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BOARD OF DIRECTORS AND COMMITTEES

As on March 31, 2014

Board of Directors	Committees of the Board
Chairperson Aloysius P. Fernandez	Audit Committee Aloysius P. Fernandez - Chairman G. R. Chintala L. D. Rewatkar S. S. Bhat
Directors P. Satish M. V. Ashok G. R. Chintala Prof. M. S. Sriram Dr. Venugopalan Puhazhendhi Arvind Shrivastava, IAS S. S. Bhat L. D. Rewatkar Y. K. Rao - Managing Director	Asset - Liability Management Committee Aloysius P. Fernandez - Chairman G. R. Chintala M. S. Sriram S. S. Bhat Y. K. Rao
Other Information Company Secretary Y. L. Narasappa Deputy General Manager Satish Rao B. Chief Operating Officer Ashutosh Kumar Statutory Auditors M/s Venkat, Kollali & Murthy Chartered Accountants Bangalore Internal Auditors M/s. Saraf & Chandra Chartered Accountants, Bangalore Refinance Support NABARD Bankers State Bank of India Canara Bank State Bank of Mysore Union Bank of India Indian Bank Insurers National Insurance Company Ltd. Royal Sundaram Alliance Insurance Co. Ltd. Kotak Mahindra Old Mutual Life Insurance Ltd. Liberty Videocon General Insurance United India Insurance Co. Ltd.	Remuneration Committee G. R. Chintala - Chairman Aloysius P. Fernandez M. S. Sriram L. D. Rewatkar Y. K. Rao Loan Committee G. R. Chintala - Chairman L. D. Rewatkar Y. K. Rao Committee for Revision of Rates of Interest Aloysius P. Fernandez - Chairman G. R. Chintala L. D. Rewatkar Y. K. Rao Risk Management Committee Aloysius P. Fernandez - Chairman G. R. Chintala M. S. Sriram S. S. Bhat Y. K. Rao Nomination Committee Aloysius P. Fernandez G. R. Chintala - Chairman M. S. Sriram L. D. Rewatkar CSR Committee M. S. Sriram - Chairman Venugopalan Puhazhendhi Y. K. Rao



PROFILE OF BOARD MEMBERS

Shri Aloysius P. Fernandez



Aloysius Prakash Fernandez, Padmashree Awardee was appointed Director and Chairperson of the Board of Directors of NABFINS on January 18, 2010. He has vast experience in the fields of development and finance having worked with Caritas India, the World Bank and Canadian International Development Agency. He returned to Bangalore in 1982 as Executive Director of Myrada with a mission to raise one million poor above the poverty line. He is popularly known as the father of the SHG movement which emerged in 1985 when the Co-operative Societies MYRADA was working with broke up. He was closely associated with NABARD in promoting the SHG movement since 1987 and in the development of the SHG-Bank Linkage Program since 1992. He has been a member of several National and State Level Committees related to development and finance. To name a few, he was a Director on the Board of Corporation Bank, Member of the Dr. C. Rangarajan Committee on Financial Inclusion, Bangalore University Syndicate and a member of the Steering Committee on Agriculture and Allied Sectors for the 12th Plan. He founded Sanghamithra Rural Financial Services, a Section 25 Company in 1995. He also grounded the first watershed management project in Gulbarga in 1985 where people's institutions took the lead in planning and implementation. He has authored several books and monographs.

He was awarded the Padmashree in 2000 and received the Caritas Millennium Award in the same year.

Shri P. Satish



Shri P. Satish, Chief General Manager of NABARD heading the Micro Credit Innovations Department was appointed as Director on the Board of NABFINS with effect from August 22, 2013. He is also serving his third term as a Director on the Board of Multi Commodities Exchange of India(MCX). Earlier, he was the Secretary to the Board of NABARD. He is a gold medalist in Economics from Osmania University, Hyderabad and an MBA (Finance) from the same University. He is an MS in Economics from University of Illinois at Urbana-Champaign, USA and has been trained in Project Appraisal at Harvard University, USA. Prior to his current posting, he headed its Maharashtra Regional Office at Pune where many pioneering initiatives were undertaken by him including the Climate Change Adaption Project, Agri-Advisory Project in tie-up with RML, Weather Advisory Project in tie up with IMD and KVKs, Vidarbha model of Financial Inclusion with BC/BF etc. He was heading the Finance Department of NABARD at its Head Office and had also worked in the areas of microfinance and rural infrastructure financing. He was the General Manager at NABARD's Chandigarh Regional Office, a Faculty Member at Bankers' Institute of Rural Development (BIRD). In the early stages of his career he was with the Reserve Bank of India.

He has varied and myriad experience in the fields of agricultural & rural finance and microfinance which includes study and documentation of programmes in India and more than a dozen countries

across Asia, Africa and Latin America. He has more than 80 research papers to his credit and has also published articles in national and international journals. He was also an invited speaker at more than 50 national and international conferences and seminars.

Shri M. V. Ashok



Mr. M. V. Ashok is currently the Chief General Manager heading DEAR (Department of Economic Analysis and Research) NABARD Head Office Mumbai. Mr. M. V. Ashok is a Post Graduate in Agriculture from the Indian Agricultural Research Institute New Delhi after a Bachelors degree in Agriculture from the Tamil Nadu Agricultural University Coimbatore, with additional qualifications in General Management from IGNOU and Training & Development from the Indian Society of Training Development, New Delhi. He has also obtained a Certificate for a course on Financing Micro Enterprises from the Institute of Development Studies, University of

Reading, UK. With a career span of 30 years since 1980, beginning as an Agricultural officer with Canara Bank for two years, then as a Banking Officer in Grade B with RBI in 1982 and services having been transferred to NABARD in 1983 on voluntary option, Mr. Ashok has varied experience both in administration as well as operations having worked both in different Regional offices and the Head office. He has headed two state Regional Offices of NABARD at Jharkhand and Maharashtra besides serving as a District Development Manager (DDM) in Kannur district of Kerala state and also a Faculty Member of the Bankers Institute for Rural Development (BIRD), Lucknow. Mr. Ashok has had exposure of rural finance sector in several countries including Thailand, Kenya, China, Germany and England.

Shri G. R. Chintala

Shri G R Chintala, Chief General Manager NABARD is in charge of its Karnataka Regional Office



and was appointed on the Board of NABFINS with effect from July 01, 2013. He is a post Graduate from Indian Agricultural Research Institute, New Delhi and a recipient of Gold Medal from Sri Rajiv Gandhi, the then Prime Minister of India in 1986. He has served NABARD in various capacities across more than six regional offices, was a Vice President of Agri-Business Finance Ltd. for a period of two years and Director in Bankers Institute of Rural Development, Lucknow. He had successfully initiated Producers Organizations in Andaman & Nicobar Islands to ensure remunerative prices to both Tribal and Non-tribal COPRA producers which

hitherto was unknown. His vast and rich national and international experience paved the way for number of new initiatives in the fields of Rural and Agricultural Finance, promotion of Producer Companies etc.

One of his major contribution in consultancy assignments handled by him include "Road Map for Amalgamation of Rural Banks" in 2006 commissioned by Govt. of India which led to consolidation of 196 RRBs into 43. Another path-breaking assignment was on "Efficacy of SGSY in meeting the aspirations of SC/STs", which led to the launching of NRLM (National Rural Livelihood Mission) throughout the country and phasing out of SGSY. He has visited more than 20 countries for presenting papers and taking up other assignments.



Prof. M. S. Sriram



Prof. M.S. Sriram, was appointed as Director on the Board of the Company on December 08, 2010. Prof. Sriram is a PGDRM from IRMA and Fellow of IIM B (1992). He is currently a Visiting Faculty at the Indian Institute of Management, Bangalore and Distinguished Fellow of the Institute for Development of Research in Banking Technology, an institute set up by RBI. He is also a Visiting Professor at the Indian Institute of Management, Udaipur. He was till March 2010 the ICICI Bank Lalita D Gupte Chair Professor of Microfinance, and Chairperson Finance and Accounting Area at the Indian Institute of Management, Ahmedabad. He also taught in Solvay Brussels School of Business and Economics, SP Jain Center of Management in Dubai and Singapore and delivered sessions in several academic institutions in India.

Prior to working in IIMA, he was the first Vice President [Finance and Information] at BASIX and was faculty of Institute of Rural Management, Anand for 6 years where he did significant work on cooperatives. His later work was largely in the fields of agricultural finance, microfinance and livelihoods. He has extensively published several academic papers on microfinance, authored and co-authored many books related to Micro Credit and Flow of Credit to Small and Marginal Farmers. He has served on several committees set up by the Government of India, RBI and NABARD, contributing directly to policy making. He is currently on the Financial Inclusion Advisory Committee of RBI and an Independent Director of NDDDB Dairy Services.

Shri S.S.Bhat



Shri S.S.Bhat, General Manager, Canara Bank was appointed as the Director on the Board of NABFINS on December 22, 2011. He is a post graduate in Agricultural Science and also qualified in CAIIB and PGDCA. He has rich experience of nearly 34 years in Canara Bank and worked in all tiers of the Bank. Presently, he is heading Priority Credit and Financial Inclusion Wing of Canara Bank. He has a vast experience in Banking operations, General Credit, Rural Credit and Micro Finance. He has undergone various training programmes in institutes of national and international repute. They include IIM, ISB, JNIDB, University of Bradford, Kellogg school of management, Chicago and Frankfurt School of Finance and Management.

He has significantly contributed in setting up SME Sulabhs, Micro Finance Branches, Canara Financial Advisory Trust, Merger of 4 RRBs in Karnataka and 3 RRBs in Uttar Pradesh and was the editor of in-house magazine 'Farm Digest'. He has won several awards for banking operations including Best Branch Award, Model Branch Award etc. Of the many awards won by the bank under his leadership, some of the prominent ones were the Corporate Social Responsibility Award from the Institute of Directors, Innovative Award for financial inclusion by SKOCH Foundation, FICCI Award, best bank award from MORD, GOI for nurturing RSETI movement in the country. etc. He is nominated by Government of India as Banking Expert in 'Management Committees of Funds' for establishing of Credit Guarantee Funds for Skill Development and Education Loans and in 'Detailed Project Report (DPR) on Financial Inclusion as Mission Mode Project.

Dr. Venugopalan Puhazhendhi



Dr. V. Puhazhendhi is a Ph. D in Agricultural Economics having rich national and international experience. He has more than 30 years' experience in conducting Farm Survey / Research Studies relating to Agricultural Development, Finance, Production, Marketing and Project Formulation. He was a professor in Konkuk University, Seoul, South Korea. He has monitored and evaluated various projects under IFPRI- Washington, UNDP-Kualalumpur, IFAD, CIDA-Canada, FDC-Brisbane etc. He has completed 30 research studies and published 35 research papers in National and International Journals. He is the author of various National and International publications such as Microfinance- State of the sector report 2012, Self Help Group Bank Linkage Programme for Rural Poor in India, Financial Inclusion- An over view, Financial Inclusion for Inclusive Growth etc.

Dr. Venugopalan Puhazhendhi was appointed as an Independent Director on the Board of Directors of the Company from January 30, 2014.

Shri Arvind Shrivastava



Shri Arvind Shrivastava, IAS, is an Indian Administrative Officer from 1994 batch, Karnataka cadre. Currently, he is the Secretary to Government of Karnataka in the Finance Department for Budget & Resources.

He is the nominee Director from the Government of Karnataka on the Board of directors of the Company with effect from June 22, 2013. He is also a Board Member in Karnataka Forest Development Corporation, Karnataka State Forest Industries Corporation, Karnataka State Handicraft Development Corporation, Hutti Gold Mines Ltd., Mysore Minerals Ltd., Mysore Paper Mills Ltd., Karnataka Industrial Area Development Board, Karnataka State Beverage Corporation Ltd. & Karnataka State Financial Corporation.

Shri Arvind Shrivastava is a post graduate in Economics with graduation in Engineering. He has rich experience in financial management, Urban Development, Land Revenue Management etc.

Shri L. D. Rewatkar



Shri L D Rewatkar, is a post graduate in Agricultural Science and has also completed CAIIB. He has rich experience of working in Rural, Semi-Urban and Urban territories for over 28 years in Union Bank of India. Presently, he is heading the Bangalore region of Union Bank of India.

His major contribution at Union Bank of India have been in the fields of NPA and Recovery Management, Customer Complaint and Relationship Management and Business Growth under different parameters.



Shri Y. K. Rao



He is a Post Graduate in Agriculture (M Sc., Agri) from N. G. Ranga Agricultural University, Hyderabad. Shri Rao started his career with State Bank of Hyderabad. After serving for 3 years in their rural banking division, he joined NABARD in the year 1988 and worked in various capacities including a tenure as District Development Manager, Khammam, A.P. Presently, he is a Deputy General Manager in NABARD and had worked in states of Karnataka, Assam and Andhra Pradesh. Considering his vast experience and exposure in rural banking, Government of Andhra Pradesh

took him on deputation as Officer on special duty in the field of Institutional Finance for a three year period.

Coming from an agriculture background, he has excelled in innovative implementation of various products in agriculture banking, microfinance, banking regulation etc. Prior to his posting as Managing Director, NABFINS, he was Managing Director of Agri Business Finance (AP) Limited, Hyderabad wherein the business of the Company increased by four folds within a year. He reported to NABFINS on June 10, 2013.

*Shri V. Maruti Ram, CGM, NABARD is on the Board as the Managing Director of the Company with effect from July 31, 2014



CHAIRPERSON'S MESSAGE

My close involvement with NABARD began when, on behalf of MYRADA, I approached NABARD in 1986 to provide a grant to match the savings of Self Help Groups which had emerged in MYRADA during 1984-85 as well as to train these groups in institutional capacity building (ICB). The then Chairman of NABARD Shri P. R. Nayak extended a grant of ₹1 million. Since then I have had the privilege of working closely with NABARD in promoting the SHG-Bank linkage program and in several other programs which NABARD supports, especially watershed management. In 2010 therefore when NABARD offered me the Chairmanship of NABFINS, a subsidiary of NABARD, I was not stepping into unknown territory.



I once requested the MD of NABFINS, Shri C. P. Mohan, to share with me why in his personal opinion NABARD offered me this responsibility. But what I want to share here is why I joined NABFINS. Having finalised my successor in MYRADA and handed over responsibilities, I planned to spend more time in Sangamithra, a section 25 Company which I had started in 1995 with the objective of lending to SHGs in areas where the Banks did not operate. My intention was to transform Sangamithra into a For Profit NBFC and take on the challenge of extending low cost loans (low cost when compared to prevailing rates of Andhra Pradesh NBFCs) and in a transparent manner. Coincidentally these were the same objectives that NABFINS' mission statement incorporated. I decided to join NABFINS assuming that progress would be quicker than in Sangamithra (which had a strong Board committed to a social thrust in microfinance; the Members not only devote time but also contribute towards its objectives). Besides, association with NABARD would provide that extra leverage required to challenge existing practices in the NBFC-MFI domain and the policies which backed them; it would also help (I hoped) to bring the SHG-Bank Linkage program back into the mainstream of the micro finance sector.

In its fourth full year (2013-14), NABFINS has 196 staff, with operations in 5 States. It expanded widely in Karnataka where the Govt. of Karnataka invested ₹20 crore in equity and spread to Tamil Nadu in its first three years. Since then it has expanded in Maharashtra and Madhya Pradesh with a small presence in Andhra Pradesh. While a major share of its portfolio comprises direct lending to SHGs/JLGs, it has taken up the challenge of supporting second level institutions like Producer Companies and Co-operatives which manage inputs in bulk, aggregate commodities produced by small farmers, add value and market them; it made a start in this vertical during 2012-2013 supporting 5 institutions with a modest investment of ₹271.60 lakh and expanded it during 2013-2014 with a loan portfolio of ₹11 crore. It expects to further increase this to ₹35-40 crore during the current FY. NABFINS is grateful to Small Farmers Agribusiness Consortium and Rabo Bank Foundation for guaranteeing these loans. To complete this brief over view, NABFINS made a profit during the last three years, but kept a low profile because it was testing its model and learning as it went along. On behalf of NABFINS I would like to thank Dr. Harsh Kumar Bhanwala, Chairman NABARD, for actively supporting NABFINS to emerge as a genuine subsidiary of NABARD. His support was critical for NABFINS to graduate from being a Department of NABARD towards becoming a genuine subsidiary; it has still some way to go.



While announcing the progress of NABFINS after the FY 2013-14 report was tabled, the Chairman of NABARD stated that NABFINS lends to Self Help Groups at interest rates ranging from 15% to 16.75% against the RBI cap of 26%. He added that NABARD lends to NABFINS at interest rates of 9.6% to 9.7%. With a margin of 5-6% NABFINS made a net profit of ₹14.09 crore in FY 13-14 with a disbursement of ₹642.90 crore after meeting all regulatory and statutory requirements. The question this experience raises is obvious. Why are the NBFC-MFIs unhappy with the RBI's cap on interest at 26% and clamouring that this cap should be lifted since according to them "micro finance imposes very high transaction costs on the NBFC-MFI"? My position (which I made clear as a member of the Dr. C. Rangarajan Committee on Financial Inclusion) has always been that the model adopted by the NBFC-MFIs is inappropriate to manage micro loans at affordable costs for the poor because the entire costs of monitoring and data collection/aggregation/analysis is ultimately loaded on the borrower. The model that is appropriate is the one that was promoted by NABARD (and supported by RBI at that time between 1989 and 1992). This model includes up-front grants for the promotion of Self Help Affinity Groups of members who self-select themselves (on the basis of relations of mutual trust and support or affinity), who start with creating the habit of regular savings placed in a common fund, who receive training in Institutional Capacity Building (ICB) which goes far beyond training in book keeping, who during the first 6 months lend from the savings and interest accumulated in the common fund and finally approach the Banks for a loan under the SHG-Bank Linkage program initiated by NABARD in 1992. NABARD and RBI made three policy decisions before the SHG-Bank Linkage Program was launched:

- i) Allowing Banks to extend one bulk loan to the SHGs leaving the SHG to decide on lending to members-the SHGs ensured no multiple borrowing and ensured repayment;
- ii) Allowing Banks to lend to unregistered groups (thanks to Dr. C. Rangarajan); and
- iii) Lending without any physical collateral; the experience of SHGs in lending from their own group fund for the first 4-6 months was used as "credit history" for Banks to extend loans.

In this model, the responsibility of close supervision rests with the SHGs; they constitute the last mile. This requires up-front investment as grants in Institutional Capacity Building (ICB) training and adequate time to build strong peoples institutions like an SHG. This is the real "financial literacy" that SHGs require. In turn, these strong SHGs ensure that there is no double lending, that interest rates are controlled and repayments ensured, apart from lobbying for change and for participation in Panchayat affairs. But in the NBFC-MFI model which finds investment in ICB a waste of time and money, the burden of micro supervision rests on the NBFC-MFI staff at the field level which adds to staff and to cost. This in turn results in high transaction costs which are ultimately loaded on the borrower thereby increasing interest rates. In order to cope with the problem of multiple borrowing, credit bureaus are set up which also add to costs ultimately loaded on the borrower; the effectiveness of these credit bureaus to avoid multiple borrowing even in the individual lending model is very much an open question. The proposal of experts in an open letter to the new government to integrate SHG data into credit bureaus is another attempt to destroy the SHG model and turn it into an individual approach which will raise transaction costs.

The Chairman of NABARD in the late 80s, Shri P. R. Nayak, was also the Deputy Governor of the RBI. He together with officers of the RBI realised that micro finance strategy could not be mainstreamed entirely; rather, it required a complimentary institutional strategy as a first step, with its own rules and systems. They realised that the SHG movement was only the first step in supporting the poor to gain confidence, to decide in what to invest and to gain experience in financial management. They foresaw that some members of SHGs after a few years would require larger loans and could approach Banks directly. Hundreds of such cases (in MYRADA) emerged. The Banks asked for their credit history as members in the SHG. Shri P. R. Nayak and others realised that to pressurise/incentivise the poor to be included into the official financial system in the first step itself and, consequently, to conform to the official rules and systems, would not go very far in promoting inclusion in growth. It was similar to trying to force a square peg into a round hole. The micro finance world targeted to the poor had to operate largely on its own, with the Banks providing bulk loans to SHGs. NABARD did a good job in providing funds for training SHGs in ICB which was done largely by NGOs who believed in the importance of genuine peoples institutions especially of the poor who were given the space to manage their own affairs. Unfortunately major Government programs in the recent past adopting the SHG model left NGOs out and gave the responsibility of training (ICB) to government staff. For over 10 years the Banks willingly extended loans to well-functioning affinity groups. Today this model does not qualify as part of the strategy to promote “financial inclusion”. In order to qualify, loans have to be to individuals and in Govt. programs like NRLM, the SHGs have to be set up and controlled by Government with various levels of interest subsidy. The SHG members never asked for this subsidy. They wanted quick access to funds, a safe place to deposit their savings which SHGs provided, space to decide on purposes and sizes of loans and support to invest their loans productively and with lowered risks. This is when the watershed program took off as it lowered the risk of SHG members investment in dryland agriculture.

If the Banks are no longer willing to lend directly to SHGs, it is because of :

- a) The poor quality of SHGs, thanks to declining support for training (ICB), Government programmes like SGSY where SHGs were formed and within a day, grants distributed without any savings, internal lending without any ICB training resulting in large NPAs;
- b) Govt adoption of the model in some States where loans to SHGs were given at zero interest rates and SHGs had to lend at zero interest to their members thus depleting their common fund and increasing their dependence on Govt.; while Govt's decision to lend at zero interest/subsidised rates to SHGs does not undermine the SHGs directly as much as it does the credit culture, what really undermines the SHGs is the order that SHGs should also lend at zero interest rates to their members;
- c) The Banks internal problems like lack of staff;
- d) Delay in (or perhaps reluctance of) RBI acknowledging the SHG-Bank Linkage model as part of its financial inclusion drive.

A second question that the NABFINS experience raises relates to the Business Correspondent Model that NABFINS adopts. This model reduces transactions cost for NABFINS. Many Banks that set up the Business Correspondent model and MFIN have stated that the BC model is not viable and is generally



a failure. However, NABFINS works with 161 B&DCs (as on March 31, 2014) and the experience is mutually beneficial. NABFINS position is that the BC model falls into 2 categories: The first category is where the BC offices are extensions of the Bank and controlled by the Bank. There are several sub models depending on how much the BC contributes to infrastructure/staff, how much Government contributes (like in MP) and how much the Banks contribute. The second category is one where the financial institution (NABFINS for example) partners with existing institutions like NGOs, Co-operatives, Federations of SHGs which act as BCs. NABFINS model is the second. In this partnership between NABFINS and the BC, the staff of both organisations assesses the SHGs/JLGs; NABFINS lends directly to the groups that are rated as good. The BC staff takes the lead in recovery. NABFINS field staff keeps in touch with the SHGs/JLGs and Senior Staff interact with the BC.

However NABFINS endeavours to go further. It has named the BCs as Business and Development Correspondents (B&DC). This is because NABFINS is convinced that credit alone is inadequate to bring the really poor out of poverty; other supporting services are required. These services have to be provided by the BC and if required NABFINS will raise resources for this purpose. For example if the clients are investing in dryland agriculture, NABFINS ensures that the BC invests in watershed development and protective irrigation to lessen their risks.

From the organisational angle, during 2013-14, NABFINS invested in sorting out the glitches in its software, in recruitment and training of staff. During 2014-15 the focus is on establishing adequate systems to anticipate, cope with and reduce risks not only in NABFINS but also in its partners like B&DCs and SHGs because it is in these organisations that NABFINS risks are embedded. NABFINS is also focusing on establishing a human resources team that will go beyond the traditional functions of HR to elicit innovation from the field and coordinate closely with the risk team.

Creativity with Frames



Om Shakti Group, Devaraja Mohulla, Mysore has been doing a creative business of making and selling different ranges of Photo Frames with the help of credit from wholesaler, who in turn compensated the advance with less remuneration. Learning about NABFINS linkage from other SHG groups who have been credit linked by NABFINS in their area made them approach TARDO NGO for support. After successful induction with the NGO, they received a loan amount of ₹4,80,000 from NABFINS which was utilized to buy material and pay back the credit to wholesaler. Now the SHG members sell to wholesalers who give them the best prices.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the Seventeenth Annual Report and the Audited Financial Statements of the Company for the year ended March 31, 2014.

SOCIO-ECONOMIC ENVIRONMENT

Among the more promising developments in the microfinance sector during FY 2013-14 were the identification of financial inclusion as a public policy in the Twelfth Five-Year approach paper, a greater realization for promotion and nurturing of small producer collectives and the RBI's efforts to bring in an orderly growth in the sector by introducing a new category of NBFCs called the NBFC-MFI.

The identification of "Financial inclusion" as a public policy initiative to achieve rural transformation and development has in fact been a very significant development in the sector. The paper asserted that financial inclusion 'should build on the existing positive experience of Self Help Groups (SHGs), Kisan Credit Cards, ongoing experiments with mobile banking and business correspondents, as well as with the standalone Microfinance Institutions (MFIs)'. This signifies a great transition in the approach to financial inclusion which was the major focus of your company since its inception. By partnering with grass-root institutions like NGOs, collectives and co-operatives, which are called Business and Development Correspondents and working with SHGs as prospective clients, we have not only ensured our contribution to 'financial inclusion' but have constantly strived for 'inclusion in growth'.

With a greater realization being felt for the need of small producer collectives and farmers co-operatives, various institutions across the sector have come together to formulate ways and methods to promote and establish the collectives. There is an urgent need for establishing and promoting more producer co-operatives/companies in the country through an increased participation from NGOs, public/private sector banks and NABARD. Despite the fact that India has very few producer collectives, you would be happy to note that your company has identified and recognized the needs of 33 Second-level Institutions (producer collectives, co-operatives etc.) and financed them to the tune of ₹11 crore during the year. Your company will continue to strive for the development of such people's institutions and would be in the forefront to promote, train and finance them.

Through the introduction of regulatory guidelines for NBFC-MFIs, the Reserve Bank of India is set to bring in an orderly growth in the sector one of the major concerns of the industry today. Your company is awaiting the RBI's decision on its application to become a NBFC-MFI.

The most promising development in the microfinance sector in recent months has been the rise in the flow of bank funds to MFIs. During the period, access to debt increased significantly with the public sector banks taking the lead in lending to the sector. MFIs across India have lent to the tune of ₹26,500 crore to 3.44 crore under-served and poor clients during FY 2013-14.

Against this background, your Company has disbursed ₹644 crore to over 17,000 SHGs across four states, while continuing to focus on supporting the poor in income-generation activities, life-cycle needs and improving their standards of living by providing them easy access to adequate finance in a transparent manner at their door step.



Your company has registered an impressive growth of 31.27% in terms of Balance sheet size and registered a robust growth of 64% in loan portfolio.

Performance of the Company

The total Income of the company for the year under review is ₹89.62 crore which is 57% higher than the total income of ₹57.10 crore for the previous year. The profit before tax is ₹23.82 crore for the year ended March 31, 2014 as against ₹13.05 crore for the previous year.

The summarized financial results of the Company for the year ended March 31, 2014 are as under:

(₹ in crore)		
Particulars	FY 2013-14	FY 2012-13
Income from Operations	83.25	43.16
Other Income	6.36	13.94
Total Income	89.61	57.10
Total Expenses	65.82	44.03
Profit before tax	23.82	13.05
Tax expense	9.73	4.63
Net profit	14.09	8.42

Dividend

In order to conserve the resources for the business operations and business expansion plan of the Company during 2014-15, your Board of Directors do not recommend for payment of dividend in pursuance of the decision of the Board at its 71st meeting held on December 22, 2011 for dividend-holiday for 5 years starting from 2010-11.

Operating Results

Your Company posted an impressive growth of 92% in terms of Revenue from operations and 67% growth in profit after tax. The Company has maintained high quality of assets with repayment rate greater than 99% and gross NPA of 0.36%. The loan disbursed to SHGs during the year 2013-14 is ₹631.53 crore covering 17,027 SHGs and an amount of ₹11.37 Crore was disbursed to 33 SLIs. The cumulative disbursement made since inception till 2013-14 was ₹1,310.28 crore to 38,056 SHGs with the total refinance support of ₹883 crore from NABARD.

A comparative snapshot of operations is as mentioned below:

(₹ in crore)

Sl No	Particulars	2013 - 14	2012 - 13
1	Loan disbursed	631.53	413.20
2	No. of SHGs covered	17027	12061
3	No of B&DC engaged	161	103
4	Cumulative No. of SHGs	38056	21029
5	Cumulative amount disbursed (to SHGs under BC/BF model)	1,310.28	678.75
6	Amount disbursed to SLIs during 2013-14	11.37	2.72
7	Cumulative Amount disbursed to Second Level Institutions (federations etc.)	17.34	7.97
8	Refinance availed from NABARD	331.89	298.64
9	Loans outstanding (Unaudited)	619.97	377.61
10	Percentage of recovery	99	99.9
11	Total Assets	709.60	540.67
12	Operational Districts - Cumulative	66	46

DEVELOPMENTS

Your Company has successfully completed four full years of its operations with the total disbursements of ₹1310.28 crore to 38,056 SHGs. Your Company continued delivery of services in a transparent manner, timely and promptly at the doorstep of the clients. The Company has stabilized the process flow to bring greater efficiency in its operations by introducing technology solutions and process audit. Strict budgetary controls have been made to convert its field units into profit centers.

Your Company has grown at a steady pace and to match this growth, the Company has deployed systems and procedures, mainly in functional areas of Administration, Personnel and Operations.

Your Company has made good progress in supporting Producer Collectives in their efforts towards aggregation, value addition and marketing of the commodities. The objective of NABFINS is to set up organizational and financial scaffolding to build Second Level Institutions.

Some examples of Producer Collectives supported are:

Sl. No	Particulars
1	Association of Silk weavers in Salem district of Tamil Nadu
2	Producer company of farmers in Madhya Pradesh
3	Bamboo artisans in Amravati district of Maharashtra
4	Funded a workshop on SLIs in Maharashtra for producer companies/ collectives



The details of the interest rates are given below:

Borrower Category	Loan Amount	Interest rate
Individuals	Upto ₹5 lakh	16.00%
	Above ₹5 lakh	16.75%
SHG/JLG/ Other groups	Upto ₹2 lakh	15.00%
	Loans > ₹2 lakh and upto ₹5 lakh	16.00%
	Loans > ₹5 lakh	16.75%
Institutions	Upto ₹20 lakh	15.00%
	> ₹20 lakh	16.00%

The processing fee @ 1% of the amount sanctioned is collected in 3 interest free installments. The B&DCs are given a commission of 2% of loan disbursed, of which 1% is paid on disbursement and 1% at the time of repayment of installments.

The summary of credit facilities extended to Second Level Institutions is as below:

Sl. No.	Particulars	No. of institutions	Amount disbursed (₹in lakh)
1	Producer Collectives	15	256.40
2	Working Capital loans to SLIs	8	287.00
3	On lending to SHG Federations	10	593.88
	Total	33	1137.28

Share Capital

During the year under review, your Company has mobilized an amount of ₹7.6 crore towards equity capital of which Bank of Baroda has subscribed to the extent of ₹5 crore and Union Bank of India - ₹2.6 Crore. Accordingly, your Company's paid-up equity share capital has increased from ₹104.51 crore to ₹112.11 crore.

Your company is actively pursuing its request for equity contribution from SBI, Corporation Bank, State Bank of Mysore and NABARD.

The brief details of shareholding is appended below:

Sl. No.	Name of the Shareholder	Share Capital (₹in lakh)		% to the total Paid up Capital (31.03.2014)
		31.03.2014	31.03.2013	
1	NABARD	7,600.63	7,600.63	67.79
2	Govt. of Karnataka	2,036.00	2,036.00	18.16
3	Canara Bank	190.00	190.00	1.69
4	Union Bank of India	850.00	590.00	7.58
5	Bank of Baroda	500.00	-	4.46
6	Federal Bank	25.00	25.00	0.22
7	Dhanalakshmi Bank	10.00	10.00	0.09
8	Individual share holders	Negligible	Negligible	-
	Total	11,211.63	10,451.63	100.00

Review of performance and future strategy

A participatory review and assessment of performance of district offices was made at various centers together with the District Managers, Financial Support Officers and Head Office staff.

The teams assessed the present good practices adopted and discussed how to evolve future strategies for expanding business. The teams also discussed the risks involved and necessary measures to mitigate these risks.

Training of partners (B&DCs)

The staff of Business and Development Correspondents which partner with your Company were provided exposure and training to the processes, Ethics & Values of NABFINS. They were also trained on the use of technology i.e., POS machines for smooth roll out of our technology platform TSON.

NABARD Inspection

NABARD conducted a short inspection of the Company's books of accounts and other records as on March 31, 2013. Satisfactory compliance was submitted to NABARD with Board approval.

RBI Inspection

During the year, RBI conducted an inspection of books of accounts and other records as on March 31, 2013. Satisfactory compliance was submitted to RBI with Board approval.

Compliance Audit by C&AG

During the year under report, C&AG have conducted the Compliance Audit of the Company for the year 2012-13. The C&AG report had no audit issues and noted the significant growth in the operations of the Company.

Asset Quality & NPA

During the year under review, your Company maintained high quality assets with repayment rate over 99% and the gross NPA of 0.36%. The principal and interest due on all loan assets of your Company have been recovered in full in all other cases.

Support from NABARD

Your Company has availed refinance support of ₹331.89 crore from NABARD during the year 2013-14 against its loan disbursement to its clients. NABARD had initially approved refinance budget of ₹400 crore for NABFINS which was subsequently reduced to ₹325 crore at the request of your Company. Your Directors place on record their sincere thanks for the support extended by NABARD to the Company.

Outlook

Based on the experience during the year under report, your Company has made a Business Plan to achieve a disbursement target of ₹830 crore in the year 2014-15, of which ₹800 crore will be loaned



to SHGs under B&DC model and ₹30 crore will be loaned to Second Level Institutions. The average monthly disbursement is estimated at ₹69 crore through the network of District Offices in partnership with Business & Development Correspondents (B&DCs) and Business & Development Facilitators (B&DFs).

During this financial year, your Company has witnessed increased competition from financial institutions especially the private sector banks operating with the same or a similar model. Even though the competitors are offering more commission, our partners have chosen to remain with us. As a result, your Company has increased its partners (B&DC and B&DF) from 103 in FY 2012-13 to 161 in the FY 2013-14. The Company has increased its operations to 66 districts as on March, 2014 from 46 districts as on March 2013. Your Company has operations in the states of Karnataka, Tamil Nadu, Andhra Pradesh, and Maharashtra.

During the current financial year, your Company proposes to expand its operation in the state of Madhya Pradesh, Rajasthan and Gujarat. It also proposes to expand its operations in the remaining districts of Karnataka, Tamil Nadu and Maharashtra. Efforts are being made to identify and empanel more NGOs as B&DCs / B&DFs in all the States mentioned.

The growth of the business models of Microfinance Institutions entails both opportunities and challenges as demands from clients change. While group loans are the dominant microfinance product, individual loans are steadily growing in significance. This is because many clients have demonstrated their credit-worthiness over several credit cycles and are now capable of managing larger loans under more flexible conditions. As of now your company is dealing with one product under B&DC model. This financial year the company will undertake some pilots for product diversification and process innovation.

Your Company is also focusing on extending credit facilities to Producers' Collectives / Companies / Farmers Federations which are in the category of Second Level Institutions and will work in close co-ordination with NABARD to promote and support such organizations. In view of the risks involved, a risk guarantee fund was created with an initial contribution of ₹25.00 lakh from our profits for the year 2011-12 to which ₹75 lakh was added during 2012-13. This fund was further augmented by ₹100 Lakh in 2013-14. Your Company has partnered with Small Farmers Agri-Business Consortium (SFAC) and Rabo Bank Foundation to provide a 'Risk Guarantee Fund' to cover our loans to Second Level Institutions. Apart from this, we propose to undertake livelihood promotion and training for enhancing the capabilities of members of SHGs / JLGs / Farmers' Groups and Producers' Collectives to take up livelihood activities for which an amount of ₹50 lakh is earmarked in the revenue budget of 2014-15. In addition, the Company is seeking assistance from NABARD under SHPI programme for promotion of SHGs.

PERSONNEL MANAGEMENT AND DEVELOPMENT

Recruitment

The staff strength of your Company has increased from 152 in the last year to 196 as on March 31, 2014. The selection process involves a written test, skill test and personal interviews. Pre-recruitment training is oriented towards identifying the right candidates to suit both the functional requirements and also the value systems of NABFINS. The process followed is elaborate and involves a week long training programme which involves evaluating the candidates for their analytical skills, understanding of the rural scenario, willingness to work hard and long hours, leadership skills and multitasking abilities. A training which details our systems and procedures is also imparted to candidates. Campus recruitment & summer internship programmes are conducted to attract talented candidates.

Personnel Development

During the year under report, your Company continued to rationalize the pay structure, the process of evaluation based on Key Performance Results, Performance Incentive Plan etc. Based on the Key Performance Indicators for individuals and Key Responsibility Areas for teams, contract renewals were made and increments and performance incentives given to the staff of the Company.

The benefit of House Rent Allowance and staff loan at reasonable rates of interest, Health Insurance, Gratuity, ESI benefits are being given to the staff of the Company. Additional benefits such as Accident insurance and increased halting allowance to all staff, 3G Services to officers of the rank Sr. Manager and above were provided.

The staff of your Company were also given training in various aspects such as Leadership skills, stress management, relationship management etc. to enable them to raise their level of performance.

Challenges

- Your Company as in Micro Finance Industry, continues to face challenges related to high inflation and high interest rates, subsidized interest rates offered by State Governments (access to loans at 3-4%) from banks, Interest subvention scheme announced by Government of India etc.
- Difficulty in availability of suitable NGOs for empanelment as B&DCs / B&DFs
- Compliances with various rigorous regulations and statutes with regard to margin, interest rates, processing fees, loan amount and tenure, income criteria of the borrowers, capital adequacy, provisioning norms, stipulations regarding loans for income generating activities etc.
- Overall decline in the quality of SHGs, in the number of new groups

Necessary measures have been taken by the Company to face these challenges and to comply with the various regulations.

Public Deposits

Your Company has not accepted and is not holding any deposit from the public. Further, the Company does not propose to accept or hold any deposits from the public.



DIRECTORS

Shri S. S. Bhat, Prof. M. S. Sriram and Shri P. Satish, Directors, retire by rotation and are eligible for re-appointment.

Other changes in the Board during the year under review are as follows:

NABARD nominated *Shri Y. K. Rao, Deputy General Manager, NABARD to take charge as Managing Director of the Company from Shri C. P. Mohan. Further, Government of Karnataka had nominated Shri Arvind Shrivastava, IAS on the Board of the Company in place of Shri Ajay Seth, IAS. Also, NABARD nominated Shri G. R. Chintala, Chief General Manager, NABARD Regional Office, Karnataka, Bangalore, in place of Shri S. N. A. Jinnah, Chief General Manager who was transferred to NABARD Head Office, Mumbai.

The Company had not received the proposal together with the requisite deposit either from Shri R. Ramaseshan, the additional Director or from any of the members of the Company for proposing the name of Shri R. Ramaseshan to the office of the Director of the Company, under the provisions of the Companies Act, 1956; as such Shri R. Ramaseshan ceased to be Director on the Board of the Company with effect from September 23, 2013, on which the 16th Annual General Meeting was held.

Further, NABARD nominated Shri M. V. Ashok as Director of the Company in place of Dr. B. S. Suran.

Your Directors place on record their appreciation of the valuable services rendered by Shri C. P. Mohan, the former Managing Director of the Company, Shri Ajay Seth, IAS, Shri S. N. A. Jinnah, Dr. B. S. Suran and Shri R. Ramaseshan during their tenure as Directors of the Company.

Dr. Venugopalan Puhazhendhi and Shri M V. Ashok were appointed as Additional Directors on the Board of Directors of the Company in terms of Section 260 of the Companies Act, 1956 and hold office till the date of the ensuing Annual General Meeting.

The Company has received a notice in writing pursuant to section 160 of the Companies Act, 2013 along with requisite deposit from a member signifying the intention to propose the candidature of Dr. Venugopalan Puhazhendhi for the office of Director and also received a communication from NABARD under section 161 of the Act, advising for re-appointment of Shri M. V. Ashok as Nominee Director on the Board of the Company.

*Shri Y. K. Rao, Managing Director is repatriated to NABARD Regional Office, Karnataka, Bangalore and Shri V. Maruthi Ram, Chief General Manager, NABARD has taken over the charge as the Managing Director of the Company with effect from July 31, 2014

Meetings Held

During the Financial Year 2013-14, the Board met four times: on June 07, 2013, September 24, 2013, December 20, 2013 and March 07, 2014.

COMMITTEES OF THE BOARD

Audit Committee

The Committee was reconstituted on September 24, 2013; the present composition is as under:

- Shri Aloysius P. Fernandez
- Shri G. R. Chintala
- Shri L. D. Rewatkar
- Shri S. S. Bhat

Meetings Held

During the Financial Year 2013-14, the Audit Committee met four times: on June 07, 2013, August 23, 2013, December 06, 2013 and March 07, 2014

Committee for Revision of Rates of Interest

The Committee was reconstituted on September 24, 2013 and the present composition is as under:

- Shri Aloysius P. Fernandez
- Shri G. R. Chintala
- Shri L. D. Rewatkar
- Shri Y. K. Rao

Meeting Held

During the Financial Year 2013-14, the Committee for Revision of Rates of Interest met once on August 23, 2013

Loan Committee

The Committee was reconstituted on September 24, 2013 and the present composition is as under:

- Shri G. R. Chintala
- Shri L. D. Rewatkar
- Shri Y. K. Rao

Meeting Held

During the Financial Year 2013-14, the Loan Committee met once on August 23, 2013

Nomination Committee

The Committee was reconstituted on September 24, 2013 and the present composition is as under:

- Shri Aloysius P. Fernandez
- Shri G. R. Chintala
- Prof. M. S. Sriram
- Shri L. D. Rewatkar

During the Financial Year 2013-14, the Nomination Committee meeting was held on January 21, 2014.

Other Committees

Other Committees constituted by the Board are the Asset-Liability Management Committee, Risk Management Committee and Remuneration Committee.

AUDITORS

Internal Audit

M/s. Saraf & Chandra, Chartered Accountants are the Internal Auditors of the Company. The quarterly review reports received from the internal auditors are placed in the Audit Committee meetings at regular intervals.



STATUTORY AUDIT

The Comptroller & Auditor General of India appointed M/s. Venkat, Kollali & Murthy, Chartered Accountants, Bangalore as the Statutory Auditors of the Company for the year 2013-14 under the provisions of Section 619(2) of the Companies Act, 1956. It was also communicated by Comptroller & Auditor General of India that M/s. Phillipos & Co., Chartered Accountants, Bangalore are appointed as the Statutory Auditors of the Company for the year 2014-15.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, the Board of Directors of your Company confirm that

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;
- iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the Directors had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The disclosure of the particulars as required under Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are not applicable to the Company for the period under review.

CORPORATE SOCIAL RESPONSIBILITY

The Company has constituted a CSR Committee with the following members of the Board:

- 1. Prof. M S. Sriram
- 2. Dr. Venugopal Puhazhendhi and
- 3. Shri Y K. Rao

The CSR Committee at its meeting held on April 21, 2014 formulated a CSR Policy and the activities to be undertaken under CSR Policy by the Company.

PERSONNEL

No employee of the Company has drawn a salary exceeding the limits specified under Section 217 (2A) of the Companies Act, 1956.

ACKNOWLEDGEMENT

Your Board of Directors gratefully acknowledge the support and co-operation received from the Investors, RBI, the Government Agencies, Auditors, Partner NGOs, Institutions & Foundations, Advisors and all our well-wishers. The Board also place on record their appreciation for the creative and dedicated efforts of staff at all levels.

FOR AND ON BEHALF OF THE BOARD

Bangalore
Date: August 12, 2014

Aloysius P. Fernandez
Chairman

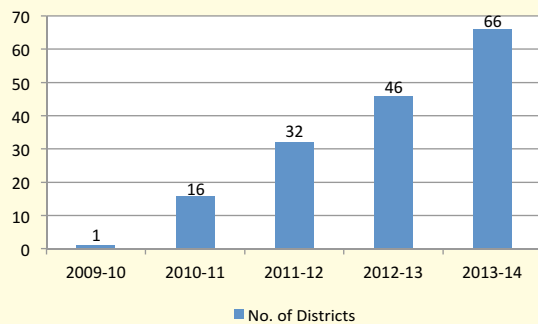
V. Maruthi Ram
Managing Director



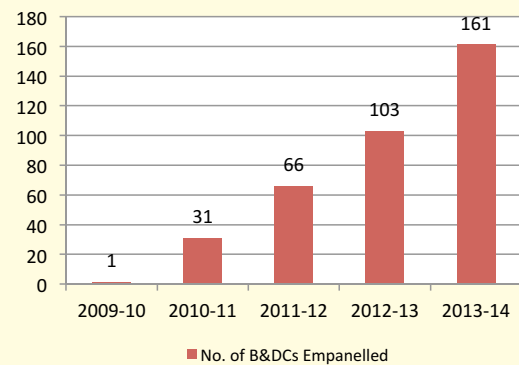


PERFORMANCE AT A GLANCE

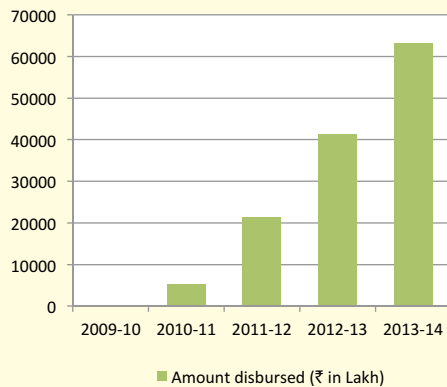
No. of Districts



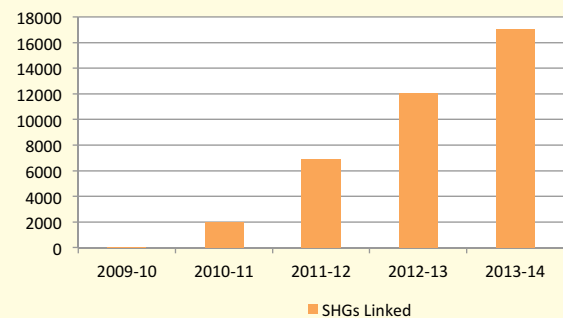
No. of B&DCs Empanelled



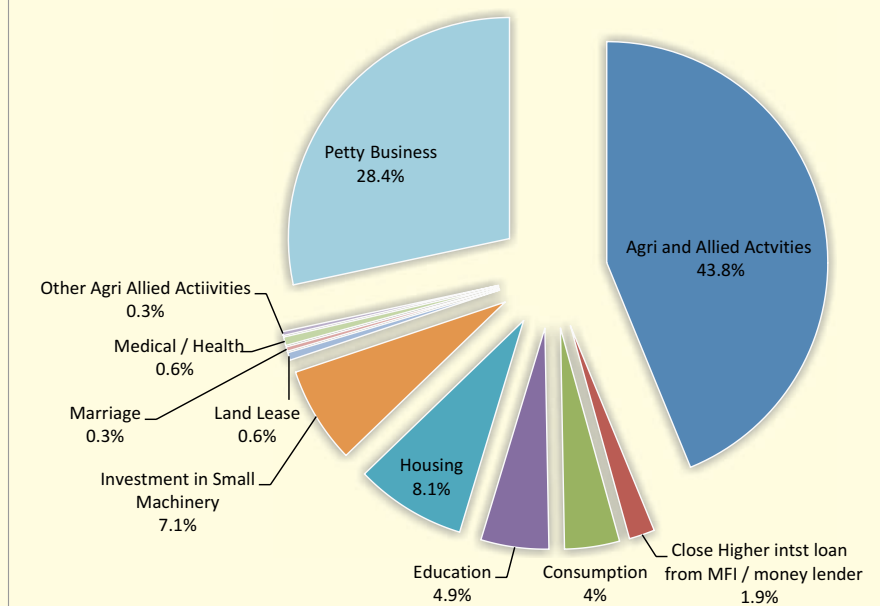
Amount Disbursed



SHGs Linked



Loan Purpose



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION
619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NABARD FINANCIAL
SERVICES LIMITED, BANGALORE FOR THE YEAR ENDED 31 MARCH 2014

The preparation of financial statements of NABARD' Financial Services Limited, Bangalore for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 09 June 2014.

I, on behalf of the Comptroller and Auditor General of India, have decided not to review the report of Statutory Auditor on the accounts of NABARD Financial Services Limited, Bangalore for the year ended 31 March 2014 and as such have no comments to make under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the
Comptroller and Auditor General of India

Sd/-

Place: Hyderabad
Date: June 16, 2014

(N. Karunakaran)
Principal Director of Commercial Audit &
Ex-Officio Member, Audit Board,
Hyderabad



INDEPENDENT AUDITOR'S REPORT

To

The Members of NABARD Financial Services Ltd.,
Bangalore

Report on the Financial Statements

We have audited the accompanying financial statements of M/s. NABARD Financial Services Ltd., which comprise the Balance Sheet as at 31 March 2014, the Statement of Profit and Loss and the 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

Management is responsible for 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 the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control 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 conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

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:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2014;
- (ii) in the case of the Statement of Profit and Loss, of the PROFIT for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the 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, 2003 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - (a) We have 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 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 Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956; and
 - (e) On the basis of written representations received from the directors as on 31 March 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For VENKAT, KOLLALI & MURTHY

Chartered Accountants

Firm's registration number: 004603S

Place: Bangalore

Sd/-

Date: June 9, 2014

(C. SUDHAKAR)

Partner

Membership number: 026064



Annexure to the Auditors' Report

The Annexure referred to in our report to the members of M/s. NABARD Financial Services Ltd., ("the Company") for the year ended 31 March 2014. We report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified every year. In accordance with this programme, all the fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.
- (c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (ii) The company is engaged in financial lending activity. Accordingly, it does not hold any physical inventories. Thus, paragraph 4(ii) of the Order is not applicable.
- (iii) The Company has not granted or taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and its financial lending services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the internal control system during the course of the audit.
- (v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in section 301 of the Act have been entered in the register required to be maintained under that section.
- (b) In our opinion, and according to the information and explanations given to us there were no transactions made in pursuance of contracts and arrangements referred to in (v)(a) above and exceeding the value of ₹5 lakh with any party during the year.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and hence provisions of Section 58A and 58AA of the Companies Act, 1956 do not arise.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
- (viii) The Central Government of India has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act for any of the services rendered by the Company.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including Provident Fund, Income-tax, Service tax and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income-tax, Service tax and other material statutory dues were in arrears as at 31 March 2014 for a period of more than six months from the date they became payable.

(c) According to information and explanations given to us, the following dues of Income tax have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (in ₹)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax & Interest demand as per intimation u/sec. 143(1) dt.05.03.2010	14,75,041	Assessment year 2008-09	The Income Tax Officer Ward 12(1), Bangalore
Income Tax Act, 1961	Income Tax & Interest demand as per intimation u/sec.143(1) dt.22.02.2011	9,12,140	Assessment year 2009-2010	The Income Tax Officer Ward 12(1), Bangalore
Income Tax Act, 1961	Interest u/sec 220 (2)	1,64,178	Assessment year 2009-2010	The Income Tax Officer Ward 12(1), Bangalore
Income Tax Act, 1961	Income Tax & Interest demand as per intimation u/sec.143(1) dt. 05.03.2010	2,68,063	Assessment year 2010-11	The Income Tax Officer Ward 12(1), Bangalore
Income Tax Act, 1961	Interest u/sec 220 (2)	40,182	Assessment year 2010-11	The Income Tax Officer Ward 12(1), Bangalore

The liability for the same is not provided in the books of account for by the company, since the credit for TDS has not been considered properly by the Tax authorities. Representations for the same have been made with the tax authorities by the Company on 12th August 2010, 23rd March 2011, 23rd June 2011, 28th December 2012, 12th January 2013, and also on 21.05.2014 with comparative statements and relevant records and the company is hopeful of withdrawal of demands by the tax authorities.

The tax authorities adjusted the demand of Tax ₹9,12,140 with interest of ₹1,64,178 u/sec. 220(2) for AY 2009-10 and Tax ₹2,68,060 with interest of ₹40,182 u/sec. 220(2) for AY 2010-11 against the refund granted ₹13,84,556 for AY 2011-12 as per intimation u/sec. 143(1) DT. 23.07.2012 of A.Y. 2011-12 and the company has sought rectification for A.Y 2011-12 for release of refund, contested the adjustment of demands and withdrawal of the demand vide its letter dated 24.05.2013 & 21.05.2014



- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company did not have any outstanding dues to any financial institution, banks or debenture holders during the year.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund/ nidhi/ mutual benefit fund/ society. Accordingly the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion, the terms loans have been applied for the purpose for which they were raised.
- (xvii) According to information and explanations given to us and on an overall examination of the Balance Sheet of the company, we report that no funds raised on short term basis have been used for long term investment. The only borrowing is only a Refinance Loan from NABARD the holding company.
- xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
- (xix) The Company did not issue any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For VENKAT, KOLLALI & MURTHY
Chartered Accountants
Firm's registration number: 004603S

Place: Bangalore

Date: June 9, 2014

Sd/-
(C. SUDHAKAR)
Partner
Membership number: 026064

BALANCE SHEET AS AT MARCH 31, 2014

(₹ in Lakh)

Sl. No.	Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
I	EQUITY AND LIABILITIES			
1	Shareholders' funds			
a.	Share capital	1	11,211.63	10,451.63
b.	Reserves and surplus	2	2,838.80	1,429.85
2	Non-current liabilities			
a.	Long-term borrowings	3	27,798.87	22,455.64
b.	Deferred tax liabilities (Net) (Refer to Note No. 43)		5.34	-
c.	Other long term liabilities	4	82.88	53.81
d.	Long-term provisions	5	105.52	75.50
3	Current liabilities			
a.	Short-term borrowings	6	8.87	-
b.	Trade payables		-	-
c.	Other current liabilities	7	27,400.71	18,998.11
d.	Short-term provisions	8	1,521.71	602.44
	Total		70,974.33	54,066.98
II	ASSETS			
1	Non-current assets			
a.	Fixed assets			
i.	Tangible assets	9	171.36	138.03
ii.	Intangible assets	10	11.12	5.74
iii.	Capital work-in-progress		-	-
iv.	Intangible assets under development		-	-
b.	Non-current investments	11	-	-
c.	Deferred tax assets (net)		-	0.91
d.	Long-term loans and advances	12	10,622.08	12,963.65
e.	Other non-current assets	13	52.01	63.01



(₹ in Lakh)

Sl. No.	Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
2	Current assets			
	a. Current Investments	14	-	-
	b. Inventories	15	-	-
	c. Trade Receivables	16	-	-
	d. Cash and Cash Equivalent	17	7,150.00	14,607.08
	e. Short-term loans and Advances	18	52,370.09	25,207.38
	f. Other current assets	19	597.67	1081.18
	Total		70,974.33	54,066.98

Notes No. 1 to 47 & Significant Accounting Policies Note No. 48 are forming part of accounts.

For VENKAT, KOLLALI & MURTHY
Chartered Accountants
Firm No. 004603S

For NABARD Financial Services Limited

C SUDHAKAR B.Com, F.C.A
Partner
Membership No. 026064

Aloysius P Fernandez
Chairman

Y. K. Rao
Managing Director

Place: Bangalore
Dated: June 9, 2014

Y. L. Narasappa
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakh)

Sl. No.	Particulars	Note No.	For the year ended	
			31.03.2014	31.03.2013
I.	Revenue from Operations	22	8,325.13	4,315.93
II.	Other Income	23	636.69	1,394.45
III.	Total Revenue (I+II)		8,961.82	5,710.38
IV.	Expenses:			
	Cost of materials consumed	24	-	-
	Purchase of Stock-in-Trade			
	Changes in inventories of finished goods, WIP and Stock-in-Trade	25	-	-
	Employee benefits expense	26	663.10	429.44
	Finance costs	27	3,983.74	2,958.59
	Depreciation	9&10	15.83	9.06
	Other expenses	28	1,919.61	1,005.81
	Total Expenses		6,582.28	4,402.90
V.	Profit before exceptional and extraordinary items and tax (III-IV)		2,379.54	1,307.48
VI.	Exceptional items		-	-
	- Prior period items	29	(2.44)	1.97
VII.	Profit before extraordinary items and tax (V-IV)		2,381.98	1,305.51
VIII.	Extraordinary Items		-	-
IX.	Profit before tax (VII-VIII)		2,381.98	1,305.51
X.	Tax Expense:			
	1. Current Tax (MAT)		-	-
	Less: Mat credit entitlement		-	-
	Net Current Tax		966.45	462.16
	Short provision of Income tax of Earlier years		0.33	-
	2. Deferred Tax		6.25	0.64
XI.	Profit (Loss) for the period from continuing operations (IX-X)		1,408.95	842.71
XII.	Profit/loss from discontinuing operations		-	-
XIII.	Tax expense of discontinuing operations		-	-



(₹ in Lakh)

Sl. No.	Particulars	Note No.	For the year ended	
			31.03.2014	31.03.2013
XIV.	Profit/loss from discontinuing operations (after tax) (XII-XIII)		-	-
XV.	Profit/ loss for the prior period (XI+XIV)		1,408.95	842.71
XVI.	Earnings per equity share:			
	1. Basic		0.95	0.94
	2. Diluted		0.95	0.94

Notes No. 1 to 47 & Significant Accounting Policies Note No. 48 are forming part of accounts.

For VENKAT, KOLLALI & MURTHY
Chartered Accountants
Firm No. 004603S

For NABARD Financial Services Limited

C. SUDHAKAR B. Com, F.C.A
Partner
Membership No. 026064

Aloysius P. Fernandez
Chairman

Y. K. Rao
Managing Director

Place: Bangalore
Dated: June 9, 2014

Y. L. Narasappa
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2014

(₹ in Lakhs)

Particular	During 2013 - 14	During 2012 - 13
a) Cash flow from Operating Activities		
Profit before Tax	2,379.54	1,305.51
Depreciation	15.82	9.06
Provision for Non Performing Assets	23.70	1.37
Provision for Standard Assets	417.19	97.05
Profit / Loss on sale of Fixed Asset	-	-
Sundry balances written off	0.25	0.10
Provision for employee benefits	28.99	11.83
Prior period items	2.44	1.97
Amortization of ROC fee	11.00	11.00
Sub Total (A)	2,878.95	1,437.89
Changes in current assets and liabilities		
(Increase) / Decrease in Loans and Advances	(24,821.30)	(19,470.04)
(Increase) / Decrease in Other Current Assets	1,336.59	(632.34)
Increase / (Decrease) in Liabilities and Provisions	7,944.61	10,090.07
Increase / (Decrease) in Provisions for employee benefits	-	-
Cash generated from operating activities	(12,661.16)	(8574.42)
Payment towards Income tax		
For 2012-13 (Self Assessment Tax)	(0.33)	-
For 2013-14 (Advance Tax)	(853.07)	(195.62)
Net cash flow from operating activities (A)	(13,514.56)	(8770.04)
b) Cash flow from Investing Activities		
(Increase) / Decrease of Fixed & Intangible Assets	(54.63)	(106.56)
Net cash used in investing activities (B)	(54.63)	(106.56)
(c) Cash flow from Financing Activities		
Proceeds from issue of Shares	760.00	6,243.81
Increase / (Decrease) in Borrowings	5,352.11	8,797.35
Increase / (Decrease) in Deposits	-	22.33
Grants / contributions received	-	-
ROC filing fee & Stamp duty	-	(55.00)



Net cash raised from financing activities (C)	6,112.11	15,008.49
Net increase in cash and cash equivalent (A)+(B)+(C)	(7,457.08)	6,131.89
Cash and cash equivalent at the beginning of the period	14,607.08	8,475.19
Cash and cash equivalent at the end of the period	7,150.00	14,607.08
Cash and cash equivalent at the end of the period includes :		
Cash in hand	210.73	63.09
Balance with Reserve Bank of India	-	-
Balances with Other Banks in India	187.34	228.73
Deposits	6,751.93	14,315.25
Total	7,150.00	14,607.08

For VENKAT, KOLLALI & MURTHY
Chartered Accountants
Firm No. 004603S

For NABARD Financial Services Limited

C. SUDHAKAR B.Com, F.C.A
Partner
Membership No. 026064

Aloysius P. Fernandez
Chairman

Y. K. Rao
Managing Director

Place: Bangalore
Dated: June 9, 2014

Y. L. Narasappa
Company Secretary

NOTE FORMING PART OF BALANCE SHEET

(₹ in Lakh)

Notes No.	Particulars	Current year 31.03.2014	Previous year 31.03.2013
1	Share Capital		
	Authorised Capital	2,00,00.00	2,00,00.00
	20,00,00,000 Equity Shares of ₹10/- each (Previous year 20,00,00,000 Equity Shares of ₹10/- each)		
	Issued, Subscribed & Fully Paid up:		
	112,116,307 Equity Share of ₹10/-each (Previous year 104,516,307 Equity shares of ₹10/- each)	11,211.63	10,451.63
	Total	11,211.63	10,451.63

a. Reconciliation of the number of shares outstanding at the end of reporting period

Shares at the beginning of the year	10,45,16,307
Add: Shares issued during the year	76,00,000
Add: Bonus shares issued during the year	-
Less: Shares bought back, if any	-
Shares at the end of the year	11,21,16,307

b. Rights, preferences and restrictions attaching to each class of shares including restrictions on distribution of dividends and repayment of capital

The Company has only one class of equity shares having a par value of ₹10/- per share. The Voting rights on a poll taken at a meeting of the company, a member entitled to more than one vote, or his proxy or other person entitled to vote for him as the case may be, need not, if he votes, use all his votes or cast in the same way all the votes he uses as per Memorandum & Articles of association of company.

c. Details of shareholders holding more than 5% of the aggregate in the Company.

	31.03.2014		31.03.2013	
	Numbers	% of holding	Numbers	% of holding
1. National Bank for Agriculture & Rural Development	7,60,06,300	67.79	76,006,300	72.72
2. Union Bank of India	85,00,000	7.58	5,900,000	5.65
3. Government of Karnataka	2,03,60,000	18.16	20,360,000	19.48



d. For a period of years, immediately preceding the Balance sheet

Aggregate number & class of shares

- Allotted as fully paid up pursuant to contract(s) without payment being received in cash: NIL
- Allotted as fully paid up by way of bonus shares: NIL
- Bought back: NIL

2 Reserves & Surplus

(a) Capital Reserve	-	-
(b) Capital Redemption	-	-
(c) Security Premium Account (*)	-	-
(d) Debenture Redemption Reserve	-	-
(e) Revaluation Reserve	-	-
(f) Share Options Outstanding Account	-	-
(g) Other Reserves :		
(i) Reserve Fund		
Opening Balance	289.49	120.95
Additions during the year	281.79	168.54
Sub Total	571.28	289.49
(ii) Risk Fund		
Opening Balance	100.00	25.00
Additions during the year	100.00	75.00
Sub Total	200.00	100.00
(h) Surplus		
Opening balance	1,040.36	441.19
Transfer from Statement of Profit & Loss	1,408.95	842.71
Amount Available for Appropriation	2,449.31	1,283.90
Less: Appropriations		
- for Reserve Fund	281.79	168.54
- for Risk fund (Note no. 34)	100.00	75.00
Sub Total	2,067.52	1,040.36
GRAND TOTAL	2,838.80	1,429.85

3 Long-Term Borrowings

Term Loans from Banks

i. Bonds/Debentures

Secured	-	-
Unsecured	-	-

ii. Term Loans from

a. Banks

Secured	-	-
Unsecured :		

- Refinance Loan From NABARD	27,498.87	22,455.64
(Refer Note no:37)		

Sub Total	27,498.87	22,455.64
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b. Other Parties

Secured	-	-
Unsecured	-	-

iii. Deferred Payment liabilities

iv. Deposits	-	-
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v. Loans and advances from related parties	-	-
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vi. Long term maturities of finance lease obligations	-	-
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vii. Other loans & advances (specify natures)	-	-
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Patient Capital from IFAD - Government of	300.00	-
Tamil Nadu (Refer Note No.38)	-	-

Sub Total	300.00	-
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GRAND TOTAL	27,798.87	22,455.64
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4 Other Long Term liabilities

Others

(a) Trade Payables	-	-
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(b) Others:

Security Deposit	75.42	50.09
Interest accrued but not due on security Deposit	7.46	3.72

TOTAL	82.88	53.81
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5 Long -Term provisions

a. Provision for employee benefits		
Gratuity	-	10.86
b. Others :		
Contingent Provision made against Standard Assets	105.52	64.64
Provision for Non Performing Assets	-	-
TOTAL	105.52	75.50

6 Short-Term borrowings

(a) Loan repayable on demand from		
(i) Banks		
Secured O/D A/c	2.16	-
Unsecured	-	-
-Credit Balance in Current A/c with SBI	6.71	-
(ii) Other parties	-	-
Secured	-	-
Unsecured	-	-
(b) Loans & advances from related parties	-	-
(c) Deposits	-	-
(d) Other loans & advances	-	-
TOTAL	8.87	-

7 Other Current Liabilities

Other payables

(a) Current maturities of long-term debt		
Refinance Loans from NABARD	26,351.33	18,235.37
(Refer Note no: 37)		
(b) Current maturities of finance lease obligations	-	-
(c) Interest accrued but not due on borrowings	-	-
(d) Interest accrued and due on borrowings		
- Refinance Loans from NABARD	840.38	614.94
(e) Income received in advance	-	-
(f) Unpaid dividends	-	-
(g) Share application money received & due for refund & interest accrued thereon	-	-
(h) Unpaid matured deposits and interest accrued	-	-
(i) Unpaid matured debentures and interest accrued	-	-

(i) Other payables		
Accrued Salaries and Incentives to Staff	90.85	38.37
Withholding and other taxes payable	7.67	7.65
Other Payable:		
Received from BCs	4.07	0.97
ESIC, PF & Professional taxes	7.31	4.97
Provision for Expenses	99.10	94.35
Unutilised Grants from NABARD for SHG promotions	-	1.49
Total	27,400.71	18,998.11
8 Short - Term provisions		
(a) Provision for employee benefit		
Leave Encashment	27.71	10.92
Leave Travel Allowance	-	3.67
Gratuity (Funded)	1.87	0.02
Total (a)	29.58	14.61
(b) Others		
Contingent provision made against		
a) Standard Assets	500.39	124.09
b) Sub Standard Assets	25.29	1.58
Provision for Non Performing Assets (Refer Note No. 31)		
Provision for Income Tax	966.45	462.16
Total (b)	1,492.13	587.83
Total (8)=Total (a)+Total (b)	1,521.71	602.44

Note forming part of Balance Sheet

Note: 9 & 10 Fixed Assets As on March 31, 2014

Particulars	Gross Carrying Value						Depreciation				Net Carrying Value		
	As at beginning of the year 01.04.2013	Additions	Acquisitions through business combinations separately	Disposal/ Written off	Other adjust ments	As at end of year 31.03.2014	Rate of Depre- ciation	Upto last year 01.04.2013	For the year	Withdrawn	Total	As at end of the current year 31.03.2014	As at end of previous year 31.03.2013
Note No. 9 Tangible Assets													
Furniture & Fixtures	39.53	6.69	-	-	-	46.23	6.33%	3.50	2.73	-	6.23	40.00	36.03
Office Equipments	30.00	7.55	-	0.05	-	37.50	4.75%	1.52	1.62	-	3.13	34.36	28.48
Computer	41.98	12.25	-	-	-	54.23	16.21%	8.20	7.13	-	15.33	38.90	33.78
Plant & Equipment	40.29	20.61	-	-	-	60.90	4.75%	0.55	2.83	-	3.38	57.52	39.74
Motor Vehicle / Scooter		0.59	-	-	-	0.59	-	-	0.02	-	0.02	0.58	-
	151.80	47.69	-	0.05	-	199.45	-	13.77	14.33	-	28.09	171.36	138.03
Note No. 10 Intangible Assets													
Software	6.48	6.88	-	-	-	13.36	16.21%	0.74	1.50	-	2.24	11.12	5.74
Others	6.48	6.88	-	-	-	13.36	-	0.74	1.50	-	2.24	11.12	5.74
Total	158.28	54.57	-	0.05	-	212.81	-	14.51	15.83	-	30.33	182.48	143.77
Previous year	51.72	106.56	-	-	-	158.28	-	5.45	9.06	-	14.51	143.77	



Note forming part of Balance Sheet

(₹ in Lakh)

Notes No.	Particulars	Current year 31.03.2014	Previous year 31.03.2013
11	Non-Current Investments	-	-
12	Long-term loans & advances		
	(a) Capital Advances	-	-
	(b) Security Deposits		
	Deposit - Rent	44.21	31.87
	(c) Loans & advances to related parties	-	-
	(d) Other loans & advances		
	Secured considered good:		
	- Standard assets	406.13	67.81
	- Sub Standard assets	-	-
	Unsecured considered good:		
	- Standard assets	10,146.13	12,860.10
	- Sub Standard assets	-	-
	Staff Advance	25.61	3.87
	Total	10,622.08	12,963.65
13	Other non - current assets		
	(a) Long Term Trade Receivables		
	Unsecured, considered good Less than 12 Months		
	(b) Others		
	Tour Advance	-	-
	Advance to others	-	-
	Income Tax Refund Due	19.01	19.01
	TDS Receivable	-	-
	Prepaid Expenses	-	-
	Unamortized Expenditure:	33.00	44.00
	- ROC filing fee & Stamp duty towards Increase in authorised capital (Refer Note no. 39)		
	TOTAL	52.01	63.01

Note forming part of Balance Sheet



14	Current Investments	-	-
15	Inventories	-	-
16	Trade Receivables		
	Unsecured, considered good Loans to SHG below 12 Months	-	-
17	Cash & Cash equivalents		
I	Cash & Cash equivalents		
	(a) Balance with banks	187.34	228.73
	(b) Cheques, drafts on hand	-	-
	(c) Cash on hand	210.73	63.09
	(d) Others		
	Bank deposits with less than 12 months maturity	4,150.00	12,251.47
II	Earmarked balances with banks	800.00	300.00
III	Balances with banks-held as margin money or security deposit against borrowings, guarantee/other commitments	1,801.93	1,049.05
IV	Repatriation restrictions	-	-
V	Bank deposits with more than 12 months maturity	-	714.74
	TOTAL	7,150.00	14,607.08
18	Short-Term Loans and Advance		
	(a) Loans and Advance to related parties		
	Secured, considered good	-	-
	Unsecured, considered good	-	-
	(b) Others		
	(i) Loans & Advances to others		
	Secured considered good		
	- Standard assets	649.16	189.99
	- Sub standard assets	-	-
	Unsecured considered good:		
	- Standard assets	50,546.22	24,817.27
	- Sub standard assets	224.03	15.84
	(ii) Others - unsecured considered good		
	Advances to Employees for Expenses	10.59	17.39
	Sundry advances / deposits	0.55	0.06
	Advance Income Tax	853.07	195.62
	Telephone/Insurance Deposits	0.01	0.40

Note forming part of Balance Sheet

Tax Deducted at Source	63.54	139.52
Prepaid Expenses	22.92	21.29
TOTAL	52,370.09	25,207.38

19 Other current assets

Interest receivable on Bank Deposits	85.69	761.17
Interest receivable on Loans	403.21	224.99
Processing Fee Receivable	99.21	84.24
Cenvat Credit on Capital Goods Receivable	-	1.59
Cenvat Credit on Capital Goods Available (Refer Note no.36)	-	1.83
Service Tax Receivable from SHG's	6.16	7.36
Advance paid for fixed assets	3.40	-
TOTAL	597.67	1,081.18

20 Contingent liabilities & commitments

Contingent liabilities & commitments

(a) Claims against the company not acknowledged as debt (Refer Note No. 38)	28.60	26.58
(b) Guarantees	-	-
(c) Other money for which the company is contingently liable	-	-

Commitments

(a) Estimated amount of contracts to be executed on capital account & not provided for	-	-
(b) Uncalled liability on shares & other investments partly paid	-	-
(c) Others	-	-

21 Proposed Dividends



Note forming part of Statement of Profit & Loss

(₹ in Lakh)

Note No.	Particulars	Current year 31.03.2014	Previous year 31.03.2013
22	Revenue from Operations		
	FINANCE COMPANY		
	(i) Interest	7,681.64	3,897.84
	(ii) Processing Fee	643.49	418.09
		8,325.13	4,315.93
23	Other Income		
	Interest on Fixed Deposits	632.52	1,388.58
	Interest on Staff Loan	1.88	0.77
	Other Income:		
	- Consultancy	-	2.00
	- Notice pay recovery	0.59	0.10
	- Interest Others	0.84	0.16
	- Reimbursement of expenses	0.61	1.45
	- Credit balances written back	-	0.30
	- Interest on IT refund (AY 2012-13)	-	1.09
	- Excess Provision of Gratuity of earlier years	0.25	-
	Total	636.69	1,394.45
24	Cost of Materials Consumed	-	-
25	Changes in Inventories of Finished Goods	-	-
26	Employee Benefits Expenses		
	Salaries and Wages	453.41	314.35
	Incentive for Staff	82.23	37.70
	Recruitment Expenses & Training Expenses	1.95	4.93
	Gratuity	13.28	6.44
	Leave encashment	32.58	14.06

Note forming part of Statement of Profit & Loss

Leave Travel Allowance	15.55	10.98
Staff Welfare	6.08	4.33
Rent paid for Staff Quarters	18.73	12.80
Contribution to Provident fund and other Statutory funds	39.29	23.85
Total	663.10	429.44
27 Finance Costs		
Interest on NABARD Refinance Loans	3,928.96	2,947.45
Interest on Over Draft with Bank	51.04	8.80
Interest on Security Deposits	3.74	2.34
Total	3,983.74	2,958.59
28 Other Expenses		
Repairs & Maintenance	30.81	16.59
Commission for Business Correspondent/Facilitator	1,019.34	628.46
Rent	30.18	27.24
Electricity & Water charges	7.55	4.28
Business Promotion	4.45	1.80
Insurance	29.69	20.38
Travelling & Conveyance	165.23	99.66
Printing & Stationery	33.85	21.68
Postage, Telephone & Courier Charges	26.09	13.71
Transportation Charges	0.06	0.25
Auditors Remuneration		
- Statutory Audit Fee	3.71	2.00
- Taxation Matters	0.28	0.25
- Other Services	1.37	1.53
Internal Audit Fee	5.39	4.45
Books and Periodicals	0.53	0.35
Meeting Expenses	1.30	1.60
Miscellaneous Expenses	0.30	0.58
Website Charges	3.54	4.05
Advertisement Expenses	1.90	0.52



Note forming part of Statement of Profit & Loss

Rates & Taxes

- Share Issue Expenses - ROC fee amortized	11.00	11.00
- Interest on Delayed Remittance of TDS	0.03	-
- Others	5.37	3.54
Data Entry Expenses	0.90	2.75
Directors Sitting Fee	1.20	1.80
Training Expenses	18.31	3.39
Legal & Professional Charges Fee	6.79	14.96
Review & Retreat Expenses	22.58	-
Livelihood promotion for Training funds	4.77	-
Patient Capital Expenses	1.24	-
Loss on sale of Assets	-	-
Written off Fixed Assets	-	-
Security Guard Expenses	4.41	0.99
Assets costing Less than ₹5000	2.39	2.67
Bad Debts written off	0.25	0.10
Bank charges	33.91	16.84
Provision for Standard Assets	417.19	97.05
Provision for Non Performing Assets	23.70	1.37

Total	1,919.61	1,005.81
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29 Prior Period Items

Excess provision of Interest accrued of		
Fixed deposit of earlier years	(2.44)	4.17
Telephone Expenses	-	0.03
Insurance	-	(0.77)
Earned Leave provision	-	(1.43)
Professional tax	-	(0.01)
ESI dues excess provision	-	(0.03)

Total	(2.44)	1.97
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30. Capital to Risk Weighted Asset Ratio:

Disclosures required as per Guidelines for NBFC-ND-SI with asset size of 100 crore and above, issued by Reserve Bank of India, vide Notification No. DNBS (PD). CC.No.125/03.05.002/2008-09 dt. August 1, 2008:

	31st March 2014	31st March 2013
a. CRAR	22.35%	31.33%
Tier I Capital	22.35%	31.33%
Tier II Capital	-	-
b. Exposure to real estate sector		
Direct & indirect Exposure	Nil	Nil

31. Provision on Loans & Write off

Asset Classification	Criteria	Outstanding ₹in lakhs	RBI Norms		Actual provision	
			%	Amount	%	Amount
A. Standard	Up to 90 days					
Andhra Pradesh Portfolio		1,541.83	0.25%	3.86	0.25%	3.86
Non- Andhra Pradesh Portfolio		60,205.82	1.00%	602.06	1.00%	602.06
B. Sub - Standard	90 days to 18 months	220.82	10.00%	22.08	10.00%	22.08
C. Doubtful Assets (Unsecured)	Up to 1 year	3.20	100.00%	3.20	100.00%	3.20
	1 to 3 years	-	100.00%	-	100.00%	-
	> 3 years	-	100.00%	-	100.00%	-
D. Loss assets	RBI norms	-	100.00%	-	100.00%	-
Total provisions		61,971.67		631.20		631.20

32. Maturity Pattern of certain items of assets and liabilities as on 31.03.2014

Particulars	(₹ inLakh)								
	1 to 14 days	15 to 28 days	29 days to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	5 to 7 years	Total
Assets									
Loans	1,555.51	2,576.13	12,836.52	11,276.03	23,175.21	10,552.26	-	-	61,971.67
FDs, Bank & Cash balances	398.07	1,100.00	1,600.00	2,450.00	1,601.93	-	-	-	7,150.00
Total	1,953.58	3,676.13	14,436.52	13,726.03	24,777.14	10,552.26	-	-	69,121.67
Liabilities									
Refinance from NABARD	-	-	-	13,842.28	12,509.04	27,498.87	-	-	53,850.20
Others									
Refinance Interest	-	-		840.38	-	-	-	-	840.38
Total	-	-	-	14,682.66	12,509.04	27,498.87	-	-	54,690.58



33. Earnings Per Share:

Particulars	2013-14 in lakhs	2012-13 in lakhs
Profit available to Equity Shareholders (₹)	1,027.16	599.17
Weighted average No. of Equity shares	1,082.88	638.84
Potential Equity shares	-	-
Basic Earnings per shares	0.95	0.94
Diluted Earnings per shares	0.95	0.94

34. Contribution to Risk Fund

The company has made an appropriation of ₹100 lakhs (Rupees One hundred Lakhs Only) out of Profit for the year 2013-14, towards "Risk Fund" as per Board's Resolution dated 9th June 2014. With this appropriation, the balance in "Risk Fund" was increased to ₹200 lakhs as on 31st March 2014.

35. Employees Benefits

- The Managing Director is on deputation from NABARD. MD's remuneration including Provident Fund, Gratuity and Leave Salary are charged to the accounts and reimbursed to NABARD on the basis of the advices received from them.
- The Liability in respect of Gratuity for employees is funded through a scheme administered by an insurer and the said Gratuity of ₹11,99,294/- on Actuarial basis has been paid during the year. Further Gratuity provisions of ₹1,28,696/- made for Managing Director.
- Liability in respect of Leave encashment has been provided as per policy of the company amounting to ₹27,70,685/-

36. Utilization of Cenvat Credit on Capital Goods against Service tax payable liability

During the previous year, the company has availed Cenvat credit benefits on the purchase of Point Of Sale (POS) machines in accordance with Rule 3 of Cenvat Credit Rules 2004, which are being used in the field for recording loan installment collection and accounting thereof.

The company is a provider of taxable service, has registration certificate under Service tax for their output service "Banking and Financial services". The Cenvat credit availed on Capital Goods will be utilized for payment of service tax liability in accordance with Rule 4 Cenvat Credit Rules 2004.

Accordingly the company has utilized Cenvat credit of balance fifty percent of duty paid on 250 numbers of POS machines amounting to ₹1, 83,422/- during the current year against service tax liability.

37. Re-finance loan from NABARD

The company has "Re-finance" arrangements with NABARD, and the refinance is being availed by the company after disbursement of loan, the terms of each refinance is repayable in three years with half yearly installments and interest.

The “Re-finance” arrangements are unsecured in nature and there was no default in repayment of loan installments and also interest. The following are the repayment terms:

Sl. No.	Rate of Interest %	Out-standing no. of Installments	Amount (₹ lakh)
1	8.25%	27	777.71
2	8.75%	25	1,312.35
3	9.00%	109	12,213.80
4	9.10%	3	386.05
5	9.20%	36	7,765.72
6	9.65%	8	4,944.39
7	9.70%	20	20,417.79
8	9.90%	11	3,700.71
9	10.25%	10	2,331.68
Total			53,850.20

The current maturities (payable within the period of 12 months) of “Re-finance” commitments, are classified as Current liabilities amounting to ₹26,351.33 lakhs and the remaining commitments are classified under Long term borrowing amounting to ₹27,498.87 lakhs (Refer Note no 3 & 7).

38. Patient Capital

The Company has entered into MOU dated 19th June 2013 with PMU of IFAD (Project Management Unit of International Fund for Agricultural Development Government of Tamil Nadu) assisted by Post Tsunami Sustainable Livelihood Program, and as per the MOU, the Company is eligible for receiving Fund assistance for ₹500 lakhs in accordance with the terms and conditions set forth therein. The said fund assistance of ₹500 lakhs provided to the company as patient capital by IFAD will be utilized for development of micro enterprises and all aspects relating to various activities included in the MOU and implementation thereof including Auditing of the accounts, monitoring and review will be taken over by its successor's after expiry of 8 years, the date on which the patient capital will be converted as Equity in perpetuity of the company.

During the year, the Company has received first instalment of ₹300 lakhs out of ₹500 lakhs and the amount received was accounted as “Patient Capital” classified under “Long Term loan”.(Refer note. no. 3)

39. Income Tax demand

The Company has received tax demands of ₹14,75,041 for AY 2008-09 and ₹9,12,140 for AY 2009-10 and ₹2,68,063/- for AY 2010-11 and the same is shown under contingent liabilities as “Claims against the company not acknowledged as debt” (Refer Note no. 20). The liability for the same is not provided for by the company, since the credit for TDS has not been considered properly by the Tax authorities. Representations for the same have been made with the tax authorities by the Company on 12th August 2010, 23rd March 2011, 23rd June 2011, 28th December 2012 and 12th January 2013 and the company is hopeful of withdrawal of demands by the tax authorities.



During the year, the company had made the representations again on the same along with Comparative statements and relevant records on 21st May 2014 for A.Y 2008-09, 2009-10, 2010-11, and 2011-12.

The tax authorities have adjusted the tax demand of ₹9,12,140 of AY 2009-10 with interest of ₹1,64,178/- , under section 220(2) of IT Act and also the tax demand of ₹2,68,060/- for AY 2010-11 with interest of ₹40,182/-, under section 220(2) of IT Act against the refund of ₹13,84,556/- for the AY 2011-12 vide intimation under section 143(1) of the Income Tax Act dated 23/07/2011. However the company has sought rectification for the AY 2011-12 for release of refund and contested the adjustment of demands against refund vide its letter dated 24.05.2013.

The Income tax refund due shown under “non-current assets” (Note no:13) includes ₹3.23 lakhs for AY 2008-09, ₹1.04 lakhs for AY 2010-11 and ₹14.31 lakhs for AY 2011-12 pending disposal of the company's representations for refund before tax authorities.

40. Expenses for filing fee for Increase in Authorized Share Capital

The Company has incurred expenses during 2012-13 towards ROC filing fee amounting to ₹55.00 lakhs (Rupees Fifty Five Lakhs Only) towards increase in Authorized Share Capital of the company. Since the said expenditure is of capital nature, hence the company has amortized 1/5th of such expenditure amounting to ₹11 lakhs for the year under section 35D of the Income tax Act and the un-amortised portion of ₹33.00 lakhs (Rupees Thirty Three Lakhs Only) are included in the “Other non-current assets”. (Refer Note no.13)

41. Remuneration to Managing Director includes:

	(₹ in Lakh)	
Particulars	2013-14	2012-13
Salary and Allowances, Perks and Provident Fund C. P. Mohan	5.32	31.69
Gratuity C. P. Mohan	0.29	0.12
Salary and Allowances, Perks and Provident Fund Y. K. Rao	23.22	-
Gratuity Y. K. Rao	0.99	-
Total	29.83	31.81

42. Professional Fee to Chairman for Acting as Professional Advisor:

	(₹ in Lakh)	
Particulars	2013-14	2012-13
Professional Fee	14.16	7.50
Reimbursement of conveyance charges	3.52	2.25
Total	17.68	9.75

43. Break-up of Deferred Tax Asset / (Liability) as on 31st March 2014:

	(₹ in Lakh)	
	2013-14	2012-13
a. Difference between Depreciation on Fixed Assets as per IT & company	(15.39)	(8.21)
b. Disallowance u/s 43B of the Income Tax Act, 1961 in respect of Gratuity	0.63	3.16
c. Disallowance u/s 43B of the Income Tax Act, 1961 in respect of Leave Allowance	9.42	5.96
Total	(5.34)	0.91

44. Foreign Currency Transactions:

Particulars	2013-14	2012-13
a. Earnings in Foreign Currency	Nil	Nil
b. Expenditure in Foreign Currency	Nil	Nil

45. Based on information available with the Company, there are no suppliers /contractors, service Providers as on 31st March 2014 who are registered as Micro, Small or Medium Enterprises under "The Micro, Small & Medium Enterprises Development Act, 2006".

46. Segment Reporting:

The Company is engaged in Financial Lending Activity which as per AS17 is Considered the only reportable business segment. The geographical segment is not relevant since the company's business activities are restricted within the country

47. Related party Disclosures: Key Personnel:

Sl. No.	Particulars	2013-14
1	Remuneration to Managing Director Mr. C. P. Mohan (April-13 to June-13)	5.61
2	Remuneration to Managing Director Mr. Y. K. Rao (June-13 to March-14)	24.21
3	Refinance (Borrowings) from NABARD during the year	33,189.87
4	Interest on Refinance borrowings to NABARD	3,928.96
5	Professional Fee to Chairman Shri. Aloysius P. Fernandez	17.68
	Total	37,166.34



48: Nature of Business:

The Company is Non-banking Financial Company (NBFC) registered with the Reserve Bank of India ("RBI") under section 45-IA of the Reserve Bank of India Act, 1934 and primarily engaged in lending and related activities. The Company received the Certificate of Registration from the RBI on 18th November, 2008 enabling the Company to carry on business as a Non-banking Financial Company by not accepting deposits.

SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS

A. Significant Accounting Policies:

i) Basis of Preparation of Financial Statements:

The accompanying financial statements are consistently prepared under the historical cost convention, and accrual basis of accounting as a going concern, in accordance with the generally accepted accounting principles in India ("Indian GAAP") and conform to the statutory requirements, circulars and guidelines issued by the RBI from time to time to the extent they have an impact on the financial statement and current practices prevailing in India. The financial statements comply in all material respects with the Accounting Standards ("AS") notified by the Companies (Accounting Standards) Rules, 2006 and relevant provisions of the Companies Act, 1956 ("the Act"), to the extent applicable.

ii) Use of Estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles require the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from the estimates and assumptions used in preparing the accompanying financial statements. Any differences of actual results to such estimates are recognized in the period in which the results are known / materialized.

iii) Revenue Recognition:

- a) Income is recognized and accounted on accrual basis except in case of Non-Performing Assets (NPA) outstanding for more than 90 days from the due date, which is recognized only on receipt basis, and any interest income recognised before the asset become NPA and remaining unrealised income if any is reversed as per guidelines for prudential norms issued by RBI.
- b) Interest on bank deposits is recognised on accrual basis on a time proportion and duly supported by interest certificates from banks.
- c) All other incomes are recognised on accrual basis, except in case of bad debts recovered, which are accounted as and when received.

iv) Fixed assets & Depreciation:

Fixed Assets are stated at cost less accumulated depreciation and impairment, if any. The cost of fixed assets comprises purchase price less CENVAT if eligible for credit and any other incidental cost of bringing the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalized only when it increases the future benefit / functioning capability from / of such assets.

On all assets, except as mentioned below, depreciation has been provided using the Straight line method at the rates specified in Schedule XIV to the Companies Act, 1956:

- a) Individual low cost assets costing (acquired for ₹5,000/- or less) are depreciated in the year of acquisition.
- b) Improvements to Leased Assets are fully charged to revenue in the same year in which such expenses are incurred.

v) Intangible Assets & Amortization:

Expenses incurred on Computer Software having enduring benefits are capitalized and will be depreciated on a pro rata basis from the date of acquisition.

Un-amortised portion of expenses are included in the "Other non-current assets" and disclosed under Non-current assets.

vi) Employee Benefits:

- a) Short term employee benefits

Short term employees' benefits are recognized as an expense at the undiscounted amounts in the profit & loss statement for the year in which the related services are rendered.

- b) Long term employee benefits

- c) Provident Fund:

In accordance with law, eligible employees of the Company are entitled to receive benefits under the provident fund. The Company contributes an amount, on a monthly basis, at a determined rate (currently 12% of employee's basic salary) to the Pension Scheme administered by the Regional Provident Fund Commissioner (RPFC) and the Company has no liability for future provident fund benefits other than its annual contribution.

Contribution payable to the recognised provident fund, which is a defined contribution scheme, is accounted for on accrual basis.

- d) Gratuity:

Gratuity is post- employment benefit and is in the nature of Defined Benefit Plan. The Liability recognised in the balance sheet in respect of gratuity is the present value of defined benefit obligation at the balance sheet date, together with the adjustments for unrecognized actuarial gain or losses and the past service costs.

The defined benefit obligation is calculated at or near the balance sheet date by an independent actuary. Based on actuarial calculations, which include assumptions about demographics, early retirement, salary increases and interest rates, actuarial gain or loss is recognized in the Profit and Loss Account.



e) Leave Encashment and other short term benefits:

- i. Leave encashment is in the nature of short term benefit. Every eligible employee is entitled to 1 day leave salary for every 20 working days. Liability in respect of Leave Encashment has been provided.
- ii. Leave Travel Concession is in the nature of short term benefit and every eligible employee is entitled to one month's basic pay in a year. Liability in respect of Leave Travel concession has been provided.
- iii. Performance based incentive in accordance with company rules has been provided.

vii) Prior Period and Extra Ordinary Items:

Prior Period and Extra Ordinary Items having material impact on the financial statements of the Company are disclosed separately.

viii) Taxation:

Income-tax expense comprises current tax (i.e. amount of tax for the period determined in accordance with the income-tax law), deferred tax charge or credit (reflecting the tax effect of timing differences between accounting income and taxable income for the period).

a) Current Tax:

Provision for current tax is made on the basis of estimated taxable income for the accounting year in accordance with the Income Tax Act, 1961

b) Deferred Tax:

Deferred tax expense or benefits is recognised on timing differences being the difference between taxable and accounting income and are capable of reversal in one or more future periods. The deferred tax charge or credit and the corresponding deferred tax assets and liabilities are measured using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent there is reasonable certainty that the asset can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty of realisation of the assets.

Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonable/virtually certain (as the case may be) to be realised.

ix) Lease Rental Payments:

The company has taken on lease Office building under cancellable lease agreements that are renewable at the option of the company and the Lessor. Lease payments in respect of lease are recognized as an expense in the profit and loss statement on accrual basis.

x) Provision and Contingencies:

The Company creates a provision when there is present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that the outflow of resources would be required to settle the obligation, the provision is reversed.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an economic benefit will arise, the asset and related income are recognised in the period in which the change occurs.

xi) Finance Expenses:

Expenditure incurred for raising borrowed funds including ancillary costs incurred in connection with the arrangement of borrowings, which is not eligible for capitalisation, is fully charged to the profit and loss account on incurrence.

xii) Provision for Loan losses:

At the end of each financial year, management reviews all loans on over-due basis, write-off, if any required are being made on case by case assessment.

Provision for loan losses is provided as per Non-Banking Financial (Non - Deposit Accepting or holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and modifications from time to time issued by the RBI.

Management treats a loan as over-due as soon as scheduled Instalment is failed.

Asset Classification	Arrears period	RBI Norms	Provision made
A. Standard	Regular assets up to 90 days over due		
Andhra Pradesh portfolio		0.25%	0.25%
Non Andhra Pradesh Portfolio		1.00%	1.00%
B. Sub - Standard	91 days to 18 months.	10.00%	10.00%
C. Doubtful(unsecured)	Up to 1 year	100.00%	100.00%
	1 to 3 years	100.00%	100.00%
	> 3 years	100.00%	100.00%
D. Loss assets	Management	100.00%	100.00%

Under exceptional circumstances including natural disasters, Management may renegotiate loans by rescheduling repayment terms for customers who have defaulted in repayment but who appear willing and able to repay their loans under a longer term agreement. Provisioning on such rescheduled loans will be subject to RBI norms.



xiii) Earnings Per Share:

Basic and diluted earnings per share are computed in accordance with Accounting Standard (AS)-20 Earnings per share.

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earnings per equity share are computed using the weighted average number of equity shares and dilutive potential equity shares outstanding during the year if any.

49. Previous Year figures are regrouped wherever necessary to confirm to this year's classification.

for and on behalf of Board of Directors

Aloysius P. Fernandez
Chairman

Y. K. Rao
Managing Director

Y. L. Narasappa
Company Secretary

Date: June 9, 2014

Place: Bangalore

as per our Report dated

For VENKAT, KOLLALI & MURTHY

Chartered Accountants

Firm No. 004603S

C. SUDHAKAR B.Com, F.C.A

Partner

Membership No. 026064

Place: Bangalore

Date: June 9, 2014

Hard Nut to Crack!!



Cashew nuts are a popular snack and food source across many countries in the world and are also commonly used in Indian cuisine for garnishing sweets or curries or as a base of sauces for curries or sweets. These nuts must have been savored by each one of us in one or the other form and relished its taste. Though it is a tasty nut to eat, it is a hard nut to crack!!

With the tropical climate enabling its growth the women of the Manadipalai village in Cuddalore district have been cracking the shells of the cashew to remove the nuts and send for processing. Following a series of procedures before dehusking the shells, the women sit together and open the shells of the nuts with lubricants from the shell painting their hands black and leaving them with a burning sensation.

All this does not stop the women of Sri Shakthi SHG from performing this activity as some of them are solely dependent on this for their livelihood while for some it is a contribution to their family's cumulative income. As they are not the producers of the crop they need to buy the raw material to add value by dehusking and sell it to companies which polish the cashew before selling it to the customers.



The members of the Sri Shakthi group approached NABFINS through MNTN NGO who has partnered with us with different requirements of the members of the group. Some of them wanted to lease a cashew plantation area while some wanted to buy machines to dehusk.

It was not their immediate decision to take loan from NABFINS but it has come as a last resort after approaching various financial institutions present in the nearby town. NABFINS district team has proactively graded and disbursed loan to the SHG and the SHG not only appreciates the timely credit but also the low interest rates of the loan.

It has been a year that the members have availed ₹3.5 lakh from NABFINS and have been our dear clients with timely repayments. While some have purchased machines to dehusk, the others are using the traditional method and expressed their wish to buy machines with the next loan that they would approach NABFINS for.

We are an NGO with a vision of bringing awareness among women on financial literacy, health, education and developing skills of unemployed youth and as part of our programs credit linkage to our SHG is considered very important and as such we approached NABFINS through NABARD DDM.

Today, we are proud to be recognized as the first B&DC of NABFINS and our SHG named Sri Sakthi Mahalir Sangam at Munieswar Nagar, Hosur the first SHG to be disbursed on 26th of January 2010. The SHG now has happily come for a third linkage of ₹10 lakhs.

We have become partners of NABFINS because of the unique vision this organization has in the MFI industry, its transparency and door step services. Our organization has worked with different banks earlier and we were B&DC of HDFC bank too. Our experience is that banks do not cater to the SHGs at right time and right amount, which NABFINS is able to do with its field officer and District Manager showing a lot of patience in understanding the needs of every SHG who request for credit linkage in a professional manner.

Today many of our SHG members are able to convey happily how timely credit has brought down their family borrowing from money lenders. And we are clearly able to see our SHG women's life improving by using this credit for education, housing, small scale business, agriculture and other activity

We consider NABIFNS as one of a very client friendly organization ever we have worked with.

B&DC - Community Development Society (CDS) - Krishnagiri

SECOND LEVEL INSTITUTIONS

Though “Producers” form the most critical part of the value chain of all commodities, historically in a developing nation like ours they are highly exploited. Both in the farm and non-farm sectors, the producers have been unable to realize optimal value to their produce and are unable to compete in the market. While multiple factors play a contributing role to this, it ultimately results in low income leading the distress of producers. Some of these factors which are not dependent on nature and related to the existing systems and processes are: lack of value addition, bargaining power, marketing capabilities, technical know-how, etc. The answers to these laybacks have come in the form of co-operatives, producer companies and federations bringing farmers together and paving a way to increase their share of the consumer rupee. However, even after a decade of introduction of producer companies in the companies act, and the state governments controlled co-operatives in place, India still has very few such successful institutions. Although there is no comprehensive database which captures the details of farmers based organizations established, according to the database of SFAC there are only 302 Farmers Producer Organizations across India. (Reference: <http://sfacindia.com/PDFs/Statewise-List-of-FPOs2014.pdf>)

One needs to ponder upon, on why an institution of such importance which can minimize the distress of farmers is not taking off to the tune to which it was expected to.

NABFINS, being an institution which believes and practices business while including people in growth has analyzed the situation and found the following reasons which are hindering the process of formation and growth of what we call as Second Level Institutions. (which consists of the all such organizations in discussion)

The main reasons are:

1. Lack of awareness about the benefits
2. Inadequate startup capital
3. Lack of knowledge on setting up and managing such companies
4. Lack of working capital assistance from financial institutions
5. Inadequate infrastructure

While there is a need for a plethora of institutions to actively be a part of this marathon to establish farmer’s institutions, NABFINS in its capacities has decided to contribute to the formation and stabilization of these institutions. We have credit linked 33 Second Level Institutions to the tune of ₹1137.28 lakh. NABFINS is also making an effort to sensitize its NGO partners to identify and promote SLIs in their areas of operation.

In this regard, we are glad that Year 2014 has been declared “Year of Producer Company” by the Department of Agriculture and Co-operation (DAC), Ministry of Agriculture. This marks the beginning of a decade long effort to sensitize various stakeholders on the importance of these institutions.



Details on lendings under SLI vertical are:

Producer Collectives:

Under this, the amount was disbursed to 15 producer collectives in Tumkur and Bagalkot in Karnataka, Nagapattinam, Vellore and Salem in Tamil Nadu. The amount was mainly utilised for the purchase of Milch animals.

Working Capital Term Loan:

Under working capital term loan the amount was disbursed in Salem and Nagapattinam in Tamil Nadu, Amaravati and Bhandara in Maharashtra, Chikmagalur and Mysore in Karnataka, Adilabad in Andhra Pradesh, Dewas in Madhya Pradesh.

Semmandapatti Silk Weaving Producers Association, Salem, Tamil Nadu:

Semmandapatti Silk Weavers Producer Association, Omalur Taluk, Salem was formed by the weavers of Semmandapatti and nearby areas. The area is known for silk weaving and there are several weavers' families who are traditionally involved in weaving from generations. There is well integrated value chain established, wherein the big merchants provide the weavers with raw materials and weavers do the job works. The quality of weaving is considered to be better in this area and this is the main reason for the merchants to rely on the services of the weavers of Semmandapatti area. In few cases weavers also purchase the raw materials and sell the finished goods (Sarees) to the wholesale merchants. NABFINS provided a loan of ₹48 Lakhs to this organization the same was utilized for the purchase of machinery.

Kazhi Kadaimadi Farmers' Federation (KKFF), Nagapattinam, Tamil Nadu:

KKFF is an off shoot of a post tsunami rehabilitation project initiated by Covenant Centre for Development (CCD), a non-profit organisation based in Madurai. In 2006 it was registered as a federation of farmers under the Trust Act to institutionalize the interventions started in the project. The main activities of the federation are seed production, input supply, training of member farmers and delayed selling of paddy which is procured from the members. The federation is also an agent for Agriculture Insurance Company of India. The main objectives of the trust is to promote savings and credit groups among small and marginal farmers for mobilizing resources and utilizing them for the benefits of the group members and to provide ongoing support to existing and new groups.

Venushilpi Audyogik Sahakari Sanstha, Amaravathi, Maharashtra:

VASS is involved in promoting (production and marketing) bamboo crafts through group of bamboo artisans (mainly tribals) in Amaravathi district of Maharashtra. It is registered under Maharashtra State Cooperative Law 1960. Sampoorna bamboo Kendra, an NGO working on tribals in Melghat region of Maharashtra is providing economic activity to bamboo artisans and making the enterprise a commercial proposition. The society has been producing and marketing the bamboo handicrafts. The area of operation of the Society is in Dharni Block in Amaravati District. Venushilpi Audyogik Sahakari Sanstha has established a cluster of women's micro enterprises and self-help groups manufacturing a variety of products using bamboo. The main objectives of the organisation is supporting bamboo craft and housing workers through training.

Gramoday Shetkari Producers Company, Bhandara, Maharashtra:

GSPC is a producer company of organic farmers, in Bhandara, Maharashtra. GSPC is involved in procurement of Turmeric. Gramoday Shetkari Producer Company is an organization evolved out of Gramoday Farmers Club in Pauni block of Bhandara district. The farmers club was highly active in promoting change in cropping pattern in the area since last 8 years. Bhandara is a rice bowl of Maharashtra, however, keeping in view the fact the paddy crop is sufficiently remunerative, the club has started with turmeric cultivation in the area. With due support from farmers, State Govt and NABARD, the area under turmeric has now reached 450 hectares in this block.

Sri Udbhava Ganapathi Susthira Krishikara Sangha[®], Chikamagalur, Karnataka:

SUGSK is involved in the coconut and tender coconut marketing, production and marketing of TMR (Animal feed inputs), marketing of ragi and horsegram and procurement of fertilizers. Sri Udbhava Ganapathi Susthira Krishikara Sangha was formed and registered in 2012 under KSSA 1960 act and has its own shareholding membership, byelaws, bank accounts, staff and governing bodies. The main objective of the society is to build unity among the farmers, take benefits from office to conduct programmes, providing information and training regarding permaculture, quality of pesticides for agricultural purposes and marketing for agricultural products. Their area of operation is Belavadi, Chikmagalur District.

Kabini Organic Farmers Producers Company Limited (KOFPCL), H.D. Kote, Mysore:

KOFPCL is a producer company of organic farmers, in HD Kote area of Mysore district in Karnataka. In H.D.Kote taluk and nearby areas of Mysore, most of them are small and marginal farmers. Cotton is cultivated in 31750 hectares in H D Kote Taluk out of cultivable area of 74733 hectares. 17.01% of the area in H D Kote taluk is covered by forest and the agriculture lands are prone to animal menace which has forced the farmers to take up cotton cultivation for more than three decades. In this context ETC India conducted a study in the area and found the area suitable for organic cotton cultivation. In the year 2009, MYKAPS and ETC India formulated a project namely "Kabini Organics to promote organic cotton cultivation in B .Matakere area of H.D.Kote Taluk". The project was proposed to RABO Bank Foundation, Netherlands for a period of 5 years, who agreed to support the project for a period of three years from 2009 to 2012. The goal of the project was to improve the livelihoods of small and marginal cotton producing families in H. D. Kote through Organic and Fair Trade Certified Cotton production and collective marketing.

Pragathi Organic Mutually Aided Co-operative Society Ltd., Adilabad, Andhra Pradesh:

POMACS is a producer company of organic farmers, in Adilabad, Andhra Pradesh. Pragathi Organic Mutually Aided Co-operative Thrift and Credit Society Limited, has its registered office at Utnoor, Adilabad, Andhrapradesh. It was registered under Andhra Pradesh Mutually Aided Co-operative Society Act, 1995 in 2007. Presently the MACS has operation in six mandals namely Sirpur, Utnoor, Jainoor, Narnoor, Keramiri and Asifabad. In this area cotton has been traditionally a major crop. The excessive use of chemical fertilizers increased the cost of cultivation and the yields also came down. In 2004 under Organic Cotton Intervention Plan an awareness building exercise was done for the farmers of this area. From 2007 onwards COFA has been actively involved in all sort of supports to the organic farmers. The intervention of this MACS is not only limited to the capacity building of organic farmers and input supply but they have also helped farmers to start some other activities like poultry, Vermi compost and Bio Gas etc.



Ram Rahim Pragati Producer Company, Dewas, Madhya Pradesh:

RRPPC, is a producer company of organic farmers, in Dewas, Madhya Pradesh. RRPPC is involved in procurement of Soya Bean, Maize and Neem and other agricultural produce of the farming members. Ram Rahim Pragathi Producer Company was registered under IXA of the companies Act 1956 (No. 1 of 1956) on 09th April 2012. The main activities of the RRPPC are procurement of Soya bean, Maize, Chana, Wheat and Neem from the members. The federation has 8 regular staffs. The company procures Soya bean and Maize in the Kharif season and Chana and Wheat in the Rabi season from members as well as non-members. In 2013, RRPPC procured 3,500 quintals of Soya bean and the estimate for this year is around 4,200 quintals. The company started procuring from non members to improve efficiency of operations. The benefits, though, are offered only to members. Apart from the above commodities, the company procures neem, which is used for marketing neem Khali and Neem oil which have a ready market.

On Lending to Institutions:

Under this head, amount was disbursed to 10 Institutions in Koppal and Bangalore in Karnataka, Nellore, Chittoor and Krishna District in Andhra Pradesh. The main objective of the societies is to extend loans to its members for taking up income generation activities thereby securing economic, social and educational development of their families.



Cakes and more!!!

Capturing the high demand for bakery items in Bangalore, Sajaya Nagar, Ms. Nirmla has started a small bakery by taking credit from an MFI. Unable to cope with the usurious rates and hidden charges Nirmla guided by her neighbour approached RUHFW NGO who forms and nurtures SHGs.

Nirmla is now a part of Vijaya Durga Women SHG which has availed a loan from NABFINS. Nirmla through the credit availed has repaid her MFI loan and invested the rest in the business.

She is a preferred baker supplying fresh baked breads, puffs, cakes and many more delicious items to her customers and a happy client of NABFINS.

We did it!!



Traditionally, South India has been famous for its wood carved sculptures of Hindu deities and the great art has been passed on traditionally to a few and is also learnt through specialized training available in various parts of the country. Though the art is mostly performed by men artists, the women of Roja group didn't step back and proactively learnt the art through a training conducted by District Rural Development Agency (DRDA), Villupuram. Not only have they inducted themselves to the art through the training but have also decided to take it up as their livelihood.

Ms. R. Selvi Rani who is the leader of the group recollects their journey and joyfully tells us about their journey.

In her own words,

"Wood carving is a great art and I am happy to be recognized as one of the artist. My group initially was skeptical if we should take up the training which was being given by DRDA but some of us gathered courage and motivated the rest of the members, as our main aim was to contribute to the income of our families and have a better standard of living. After the training, all of us were convinced



on taking it up as our livelihood but we didn't have sufficient money to start the venture. We approached a bank and understood that we need to wait for a long time to avail the loan, then we managed to get a loan from an MFI who operates in our area despite knowing that the rates of interest were high. We had trouble repaying the loan as we were new to the sector and our troubles increased with the MFI staff visiting our homes more often which was not very encouraging for our family members. We managed to repay the loan amount taking help from our family and friends and felt that our burden has reduced by half. We then concentrated on our business and started marketing and selling in Chennai, Karaikudi, Mumbai and Delhi. Our incomes started going up and we were earning ₹3000 per member per month. We started taking new members in the business and wanted to scale up as the demand was high. Once again we were faced with the issue of credit!!

It was then that Mr. Kumar of Peoples Multipurpose Development Society (PMDS) who is handholding our group informed us about NABFINS. None of us were for it as we had already faced severe consequences by taking credit from an MFI. Mr. Kumar also failed in convincing us with attractive terms such as low waiting period, less interest rates and flexible repayment schedule, but he casually mentioned that nearby groups in the village have already availed loan from NABFINS. We decided to ask the group members and then decide to go for the loan. To our surprise, the groups we met mentioned that NABFINS worked much differently from other MFIs and suggested that we should go ahead with it.

We then decided to go ahead and take a loan from NABFINS and ₹4.5 lakh which was disbursed to us in a span of one week was used for purchasing wood and other raw material. With our increased capacities we started earning ₹5000 pm and are planning to increase our production capacities. We are willing to take a higher amount of loan from NABFINS and start exporting our products.”

Delayed financial support to our SHGs and JLGs by regional banks was our concern until we partnered with NABFINS. With systematic loan processes, reasonable interest rates, monthly repayments, timely and adequate loan amount NABFINS catered to our SHGs and JLGs.

We are happy that they lend to the farmers, women, road side business and petty business owners with a good treatment.

B&DC - SURYA (Chamrajnagar)

INTERNS' REPORT - SNAPSHOTS

As part of NABFINS' continuous engagement with premier-B schools, the company invites talented minds from institutes such as IRMA, IIFM and XIM-RM every year to conduct studies on various aspects of the business. Continuing with its campus engagement, this fiscal NABFINS invited a total of four students to take up two challenging internship assignments.

The students conducted studies in the following areas:

- a) Transaction Cost Analysis for Client
- b) Assessment of Business Potential in Madhya Pradesh

Given below are synopses of their studies

Transaction Cost Analysis for Client

Interns: Miss Mimansa Mishra (IRMA), Miss Saloni Tandon (IRMA)

Study Period: November 4, 2013 to December 24, 2013

Study Objective:

- a) Components of the total cost in the event an SHG tries to access finance from different sources
- b) Breakup of direct and indirect costs for an SHG
- c) Impact of business correspondent on the total cost to SHGs

Findings:

The study found that the SHGs incurred lowest cost when they availed loan from NABFINS followed by Private Banks, MFIs and Public Sector Banks.

It was found that the transaction cost and opportunity cost was higher in case SHGs availed loan from Public Sector Banks and Private Banks whereas in case of MFIs it was the interest cost combined with opportunity cost.

Assessment of Business Potential in Madhya Pradesh

Interns: Mr. Vaibhav Pandey (IRMA) & Mr Ashutosh Garg (IRMA)

Study Period: November 4, 2013 to December 24, 2013

Study Objective:

- a) Identify strategic areas of operation in the state of Madhya Pradesh
- b) Identify NGOs which can partner with NABFINS.
- c) Study the potential competition and risks in MP.
- d) Credit demand and repayment capacity of potential customer (SHGs/JLGs).

Findings:

The study found out the potential for NABFINS to operate in central Madhya Pradesh. The study recommended starting of operations in two districts of the state, viz, Balaghat and Ujjain and thereafter spreading the Company's wings to other parts of the state. It also recommended partnering with Pradhan supported second-level institutions, which apparently have a good potential in the state.

Acting swiftly on the report, NABFINS entered the state with an office in Indore. The office will take care of disbursements in Indore, Ujjain, Dewas and other nearby districts.



Sea our Mother



A vast sea shore spread across thousands of kilometers and millions of Indians employed in this sector, nevertheless, fishermen community is not considered creditworthy by bankers due to their intermittent cash flows and risky business. Further, if an individual has attained an age of 60 it casts a shadow on their capabilities and the credit risk attributed is doubled.

Thamare Elders Self Help Group promoted by CMNI NGO in Cuddalore, an NGO which provides specialized services to elderly members of the fishermen community, is one among many such groups who is actively involved in activities related to fishing but has no access to credit. Majority of the members of Thamare group sell fresh and dried fish either in the fish market or do door to door selling. Their business is not simple as the members need to enter into an agreement with the boat



owners to get a share of the catch, and as such need an initial fund which is cyclical to pay the boat owners. This payment is met by borrowing from the moneylenders whose usurious rates do not allow these fisherwomen to come out of the debt cycle.

The only motivation for these women to continue working is a desire for being economically independent; in order not to depend on their children for their food and medicines and thus do not retire from their job.



Taking the grievances of the fishermen in Cuddalore, CMNI approached NABFINS and subsequently became its partner in January 2012. NABFINS has since lent twice to Thamare Womens SHG of which the first loan was utilized for repaying their debts and the subsequent loan for buying of produce.

Now the members experience higher sales and less traumatic situation to carry on their business. The daughters of the sea as they refer themselves are able to carry their head high with new stride of confidence and self-esteem.

PS: Though government services consider 60 years as an age at which physical productivity is not considered optimum for economic activity, NABFINS understands that the rural people continue with their livelihoods and have ambitions to be economically active even at such age. While the rest of the world believes to possess a potential credit risk to lend to elders, NABFINS experiences a minimal risk as our strength and trust is repositied in the SHGs and their joint liability.

NABFINS - Women's wing of economic empowerment

We are a 52 year old catholic diocesan service organization and a proud Business and Development Correspondent of NABARD Financial Services Limited since 2011.

In a time when the lending to SHGs was at its lowest due to NPAs in agriculture loans, NABFINS was a God sent gift to the poor women Self Help Groups. They provided these women loans releasing them from the clutches of money lenders, thereby empowering them to become economically self-sufficient.

The humane approach of the officers of NABFINS braced cordial relationship among SHG women, NGO and NABFINS. It has paved way once again to prove reliability of the NGO working at the grass root level and financial discipline of the SHGs.

The approach of NABFINS has made umpteen number of financial institutions to work towards catering to the needy with proven programs. NABFINS has emerged as the second silent revolution in the saga of economic empowerment of women through proper administrative structure, follow up and monitoring which is also an eye opener to the bureaucrats and technocrats.

B&DC - Udhagamandalam Social Service Society (USSS)



GLIMPSES

Mansoor Ali - District Manager, Thiruvananthapuram, Tamil Nadu



Prior to joining NABFINS, I worked in an organization named Voluntary Organization (VO). They were working with marginalized women through Self Help Groups, and it was the best possible economic intervention as it liberated them from the usurious methods and arrogant money lenders. The VO had been doing a good job by providing credit services but they had limited scope due to limited access to funds. I learnt about NABFINS and found that it doesn't have such limitations. NABFINS is a unique Micro Finance Institution and better than best of the NGOs and financial institutions. It is Service oriented and transparent which is usually not the case with commercial organizations and this makes me proud to be a part of NABFINS.

Malleshi Vajjal - Assistant Manager, Bagalkot, Karnataka



My dream of working in a rural area and serving the needy was brought to reality by NABFINS. We at NABFINS bring a smile to those people who are disadvantaged and poor and are seeking help for their livelihood activities. NABFINS by its services becomes a ray of hope for thousands of rural people and this feeling is what brings a sense of job satisfaction and motivation for me and my team. I am proud that in a short span of time we are standing apart from other MFIs and serving our best to the society.

Sundarraaj Krishnamurthy- District Manager, Hassan, Karnataka



My 3 years of experience in NABFINS is much richer than the 3 decades of my banking experience. In this period, in the process of providing credit I have visited more than 400 villages, have met about 1500 women groups and interacted with more than 20,000 women and around ₹90 crore was disbursed. A massive exercise by any standards; even a District Administrator could not have single handedly undertaken. NABFINS is unique because the loan products are designed and delivered to the Customers after taking into account the reality of Indian rural financial needs, the loan products are "need based" and we directly visit the dwellings of the needy and interact with them, this gives me a feeling that we have a direct role in the rural development of our mother nation and her people.

Jayasundra Naidu - District Manager, Chamrajnagar, Karnataka



NABFINS in addition to practicing the best process for lending to the rural poor also provides us an enabling work environment by having best staff welfare measures and policies. The systems and processes are well defined and undergo changes as per the field requirement. NABFINS has its core competence in the B&DC and Second level institution model.

Kotresha A.G - Financial Services Officer, Raichur, Karnataka



I was influenced to join NABFINS because of its aims, objectives, strong leadership and the fact that Shri Aloysius P. Fernandez who is considered as the father of SHG movement as its Chairman. I have gained immense learnings and experiences in the aspects of operational process, business development and risk management. Its strong professional team, good working environment, guidance from seniors and colleagues helps me to put my best step forward in all activities. NABFINS through its work ethics is set to create an example of an ideal institution in Micro Finance Sector.

Aravinda U S - Financial Services Officer, Hassan, Karnataka



My work at NABFINS has made me travel across places; where I meet and work with people from different cultures and background. We support rural poor who are generally ignored by the mainstream financial sector in an efficient and transparent manner. I firmly believe that if our country has to be developed then first our villages need to be developed, I am proud that I am doing the same through NABFINS. In certain cases I have experienced that after NABFINS intervention many Banks have come forward to lend to the SHGs. This is the impact "My NABFINS" has brought in the environment. It is more than a job for me as it has taught me lessons of life.

C. Narayanan - District Manager, Nilgiris, Tamil Nadu



Having worked in a major bank like Canara Bank, I always liked the policies and principles of Reserve Bank of India and NABARD and was immensely interested in being a part of NABFINS, as it is a subsidiary of NABARD. Today after 3 years of my experience in NABFINS I feel that my dreams of performing certain activities when I was a banker came true through NABFINS. We just don't preach but we also follow and this is what according to me makes NABFINS an extraordinary organization. I am proud to be a part of this organization and would always strive to fulfill its objectives.

G. Veeraswamy - Financial Services Officer, Bagalkot, Karnataka



To work with NABFINS is a divine gift; here the nature of work is fabulous. NABFINS works for those people who are usually termed as less credit worthy by the rest of the industry. We provide finance to fulfill the dreams of SHG members in a transparent and client friendly manner. In addition to the good services to the poor, NABFINS being a young and growing institution it provides a lot of scope for my professional and personal growth.



Udhayakumar S.R - Assistant Manager, Thiruvanamalai, Tamil Nadu



During my four years of experience with NABFINS I had immense amount of job satisfaction as I work in a sector which invariantly contributes to the well-being of the society.

Working in two districts with different cultures and requirements has given me deep insights. With good staff welfare policies, I always feel NABFINS is a better place than many others in the sector.

Veeresharadya R. V - Regional Co-ordinator, Karnataka



NABFINS is one of the fastest growing NBFC-MFIs where everyone dreams to work. I feel proud to be a part of a Company, given its professionalism to which it adds a blend of employee care. Dedicated people who work in this Company make it a great place to work. We are treated as its biggest asset; NABFINS invests in us by nurturing and improving our skills. Unlike other places NABFINS allows us to exercise our delegated authority without interference and also gives us an opportunity to innovate. Given its nature of work and values, there are all reasons for me to consider it as the best job one could get into.

Sabarinathan M - Financial Services officer, Theni, Tamil Nadu



NABFINS is a place to inspire and be inspired. NABFINS believes in “people first” and it supports the employees by giving them freedom to innovate. Initially, I worked in Thiruvanamalai and then got transferred to Theni. In midst, I was deputed to 7 other districts and got an opportunity to learn from the different terrains and geographies. I am happy working here and wish to fulfill the vision of NABFINS. Its values, ethics and treatment of partners has resulted in building strong relationship with our Business & Development Correspondents and SHGs.

Hanumanthareddy. P - Financial Services officer, Tumkur, Karnataka



My Masters in Social Work has given me insights into the development field but I lacked actual field experience and job skills, which I am gaining here. NABFINS has one of the fastest growth rates & turnover, and is a company which is oriented towards its employees and customers. Trainings conducted by NABFINS along with the support from my seniors have helped me grow personally and professionally.

Mukunda N - District Manager, Shimoga, Karnataka



NABFINS is a unique organization which performs microfinance activity in a transparent way. It is the best route to reach poorest of the poor people without burdening them with any extra charges on loans availed for their livelihood activities. NABFINS also provides all the required benefits to its employees and thus makes it a good place to work.

Sandesh MR - Assistant Manager, HO, Bangalore, Karnataka



I joined NABFINS when it was operated out of a small office in J. C Road. I never expected that this organization will grow the way it is poised now, more than 30 district offices, more than 150 staff and well maintained Head office with 50 staff. Mr. C P Mohan - Ex-Managing Director, Mr. Joshi V V - DGM and Mr. K M Sharma - DGM all of them taught and guided me about the operations of the organization. They were the constant force behind me to give impetus and showed me the right path. I was part of this organization when it was a dream, I was a part of it when it started, I am part of it when it is growing, and I wish to be part of it in its every journey. I am proud of being the 1st employee of NABFINS. I love and respect each employee in our organization because all are working for the society's improvement. NABFINS has a great work culture, you will not see anyone saying "it's impossible", every one puts in their best and supports each other to solve problems as per the timeline allotted. I assure that you will find this office like your school because you will find friends, teachers, and guide at every juncture.

Venkatesh Patil - District Manager, Bidar, Karnataka



Operations of NABFINS was started in Bidar in 2011 and I am proud to mention that we have 100% recovery till now. I contribute this success to the process and systems of NABFINS along with the freedom and empowerment that NABFINS provides to the district staff. I have a very good opportunity to learn new skills and technology through NABFINS and our management.

Ashutosh Kumar, COO, NABFINS

"I feel proud to be part of the team instrumental in laying the foundation of the change story called 'NABFINS' and put it to its growth trajectory. It has been 4 years, since I have been working with NABFINS and I acknowledge that it has been the best experience so far in my professional career. My association with NABFINS has helped me to develop both personally and professionally. I enjoy and relish the freedom and support the institution provides to innovate and experiment. True to its core values, NABFINS is synonymous to innovations, transparency, exemplary governance, client centric approaches, diversity and flexibility. The core values are engrained and are evident throughout the organization from its product and processes to every employee that represents NABFINS. I have always looked to work in a diverse, multicultural environment that emphasizes team work and partnerships to cater to the diversity of this nation. It feels great to know that people around the country has started taking note of this institution, its product, services and the impact it has brought in including the excluded section of society in nations growth story"





PARTNERS IN THE JOURNEY

Andhra Pradesh

- 01 Annapoorna Women Welfare Mutually Aided Co-operative Thrift Society (APMACS)
- 02 Orvakal Mandala Podupulakshmi Ikya Sangam (OMPIS)
- 03 Praja Pragati Trust (PPT)
- 04 Sanghamithra Mahila Mutual Aided Co-operative Society Limited (SMACS)
- 05 Society of Noble Oath and Welfare (SNOW)
- 06 Swarnamukhi Women Mutually Aided Co-operative Society Limited (SWOMACS)

Karnataka

- 01 Abhivruddi Society for Social Development (ABHIVRUDDI)
- 02 Ashwini Grameena Abhivruddi Samsthe Mudhol (AGASM)
- 03 Belgaum Rural Development Society (BRDS)
- 04 Bless Society of Rural and Urban Development (BLESS)
- 05 Centre for Rural, Education, Development and Innovative Technologies of India (CREDIT- I)
- 06 Chaithanya Rural Development Society (CRDS)
- 07 Franciscan Sisters of Mary (NISARGA)
- 08 Future Greens Samsthe (FGS)
- 09 Grameena Abhivruddi Mattu Adhyayana Kendra Trust (GRAMA)
- 10 Group for Urban and Rural Development (GUARD)
- 11 Institute for Youth and Development (IYD)
- 12 Institute of Social Service (ISS)
- 13 Jnana Chiguru Community Managed Resource Centre (CHIGURU-CMRC)
- 14 Karnataka Integrated Development Services (KIDS) - Dakshina Kannada
- 15 Karnataka Integrated Development Services (KIDS) - Dharwad
- 16 Karnataka Integrated Development Services (KIDS) - Tumkur
- 17 Karnataka Satish Educational and Rural Development Society (KSERDS)
- 18 Kisan Bharathi Trust (KBT)
- 19 Mallige Samudaya Nirvahitha Samppanmula Samsthe (MCMRC)
- 20 Nagarika Seva Trust (NST)
- 21 Navodaya Samppanmula Kendra (NSKK)
- 22 Nisarga Samppanmula Kendra (NSKA)
- 23 Peoples Organisation for Wasteland & Environment Regeneration (POWER)
- 24 Prachodana Center for Social Services (PCSS)

- 25 Rural Development Organisation Trust (RDO)
- 26 Rural Unit for Health and Family Welfare (RUHFW)
- 27 Sachetna Naisargika Sampanmulagala Abhivruddi Samsthe (SACHETANA)
- 28 Sadhana Education and Rural Development Society (SADHANA)
- 29 Sahyadri Community Development and Women Empowerment Society (SCODWES)
- 30 Sajjalashree Samagra Krushi Adyayana & Gramina Abhivruddi Samsthe (SAJJALASHREE)
- 31 Samarasa
- 32 Sapthagiri Urban and Rural Development Society (SURDS)
- 33 SARVA Rural Development Society (SARVA)
- 34 Sarvodaya Integrated Rural Development Action (SIRDA)
- 35 Sarvodaya Integrated Rural Development Society (SIRDS)
- 36 Sarvodaya Mahila and Gramina Abhiruddi Samsthe (SWORD)
- 37 Sarvodaya Maha Sangha (SMSS)
- 38 Service for Urban and Rural Youth Training Association (SURYA)
- 39 Sevalal Rural Development Society (SRDS)
- 40 Shubodaya Grameena Shikshan and Jana Kalyana Seva Samsthe (SREWS)
- 41 Sneha Sampanmula Samsthe (SNEHA)
- 42 Social Action for Rural Development Association (SARDA)
- 43 Social Education Activity for Rural Child Health Development Society (SEARCH)
- 44 Social Educational Environmental Development Trust (SEED)
- 45 Social Welfare and Rural Development Society (SWARDS)
- 46 Society for Participatory Rural and Environment Development (SPRED)
- 47 Society For Urban & Rural Development (JANACHETANA)
- 48 Spandana Sampanmula Samsthe (SPANDANA)
- 49 Spoorthy
- 50 Sree Soogreshwar Seva Sangh (SSSK)
- 51 Surabhi Mahila Sangha (SMS)
- 52 The Kishkinda Trust (TKT)
- 53 The Rural Economic Agriculture Development Society (READS)
- 54 The Sacred Heart Brothers- BIRDS
- 55 Tribal and Rural Development Organization (TARDO)
- 56 Tungabhadra Samudaya Nirvahita Sampanmoola Samsthe (TBCMRC)
- 57 Ursuline Sisters of Somasca (Jyothi Social Welfare Centre)
- 58 Vanasiri Rural Development Society (VRDS)



59 Vishala Women and Children Development Organisation (VISHALA)

60 Yuvashakti Grameen Abhivruddi Samsthe (YUVASHAKTI)

Maharashtra

01 Aniket Bahuddeshiya Samajjik Shikshan Sanstha (ABS)

02 Ankur Yuva Pratishthan (AYP)

03 Ashraya Seva Bhavi Society (ASBS)

04 Community Action for Rural Development Society (CARD)

05 Dharamithra (DHM)

06 Dnyandeep Mahila Va Gramin Vikas Sanstha (DMGVS)

07 Gramin Vikas Bahuddeshiya Samaj Seva Sanstha (GVBS)

08 Gramin Yuva Pragatik Mandal (GYPM)

09 Gramjoyt Samajseve Sanstha (GSS)

10 Indian Social Eelfare Society (ISWS)

11 Maharashtra Gram Darpan (MGD)

12 Manoday Samaj kalyan Sanstha (MSKS)

13 Navnirman Mahila Bahuddeshiya Sanstha (NMBS)

14 Navnit Chetana Sanstha (NCS)

15 Rashtriya Yuvakranti Bahu Uddeshiya Mahila Vikas Sanstha (RYK)

16 Social Action for Rural Integration Training and Awareness (SARITA)

17 Society for Agriculture and Rural Development (SARD)

18 Swayam Shasan Bahudeshiya Mahila Sanstha (SSBMS)

19 Tejaswini Bahuddeshiya sevabavi Vikas sanstha (TBS)

20 Vikasganga Samajsevi sanstha (VSS)

Tamil Nadu

01 Alapakkam PLF (APLF)

02 Ambelal Heinrich Memorial Trust (AHM Trust)

03 Arogya Agam

04 Association for Rural Development (ARD)

05 B.Agaraharam Kurinji Resource Center Society (BKRC)

06 Center for Education and Empowerment of Marginalized (CEEMA)

07 Center for Education and Environmental Development (CEED)

08 Centre for Tribals and Rural Development Trust (CTRD)

09 Coimbatore Multipurpose Social Service Society (CMSSS)

10 Community Development Society (CDS)

- 11 Community Reconstruction of Social Service (CROSS)
- 12 Cuddalore Muthiyor Nala Iyakkam (CMNI)
- 13 Deepam People'S Society (DEEPAM)
- 14 Department of Extension Education, Service and Research (DEEDS)
- 15 Don Bosco Beatitudes Social Welfare Centre (DBBSWC)
- 16 Don Bosco Social Service Society (DBSSS)
- 17 Formation Education Development Centre for Rural Organisation and Training (FEDCROT)
- 18 Good Shepherd Health Education Centre and Dispensary (Good Shephard)
- 19 Gundu Uppalavadi PLF (GUPLF)
- 20 Imayam Thagaval Mathuram Sevai Maiyam (IMTRC)
- 21 Imayam Social Welfare Association (IMAYAM)
- 22 India Nirman Sangh (INS)
- 23 Integrated Women Development Institute (IWDI)
- 24 Kadathur Resource Centre Society (KRCS)
- 25 Kadayampatti Vattara Pengal Munnetra Nala Sangam (KVPMNS)
- 26 Kingsley Community Centre (KCC)
- 27 Kirubha Foundation
- 28 Krupalaya
- 29 Madhar Nala Thondu Nirvanam (MNTN)
- 30 Madurai Multipurpose Social Service Society (MMSSS)
- 31 New Navajyothi Resource Centre(NNRC)
- 32 Nivedan Women Development Trust (NWDT)
- 33 Non-Conventional Energy and Rural Development Society (NERD)
- 34 Organization for Rural Development (ORD)
- 35 Peoples Multipurpose Development Society (PMDS)
- 36 Perunthottam PLF (PPLF)
- 37 Peoples Institute for Operational Research Training and Development (PIONEER TRAD)
- 38 Puliakulam Thiyaga Oli Sudar Mahalir Mandram (PTOSMM)
- 39 Raise India Trust (Rural Action for Integration and Social Education)
- 40 Rathinasabhpathi Environmental Rural Development Organisation (RERO)
- 41 Rhythem Social Service Society for Women(RHYTHEM)
- 42 Rural Education and Action for Liberation (Real)
- 43 Rural Education and Development Society (READS)
- 44 Rural Education and Development Society (REDS)



- 45 Rural Education and Environmental Development Services (REEDS)
- 46 Rural Social Welfare Society (RSWS)
- 47 Rural Women'S Development Federation (RWDF)
- 48 Sakthi Pengal Munnetra Sangam (SPMS)
- 49 Salem District Farmers Club Federation (SDFCF)
- 50 Shree Janajagruthi Resource Centre (SJRC)
- 51 Sneha Social Service Society (SNEHA)
- 52 Snekithi Charitable Trust (SCT)
- 53 Social Centre of People'S Education Trust (SCOPE)
- 54 Social Economic Environment Development Society (SEEDS)
- 55 Social Service for Education and Environment Development Trust (SSEED)
- 56 Society for People Education and Economic Development (SPEED)
- 57 Society for Peoples Action for Change and Education (SPACE)
- 58 Society for Women and Child Development (SWCD)
- 59 St. Thomas Charitable and Educational Trust (STCET)
- 60 Star Manithaneya Sangamam Trust (STAR)
- 61 Suder Oli Muthiyor Nala Iyakkam (SOMNI)
- 62 Swasam (SWASAM)
- 63 Thanjavur Multipurpose Social Service Society (TMSSS)
- 64 The Salvation Army - Community Health and Development Programmes (SA-CHDP)
- 65 Thenkoodu Community Managed Resource Centre (TCMRC)
- 66 Thuligal Pengal Membattu Sangam (TPMS)
- 67 Tiruputtur Rural Uplift Project Association (TRUPA)
- 68 Trust for Social Justice Shanthi Nilayam (TSJSN)
- 69 Trust in the Area of Social Activities (TASA)
- 70 Udhagamandalam Social Service Society (USSS)
- 71 Vedaranyam Muthiyor Nala Iyakkam (VMNI)
- 72 Village Development Centre (VDC)
- 73 Yuvaparivartan

We are pleased to be associated with NABFINS. SHG women are happy as the burden of interest rate is comparatively less. They are happy that their financial needs are being met and are able to support their families especially towards their children's educational needs. The consistent support by NABFINS has encouraged the women to start their own petty businesses too.

B&DC - Rural Unit for Health and Family Welfare (RUHFW)

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44	Shri S Pushparaj	Office Attendant	8861205602	
45	Shri Dilip Kumar	Office Attendant	8861203891	
46	Ms. Nagarathna	Office Attendant	8861203894	

NABFINS is an organization which is easily approachable and has staff who are very cooperative. The methods of processing the loans are simple and accurate. In addition their pragmatic approach, their support to the SHGs with lesser attractive rate of interest is encouraging us to have a close association with NABFINS all these years. Further, their guidance, training and imparting knowledge to B&DC are excellent. Regular trainings on operating system of POS machines, resolving loan issues, collection methods and encouraging us to do even some small project activities are added advantages to many social organizations like us to have operations with them.

The Clients are happy with NABFINS as they are dealt with due respect and courtesy. They are thankful to NABFINS for their fruitful continuous assistance and cooperation.

B&DC - RHYTHEM SSS, Coimbatore



Weaving the colours of life



The weavers of silk delicately weave the silk threads and present to the world a colourful ethnic distinction for India called “Sari”. While we appreciate and praise the varied designs and patterns, enriched with colours which enhance the beauty of women, it is time to look into the hardships which they undergo to present this marvel to us.

The villagers of Semmandapatty in Salem district of Tamil Nadu would astonish you with their skills of entrepreneurship and weaving. Every house in this village inevitably hosts a traditional weaver and the streets are colourful with silk threads hanging between two poles held for drying. It is here where 110 small weavers/ daily wagers have come together to share their hardships of limiting their talent to daily wages due to non-availability of credit and lack of proper marketing channel. The way out of such problems was forming a producer collective with the help of Kadayampatty Vattara Pengal Munnetra Nala Sangam (KVPMS), an NGO which promotes producer collectives. The silk weavers named the collective as “Semmandapatty silk weavers association”.

To start with, they have raised a share capital of ₹4.80 lakhs and started inculcating a habit of savings by saving ₹100 per month per member. Requirements from members for credit to buy handlooms to



end their daily wage work or to upgrade to power looms made the association approach financial institutions including NABFINS for a loan.

NABFINS analysed the problems of members and decided to lend to the association under its Second Level Institution vertical which aims at promoting producers' collectives, farmers' associations, SHG federations etc. In response to the requirement of credit for its 42 members, NABFINS released a loan of ₹48 lakh.

Today the association with its timely repayments, credits NABFINS for enabling 22 of its members to come out of daily wage work and start their own weaving by purchase of handloom machines, 14 members have increased their production three times by upgrading to power loom and 6 members produce their own warps by purchasing warping machines.

The association has started channelling its own marketing facility to avail better prices for their product and have also exhibited at NABFINS Head office an attractive range of sarees to our staff.

NABFINS as it preaches "Balancing Business with Inclusion in Growth" has showcased through this example that "We follow what we preach!!"

