Non Performing Assets	90-179 days	9,027,699	0.11%	4,563,630	0.11%
		180 days & above	8,497,645	0.11%	4,801,081	0.11%
		Overdue and duration of loans have expired	5,238,230	0.07%	4,461,750	0.11%
	Total (A)		7,372,002,212		3,852,102,173	
B	Individual Lending					
	Standard Assets	-	592,620,718	7.38%	353,088,422	8.35%
		upto 30 days	8,713,092	0.11%	15,998,170	0.38%
		31 to 89 days	5,966,895	0.07%	966,193	0.02%
	Non Performing Assets	90-179 days	3,442,158	0.04%	861,208	0.02%
		180 days & above	5,211,115	0.07%	1,217,194	0.03%
		Overdue and duration of loans have expired	3,038,897	0.04%	524,581	0.01%
	Total (B)		618,992,875		372,655,768	
C	Utility Finance					
	Standard Assets	-	33,827,410	0.42%	5,831,658	0.14%
		upto 30 days	22,652	0.00%	-	-
		31 to 89 days	20,089	0.00%	-	-
	Non Performing Assets	90-179 days	-	0.00%	-	-
		180 days & above	-	0.00%	-	-
		Overdue and duration of loans have expired	55,106	0.00%	-	-
	Total (C)		33,925,257		5,831,658	
	Total (A+B+C)		8,024,920,344	100.00%	4,230,589,599	100.00%

B. Movement of Provisions on loan portfolio:

Particulars	As on March, 2016	As on March, 2015
Opening Provision for standard assets and non performing assets	45,974,137	26,968,633
Add: Additions during the year	34,275,066	19,005,504
Less: Write back during the year	-	-
Closing Provision for standard assets and non performing assets	80,249,203	45,974,137

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

25 A Details of Securitised Portfolio and income arising out of the same :

During the year, the Company has sold loans through securitisation. The information regarding the securitisation activity as an originator is shown below:

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
	(Rs.)	(Rs.)
Number of Accounts (in numbers)	157,807	160,151
Total book value of the loan asset securitised during the year (A)	629,013,562	1,382,228,618
Sale consideration received for the loan asset securitised during the year (B)	639,857,189	1,461,554,140
Gain on securitisation (B-A)	10,843,627	79,325,522
Portfolio loan securitised and outstanding as at year end	856,377,235	1,378,352,456
Income from asset securitisation recognised in the statement of profit and loss	126,003,690	51,726,557
Credit enhancements provided and outstanding:		
Principal subordination	20,146,388	-
Cash collateral	117,208,301	138,855,255
The Company has transferred all the rights and obligations relating to above securitised loan assets to the buyers.		

25 B Details of Direct Sale Agreement (DSA) executed with Banks:

The Company has entered into DSAs with banks under the following terms:

- amounts received from the bank are disbursed as loan to self-help groups organised / monitored by the Company and such self help groups are considered as banks borrowers
- the Company provides services in connection with recovery and monitoring of such loans
- the Company has provided collaterals in the form of Fixed Deposits & Corporate Guarantee which would be adjusted by the banks, to the extent of default made by borrower.

Particulars	Year ended March 31, 2016	Year ended March 31, 2015
	(Rs.)	(Rs.)
Amount received for disbursement of loan through DSA during the year	1,574,509,080	409,923,501
Total book value of the loan disbursed through DSA during the year	1,582,821,150	412,533,180
Outstanding Balance of Loan Disbursed through DSA as at year end	1,363,725,662	342,685,779
Amount disbursed on behalf of business correspondence partners and shown as receivable as on reporting date	8,608,000	-
Service Fee Income Recognised by the Service Provider in the books during the year	80,208,227	19,518,442
Credit enhancements provided and outstanding:		
Corporate Guarantee	123,346,927	34,268,577.90
Cash collateral	38,900,000	22,400,000
Under the agreement for DSA executed with Banks, the Company has transferred all the rights and obligations relating to the loan asset created out of amount received / receivable as service provider.		

26 Segment Reporting:

The Company operates in a single reportable segment i.e. giving loans and other related activities, which have similar risks and returns for the purpose of Accounting Standard-17 on 'Segment Reporting' specified under section 133 of the Companies Act, 2013 read with rule 7 of the Companies (Accounts) Rule, 2014. The Company operates in a single geographical segment i.e. domestic. Hence, no additional disclosures are required under Accounting Standard-17.

27 (a) Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on departure and it is computed at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of qualifying insurance policy.

The following tables summarize the components of net benefit expense recognised in the statement of profit and loss, the funded status and amounts recognised in the balance sheet for the gratuity plans.

Particulars	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)
i) Assumptions:		
Discount Rate	8.00%	8.00%
Salary Escalation	7.00%	7.00%
Withdrawal Rate	Varying between 8% per annum to 1% per annum depending on duration and age of employees	
Expected rate of return on assets	8.00%	9.00%
Expected average remaining working life of employees	30.86 years	30.75 years

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31, 2016

Particulars	March 31, 2016	March 31, 2015
	(Rs.)	(Rs.)
ii) Table Showing changes in present value of Defined Benefit obligation:		
Present value of defined benefit obligations as at beginning of the year	12,289,136	6,143,931
Interest cost	1,295,854	829,488
Current service cost	6,452,628	3,852,362
Benefit Paid	(632,132)	(317,770)
Actuarial loss on obligations	613,207	1,781,125
Present value of defined benefit obligations as at end of the year	20,018,693	12,289,136
iii) Table showing fair value of plan assets:		
Fair value of plan assets at beginning of the year	7,761,706	5,738,107
Expected return on plan assets	619,508	607,492
Contributions	-	1,729,381
Benefits Paid	(632,132)	(317,770)
Actuarial (gain)/ loss on plan assets	23,086	(4,496)
Fair value of plan assets at end of the year	7,725,996	7,761,706
iv) Actuarial (Gain)/Loss recognised:		
Actuarial (gain)/loss on obligations	613,207	1,781,125
Actuarial (gain)/ loss on plan assets	23,086	(4,496)
Actuarial loss recognised in the year	636,293	1,776,629
v) The amounts to be recognised in the Balance Sheet and statement of Profit and Loss:		
Present value of obligations at the end of the year	20,018,693	12,289,136
Fair value of plan assets at the end of the year	7,725,996	7,761,706
Net liability recognised in balance sheet	(12,292,697)	(4,527,430)
vi) Expenses Recognised in statement of Profit and Loss:		
Current Service Cost	6,452,628	3,852,362
Interest Cost	1,295,854	829,488
Expected return on Plan assets	(619,508)	(607,492)
Net Actuarial (gain)/loss recognised in the year	636,293	1,776,629
Expenses recognised in statement of profit and loss	7,765,267	5,850,987
Actual return on plan assets	596,422	611,988

vii) Amounts for the current and previous three years are as follows: (*)

Particulars	As on 31st March, 2016	As on 31st March, 2015	As on 31st March, 2014	As on 31st March, 2013
Defined Benefit Obligations	20,018,693	12,289,136	6,143,931	5,384,421
Plan Assets	7,725,996	7,761,706	5,738,107	4,840,192
Surplus/(Deficit)	(12,292,697)	(4,527,430)	(405,824)	(544,229)
Experience adjustments on plan liabilities [(Gain)/Loss]	613,207	1,781,125	(1,596,390)	(**)
Experience adjustments on plan assets [Gain/(Loss)]	23,086	(4,496)	122,337	(**)
Actuarial (gain)/ loss due to change on assumptions	636,293	1,776,629	(1,474,053)	(**)

viii) The Major categories of Plan Assets as a percentage of the fair value of Total Plan Asset are as follows:

LIC Fund	100%	100%
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ix) The estimates of future salary increases considered in actuarial valuation, takes account of inflation, seniority and other relevant factors, such as supply and demand in the employment market.

x) The company expects to contribute Rs. 84,71,849/- [March 31, 2015: Rs. 49,68,646/-] to gratuity fund in 2016-17.

xi) The overall expected rate of return on assets is determined based on market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

* The Company has started recording gratuity liability based on actuarial valuation from the financial year 2013-14 onwards.

(**) The experience adjustments on plan assets and plan liabilities are not readily available for the year financial year 2012-13 and hence not disclosed.

(b) Amount incurred as expense for defined contribution to Provident Fund is Rs. 2,32,30,768/- (March 31, 2015: Rs. 1,22,08,793/-)

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the year ended March 31st, 2016

Employee Stock option plans (ESOP)

The Company has issued 16,46,300 equity shares of INR 10 each to Sonata Employee Welfare Trust for the purpose of issuing shares under ESOPs to the employee of the company during the Financial Year 2009-10. The Company has issued 14,70,000 equity shares to the Sonata Employee Welfare Trust in Financial Year 2012-2013.

Out of the above mentioned shares issued to Sonata Employee Welfare Trust 3,96,300, 2,65,000 and 2,16,250 Equity Shares of INR 10 each were transferred to Mr Anup Kumar Singh (Managing Director) through the Trust route during the Financial Year 2009-10, 2012-13 and 2015-16 respectively under ESOP Plan 1(a) (b) (c) (d) & 4.

Further, the company has provided Employee Stock Option Scheme to its employee under Plan 2(a) (b) (c) (d) & 3. In the FY 2015-16 few eligible employees have exercised their right and 24,600 shares have been transferred from Trust to the respective employees. The Plan wise detail of ESOP schemes are as given below:

Particulars	Plan 1(b)	Plan 1(c)(i)	Plan 1(c)(ii)	Plan 1(c)(iii)	Plan 1(d)	Plan 2(a)	Plan 2(b)(i)	Plan 2(b)(ii)	Plan 2(b)(iii)	
Date of Grant	06-May-10	06-May-10	06-May-10	06-May-10	12-Jun-12	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	
Date of Board Approval	06-May-10	06-May-10	06-May-10	06-May-10	12-Jun-12	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	
Date of Shareholder's Approval	08-Feb-10	08-Feb-10	08-Feb-10	08-Feb-10	28-Aug-12	17-Sep-10	17-Sep-10	17-Sep-10	17-Sep-10	
Date of Modification of the scheme, if any	N.A.	N.A.	N.A.	12-Jun-12	N.A.	N.A.	N.A.	N.A.	N.A.	
Number of Options granted	206,250	62,500	182,500	73,750	75,000	8,000	34,800	34,800	46,400	
Number of Options vested	206,250	62,500	182,500	73,750	75,000	8,000	27,600	34,050	44,000	
Exercise Price	Rs.18.56	Rs.18.56	Rs.18.56	Rs.18.56	Rs.18.56	Rs. 26	Rs. 26	Rs. 26	Rs. 26	
Method of Settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	
Vesting Period	31-Mar-11	31-Mar-12	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-11	31-Mar-14	31-Mar-15	31-Mar-16	
Exercise Period	31-Mar-16	31-Mar-17	31-Mar-18	31-Mar-19	31-Mar-18	31-Mar-16	31-Mar-19	31-Mar-20	31-Mar-21	
Vesting Conditions	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and performance milestones stipulated by Compensation committee	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal
Name of the Plan	ESOP Plan 2009	ESOP Plan 2009	ESOP Plan 2009	ESOP Plan 2009	ESOP Plan 2009	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	

Particulars	Plan 2(c)(i)	Plan 2(c)(ii)	Plan 2(c)(iii)	Plan 2(d)(i)	Plan 2(d)(ii)	Plan 2(d)(iii)	Plan 3	Plan 3(i)	Plan 3(ii)	Plan 4
Date of Grant	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	01-Oct-13	01-Oct-14	01-Oct-15	01-Oct-13
Date of Board Approval	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	09-Jul-10	06-Feb-14	06-Feb-14	06-Feb-14	06-Feb-14
Date of Shareholder's Approval	17-Sep-10	17-Sep-10	17-Sep-10	17-Sep-10	17-Sep-10	17-Sep-10	20-Mar-14	20-Mar-14	20-Mar-14	20-Mar-14
Date of Modification of the scheme, if any	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Number of Options granted	37,200	37,200	49,600	30,000	30,000	40,000	200,000	200,000	200,000	800,000
Number of Options vested	32,400	27,600	-	12,000	-	-	-9,000	195,500	-	266,667
Exercise Price	Rs. 26	Rs. 26	Rs. 26	Rs. 26	Rs. 26	Rs. 26	Rs. 54	Rs. 59	Rs. 67	Rs. 67
Method of Settlement	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Vesting Period	31-Mar-15	31-Mar-16	31-Mar-17	31-Mar-16	31-Mar-17	31-Mar-18	1/4 of total Grant to vest each year on 30th Sep over four years from the date of grant	1/4 of total Grant to vest each year on 30th Sep over four years from the date of grant	1/4 of total Grant to vest each year on 30th Sep over four years from the date of grant	The Options will vest in equal amounts over 6 years from the date of grant
Exercise Period	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-21	31-Mar-22	31-Mar-23	Five years from the date of each vesting	Five years from the date of each vesting	Five years from the date of each vesting	Five years from the date of each vesting
Vesting Conditions	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Linked to continued association with Company and subject to annual performance appraisal	Subject to the Terms of Share Holders' Agreement of the Company entered on September 05th 2012 and performance milestones as may be stipulated by Compensation committee or the Board and also linked to continued association with Company
Name of the Plan	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Plan 2011	ESOP Scheme 2013	ESOP Scheme 2013	ESOP Scheme 2013	ESOP Scheme 2013

Plan 1(b)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	41,250	18.56	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	(41,250)	(18.56)	-	-
Exercisable at the end of the year	(41,250)	(18.56)	-	-

Plan 1(c)(i)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	62,500	-	62,500	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	62,500	18.56	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	(18.56)	62,500	-
Exercisable at the end of the year	-	(18.56)	62,500	-

Plan 1(c)(ii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	112,500	18.56	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	(112,500)	18.56	-	-
Exercisable at the end of the year	(112,500)	18.56	-	-

Plan 1(c)(iii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 1(d)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 2(a)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	6,000	26.00	-	-
Expired during the year	2,000	26.00	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 2(b)(i)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	3,600	26.00	-	-
Expired during the year	(27,600)	26.00	-	-
Outstanding at the end of the year	24,000	26.00	-	-
Exercisable at the end of the year	24,000	26.00	27,600	-

Plan 2(b)(ii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	34,800	26.00	34,800	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	6,000	26.00	-	-
Expired during the year	750	26.00	-	-
Outstanding at the end of the year	28,050	26.00	34,800	26.00
Exercisable at the end of the year	28,050	26.00	34,050	26.00

Plan 2(b)(iii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(44,000)	26.00	-	-
Outstanding at the end of the year	44,000	26.00	-	-
Exercisable at the end of the year	44,000	26.00	-	-

Plan 2(c)(i)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	37,200	26.00	37,200	26.00
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	4,800	26.00	-	-
Outstanding at the end of the year	32,400	26.00	37,200	26.00
Exercisable at the end of the year	32,400	26.00	32,400	26.00

Plan 2(c)(ii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(27,600)	26.00	-	-
Outstanding at the end of the year	27,600	26.00	-	-
Exercisable at the end of the year	27,600	26.00	-	-

Plan 2(c)(iii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Vested for the year	-	-	0	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 2(d)(i)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(12,000)	26.00	-	-
Outstanding at the end of the year	12,000	26.00	-	-
Exercisable at the end of the year	12,000	26.00	-	-

Plan 2(d)(ii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 2(d)(iii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	-	-	-	-

Plan 3

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	(500)	54.00	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	6,000	-	-	-
Expired during the year	2,500	-	500	54.00
Outstanding at the end of the year	(9,000)	54.00	(500)	54.00
Exercisable at the end of the year	(9,000)	54.00	(500)	54.00

Plan 3 (i)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	200,000	59.00	-	-
Granted during the year	-	-	200,000	59.00
Forfeited during the year	-	-	-	-
Exercised during the year	3,000	-	-	-
Expired during the year	1,500	-	-	-
Outstanding at the end of the year	195,500	59.00	200,000	59.00
Exercisable at the end of the year	195,500	59.00	-	-

Plan 3 (ii)

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	200,000	67.00	-	-
Granted during the year	-	-	200,000	67.00
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	200,000	67.00
Exercisable at the end of the year	-	67.00	-	-

Plan 4

Particulars	As on March 31, 2016		As as March 31, 2015	
	No. of Options	Exercise Price	No. of Options	Exercise Price
Outstanding at the beginning of the year	-	-	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	-	-	-
Exercisable at the end of the year	266,667	67.00	133,333	67.00

29 Related party disclosures

A. Names of related parties and related party relationship

Key Management Personnel	
Name	Designation
Mr. Anup Kumar Singh	Managing Director
Ms. Paurvi Srivastava (w.e.f. 24th October, 2015)	Company Secretary
Ms. Shalini Baghel (till 24th October, 2015)	Company Secretary

B. Nature of transactions

Particulars	March 31, 2016 (Rs.)	March 31, 2015 (Rs.)
Key Management Personnel		
Salary, Bonus and other allowances**	9,847,753	6,144,658
Contribution to provident fund	102,146	99,825
Perquisites	75,000	75,000

**As the future liability for gratuity and leave has been provided for the Company as a whole, the amount pertaining to the Key Management Personnel are separately not ascertainable, and therefore not included above.

30 Leases

Operating lease: Company as lessee

Certain office premises are obtained on operating lease. The lease term is for one to three years and renewable for further periods either mutually or at the option of the Company. There are no restrictions imposed by lease agreements. There are no subleases and the leases are cancellable.

Description	March 31, 2016 (Rs.)	March 31, 2015 (Rs.)
Operating lease payments recognised during the year	20,695,632	13,708,101

31 Details of dues to micro and small enterprises as defined under the MSMED Act, 2006

There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED') pertaining to micro or small enterprises. For the year ended March 31, 2016, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED.

32 Capital commitments

Description	March 31, 2016 (Rs.)	March 31, 2015 (Rs.)
Commitment for acquisition of intangible asset	3,671,304	-

33 Additional disclosures required by the Reserve Bank of India

A. Capital to Risk-Assets ratio (CRAR)

Particulars	March 31, 2016	March 31, 2015
CRAR (%)	24.67	17.84
CRAR - Tier I capital (%)	15.90	14.82
CRAR - Tier II capital (%)	8.77	3.02
Amount of subordinate debt raised as Tier II Capital (Rs.)	690,000,000	150,000,000
Amount raised by issue of Perpetual Debt Instrument (Rs.)	-	-

B. Exposures:

The Company has no exposures to Real Estate Sector, gold loan and capital market directly or indirectly in the current and previous year.

C. Asset liability management

Maturity pattern of certain Assets and Liabilities as on March 31, 2016:

Amount (in Lacs)

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 month to 3 months	Over 3 month to 6 months	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 year to 5 years	Over 5 years	Total
Advances	5,102	4,805	4,875	13,878	25,633	25,955	-	-	80,249
Investments *	15,553	109	-	642	3,451	4,983	100	59	24,896
Borrowings	2,595	2,760	4,373	12,605	28,155	33,495	5,000	7,400	96,381

Maturity pattern of certain Assets and Liabilities as on March 31, 2015:

Amount (in Lacs)

Particulars	Upto 1 month	Over 1 month to 2 months	Over 2 month to 3 months	Over 3 month to 6 months	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 year to 5 years	Over 5 years	Total
Advances	3,199	2,913	2,964	8,398	12,861	11,971	-	-	42,306
Investments *	13,386	1,100	175	835	2,548	3,831	-	5	21,879
Borrowings	3,520	2,008	4,273	8,623	17,875	21,972	5,720	-	63,990

The above asset liability management has been prepared on the basis of certain assumptions and estimates by the management and relied upon by the auditors.

* Investments includes deposit certificate and cash collateral held with banks and financial institution and shown under Cash and Bank Balances under Note 15 and Other Assets under Note 14.

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the period ended March 31, 2016
D. Investments
Amount Rs.(in crores)

	Particulars	March 31, 2016	March 31, 2015
1	Value of Investments		
	Gross Value of Investments		
	In India	0.26	114.97
	Outside India	-	-
	Provision for depreciation		
	In India	-	-
	Outside India	-	-
	Net Value of Investments		
	In India	0.26	114.97
	Outside India	-	-
2	Movement of provision held towards depreciation on investments		
	Opening Balance	-	-
	Add: Provision made during the year	-	-
	Less: Write off / write back of excess provision during the year	-	-
	Closing Balance	-	-

E. Derivatives

The Company has no transaction / exposure in derivatives in the current and previous year

The Company has no unhedged foreign currency exposure as at the current and previous year end.

F. Disclosures relating to securitisation
Amount Rs.(in crores)

	Particulars	March 31, 2016	March 31, 2015
1	No of SPVs sponsored by the NBFC for securitisation transactions	11	8
2	Total amount of securitised assets as per books of the SPVs sponsored	62.90	138.22
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet		
a)	Off-balance sheet exposures		
	First loss	-	-
	Others	-	-
b)	On-balance sheet exposures		
	First loss	13.74	13.89
	Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
a)	Off-balance sheet exposures		
i)	Exposure to own securitizations		
	First loss	-	-
	Others	-	-
ii)	Exposure to third party securitisations		
	First loss	-	-
	Others	-	-
b)	On-balance sheet exposures		
i)	Exposure to own securitizations		
	First loss	-	-
	Others	-	-
ii)	Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

G.
Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

The Company has not sold financial assets to securitisation / reconstruction company for asset reconstruction in the current and previous year.

H. Details of non performing financial assets purchased / sold

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

Sonata Finance Private Limited

Notes to the Financial Statements as at and for the period ended March 31, 2016

I. Details of financing of parent Company products

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

J. Unsecured Advances - Refer Note 13

K. Draw down from Reserves

There has been no draw down from reserves during the current and previous year end.

L. Information on Net Interest Margin

Particulars	March 31, 2016	March 31, 2015
Average interest (a)	23.94%	24.66%
Average effective cost of borrowing (b)	14.62%	15.07%
Net Interest Margin (a-b)	9.32%	9.59%

M. Customer Complaints *

(Number)

Particulars	March 31, 2016	March 31, 2015
1 No. of complaints pending at the beginning of the year	2	3
2 No. of complaints received during the year	864	418
3 No. of complaints redressed during the year	851	419
4 No. of complaints pending at the end of the year	15	2

* excluding general enquiry from customers on loans products and insurance related matters.

N. Provisions & Contingencies

Amount Rs.(in crores)

Particulars	March 31, 2016	March 31, 2015
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account:		
1 Provision made towards Income tax	14.64	10.24
2 Other Provision and Contingencies (with details)	-	-
a Provision for gratuity	0.78	0.59
b Provision for leave benefit	0.98	0.15
3 Provision for death claims receivable	0.52	-
4 Provision for standard and non performing assets	3.41	1.89

O. Sector wise NPAs

Sector	Percentage of NPA to Total Advances in that Sector as on 31 March 2016	Percentage of NPA to Total Advances in that Sector as on 31 March 2015
1 Agriculture & allied activities	0.57%	0.35%
2 MSME	0.50%	0.42%
3 Corporate borrowers	-	-
4 Services	-	-
5 Unsecured personal loans	-	-
6 Other personal loans	-	-

Sonata Finance Private Limited
Notes to the Financial Statements as at and for the period ended March 31, 2016
P. Movement of NPA
Amount Rs.(in crores)

Particulars	March 31, 2016	March 31, 2015
i) Net NPAs to Net Advances (%)	0.08%	0.05%
ii) Movement of NPAs (Gross)		
Opening balance	1.64	0.62
Additions during the year	2.41	1.25
Reductions during the year	0.60	0.23
Closing balance	3.45	1.64
iii) Movement of Net NPAs		
Opening balance	0.23	0.32
Additions during the year	0.40	(0.09)
Reductions during the year	-	-
Closing balance	0.62	0.23
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
Opening balance	1.41	0.30
Provisions made during the year	2.01	1.34
Write-off / write-back of excess provisions	0.60	0.23
Closing balance	2.83	1.41

Q. Details of Registration with Financial Regulators

Regulator	Registration No.
Ministry of Company Affairs	U65921UP1995PTC035286
Reserve Bank of India	B-12.00445

R. Ratings assigned by Credit Rating Agencies

Particulars	As at 31 March 2016	As at 31 March 2015
1 Long Term Bank Facilities	ICRA BBB	CRISIL BBB-/(Stable)
2 Long Term Non Convertible Debentures	-	ICRA BBB-/(Stable), ICRA BBB, ICRA BBB+ (SO), and ICRA A- (SO)
IFMR CBO - IX	ICRA A (SO)	-
Blue Orchard Micro Finance Fund	ICRA BBB	-
IFMR FIMPACT Investment	ICRA BBB	-
IFMR FIMPACT TIER II (Secured)	ICRA BBB	-
IFMR FIMPACT TIER II (Unsecured)	ICRA BBB- (SO)	-
3 MFI Grading	ICRA M2+	ICRA M2+
4 Securitisation/Assignment :		
IFMR MOSEC CAVITINA 2015 PTC Series A1	ICRA AA-(SO)	-
IFMR MOSEC MITHRAS 2015 PTC Series A1	ICRA AA-(SO)	-
PTC Series A2	ICRA A+(SO)	-
PTC Series A3	ICRA A- (SO)	-
IFMR MOSEC CIMBER 2016 PTC Series A1	ICRA A-(SO)	-
PTC Series A2	ICRA BBB(SO)	-
IFMR MOSEC AETHON	-	[ICRA] BBB (SO) / [ICRA] B- (SO)
IFMR MOSEC AGON	-	[ICRA] BBB (SO) / [ICRA] C+ (SO)
IFMR MOSEC ATLAS	-	[ICRA] BBB+ (SO) / [ICRA] B- (SO)
IFMR MOSEC BOREAS	-	[ICRA] A- (SO) / [ICRA] BBB - (SO) / [ICRA] C+ (SO)
IFMR MOSEC HERCULES	-	[ICRA] BBB (SO) / [ICRA] C+ (SO)
IFMR MOSEC MUSE	-	[ICRA] A- (SO)
IFMR MOSEC AMPHITRITE	-	[ICRA] A(SO) / [ICRA] BBB (SO)
IFMR MOSEC CAVATINA	-	[ICRA] A- (SO)

Sonata Finance Private Limited**Notes to the Financial Statements as at and for the period ended March 31, 2016****S. Concentration of Advances, Exposures and NPA's**

Particulars	As at 31 March 2016	As at 31 March 2015
Concentration of Advances		
Total advances to twenty largest borrowers	440,991	540,145
(%) of advances to twenty largest borrowers to total advances	0.55%	1.28%
Concentration of Exposures		
Total exposures to twenty largest borrowers	440,991	540,145
(%) of exposure to twenty largest borrowers to total exposure	0.55%	1.28%
Concentration of NPAs		
Total Exposure to top four NPA accounts	193,916	142,000

T. Disclosure of penalties imposed by RBI and other regulator:

No penalties were imposed by RBI and other regulators during current and previous year.

- 34** Provision on loan portfolio (including other than microfinance loans) aggregates Rs. 8,02,49,203/-(March 31, 2015 Rs. 4,59,74,137/-), recognised in accordance with NBFC-MFI regulations as stated in Note 2.1 (q). Provision for previous year includes Rs. 36,68,241/- on individual lending as per management estimate, which is higher than the minimum provision requirement of RBI.

35 Previous year figures

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

For S.R.Batliboi & Co. LLP

Firm Registration No.301003E/E300005
Chartered Accountants

For and on behalf of the Board of Directors of Sonata Finance Private Limited

sd/-

per Bhaswar Sarkar

Partner

Membership No.: 055596

sd/-

Managing Director

sd/-

Director

sd/-

Company Secretary

Place: Kolkata

Date: July 14, 2016

Place: Delhi

Date: July 14, 2016