



nabfins

# ANNUAL REPORT 2018 - 19





nabofins

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2018 - 19



## **NABFINS Limited**

**(Formerly NABARD Financial Services Limited)**

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## BOARD OF DIRECTORS

as on March 31, 2019



**Shri J K Mohapatra**  
Chairman



**Smt. Meera Saksena**  
Independent Director



**Shri M I Ganagi**  
Nominee Director  
NABARD



**Shri Subhash C Kalia**  
Independent Director



**Shri P V S Suryakumar**  
Nominee Director  
NABARD



**Dr. Charan Singh**  
Independent Director



**Shri L K Atheeq, IAS**  
Nominee Director  
Govt. of Karnataka



**Shri S K Giri**  
Independent Director



**Shri K Palanivel**  
Nominee Director  
Canara Bank



**Shri Manoj Kumar Sharma**  
Independent Director



**Shri S N Kaushik**  
Nominee Director  
Union Bank of India



**Shri Subrata Gupta**  
Managing Director

## MESSAGE FROM THE CHAIRMAN



Micro finance is a key contributor of financial inclusion and the access to credit is a crucial measure of it. Micro credit helps the impoverished to not only earn their livelihoods but to sustain and improve it. It helps them to transform themselves from hapless victims to empowered individuals with self-esteem. Each such socio economic transformation is another step towards growth of the country as a whole.

NABFINS since its beginning has been creating and supporting creation of economic opportunities for the deserving. By focussing on women, who continue to our customer base which is ever growing, the transformation is not only restricted to the individual but transcends to the family, the community and the society as a whole.

Having reached more than 8 lakh households through a dedicated team of 800+ members of NABFINS family across 16 states of India, the Company continues to be a flag bearer in the industry and a model of responsible lending.

As a responsible corporate citizen and a responsible lender, your Company would venture into new financial services and into new geographies in its pursuit to reach the unreached without losing focus on customer protection.

At the same time, your Company would continue to recruit, train and nurture its staff to meet the needs of its primary stakeholders – our clients.



The primary focus would continue to make financial services available at affordable prices without the motive of profiteering but with the objective of achieving and maintaining sustainability in the operations of the Company. Such an approach would help your Company to expand its outreach.

I am hopeful that our efforts to serve our clients with dedication would enable us to meet your expectations. I am grateful to all the employees of NABFINS who contribute to this dream of serving the poor and making it a reality and the shareholders of the Company for reposing faith on us.

Finally, I wish to thank each and every client of our company and would like to assure them that we would continue to provide unstinted support to them for ensuring their livelihood security and for enriching their quality of life.

August 06, 2019

**J K Mohapatra**  
Chairman

## MESSAGE FROM MANAGING DIRECTOR



This has been another year of impressive performance despite the lingering impact of demonetization, the havoc caused by the floods and the NBFC liquidity crisis, because of concerns about their Asset Liability Management. Your company has managed to achieve growth with profitability and quality. The year 2018-19 has been a year of consolidation and expansion for NABFINS.

### **The Growth Story**

During the financial year 2018-19, your company continued to expand its operations and added 19 districts and 38 branches mainly under the Direct Lending Vertical. The Gross Asset Under Management has seen a growth of 19% year over year. The outstanding increased from ₹1180.07 crore to ₹1443.97 crore indicating a growth of 22% over previous year. The net profit has increased from ₹25.64 crore to ₹33.05 crore. The same has been achieved by closer improving funds management, closer monitoring of loans and reduction in the growth of non-performing assets.

### **Sticking to the Fundamentals**

Your company has stuck to its fundamentals of being a model MFI and continues to provide credit at the lowest interest rate. In order to achieve this, your company brought in more efficiency in all its operations and remained customer centric. The focus during the year has been to push the Direct Lending Vertical while maintaining the growth in the Business and Development Correspondent (B&DC) Vertical. The growth in Direct

Lending is focused in states or locations where NABFINS does not have presence through the B&DC Model. NABFINS continues to grow and have a positive impact on the lives of rural poor and low-income households.

### **Putting the Processes in Place**

During the year, disbursement has been made completely cashless. In order to strengthen control mechanism, the process of receipt system has been streamlined and monitored through unique number. As despite strides in payment eco-system, collection of instalments from our rural clientele continues to be in cash and the challenge remains to be addressed for the sector as a whole. The inspection and audit mechanism have been strengthened along with focus on risk management to prevent leakage of income. Credit Bureau Check for every individual member of the group has been introduced instead of doing the same for the group as a whole to improve the risk control mechanism. NABFINS also became a member of Equifax Platform for human resources for background check to reduce human resource risk. These steps become even more important with the organization growing and diversifying. Necessary processes have been put in place for this. Your company could have grown much more if these steps were not taken but that would have been a path fraught with risk. Training of staff members has been another focus area for NABFINS. The training of newly recruited staff members has been streamlined in a way so that the newly recruited staff members immediately on joining gets necessary classroom and "On the job" training. This process again becomes important with the kind of growth which NABFINS has been focusing on under Direct Lending Vertical. Distance learning platform has been finalized to enable officials to gain knowledge from anywhere anytime. It can be stated with confidence that your company today has a much improved information technology systems, risk control mechanism and capacity building framework which is the need of the hour.

Your Company will continue to pursue digitization in operational aspects and management. The next few important steps in digitization would be towards having a document scanning and warehousing system, automating tele-calling and setting up a document management system.

### **CSR**

To complement the core business activities, NABFINS, through its CSR partner supported two projects to provide clean water to rural community during the current year. We intend to continue with this as a focus area given the fact that supply of drinking water is one of the focus areas of the current Government and NABFINS would also like to contribute in this journey of supplying drinking water in every household in a small way. NABFINS is also supporting a project on financial literacy through tele-calling under CSR. Support was also provided to supply solar lamps to people in flood affected areas of Kerala.

With the support of our Board of Directors, ever supportive customers and dedicated and committed staff, NABFINS remains positive about its mission -"Balancing Business with Inclusion".

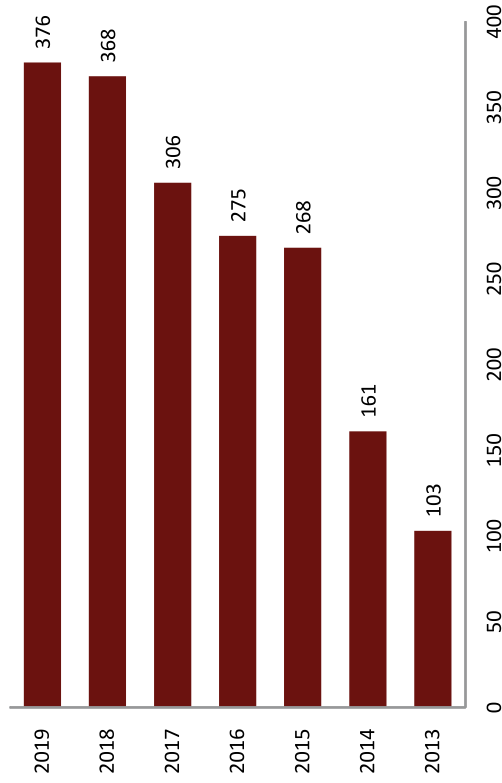
Team NABFINS assures its stakeholders of a progressive and model institution that provides hassle free lending to its borrowers and sustainable value to all its stakeholders.

August 06, 2019

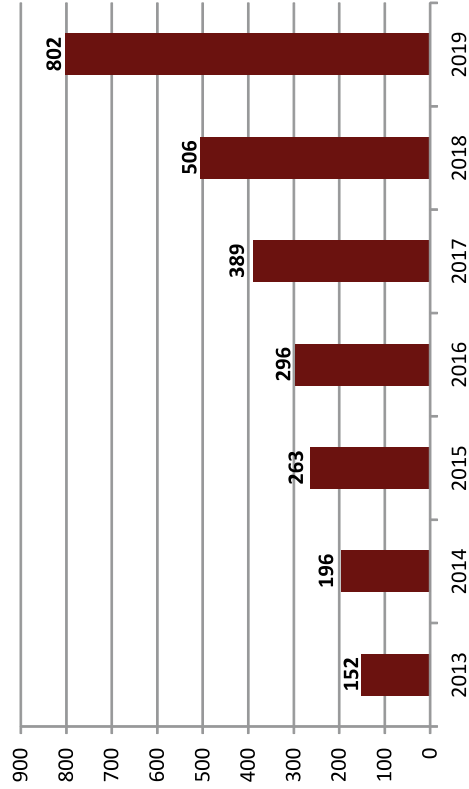
**Subrata Gupta**  
Managing Director

# BUSINESS TREND

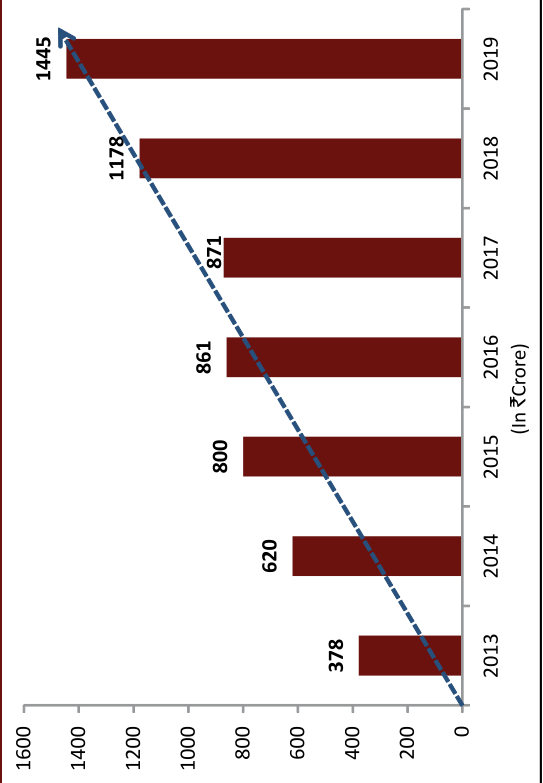
### No. of B&DCs



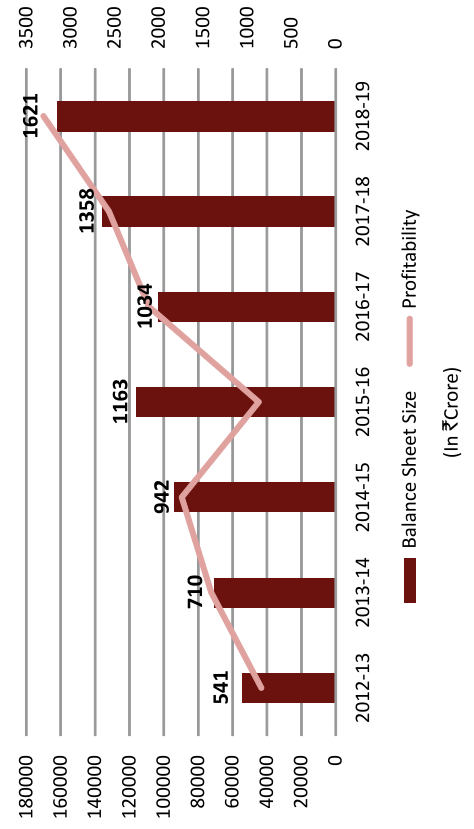
### Staff Strength



### Portfolio Growth

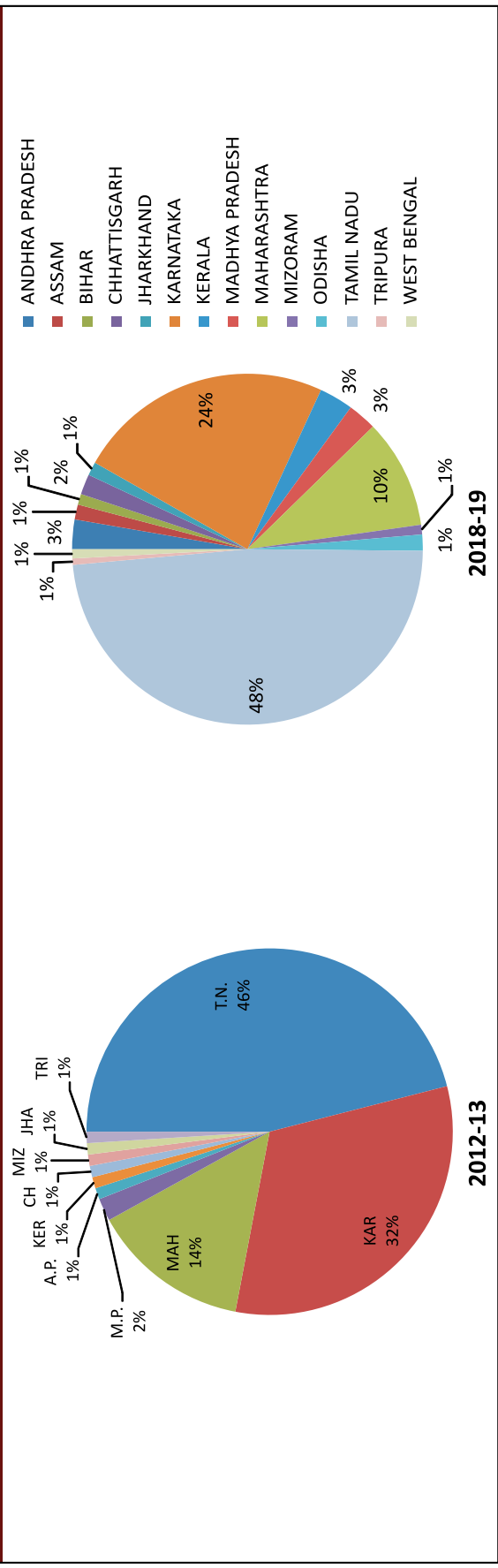


### Balance Sheet and Profitability

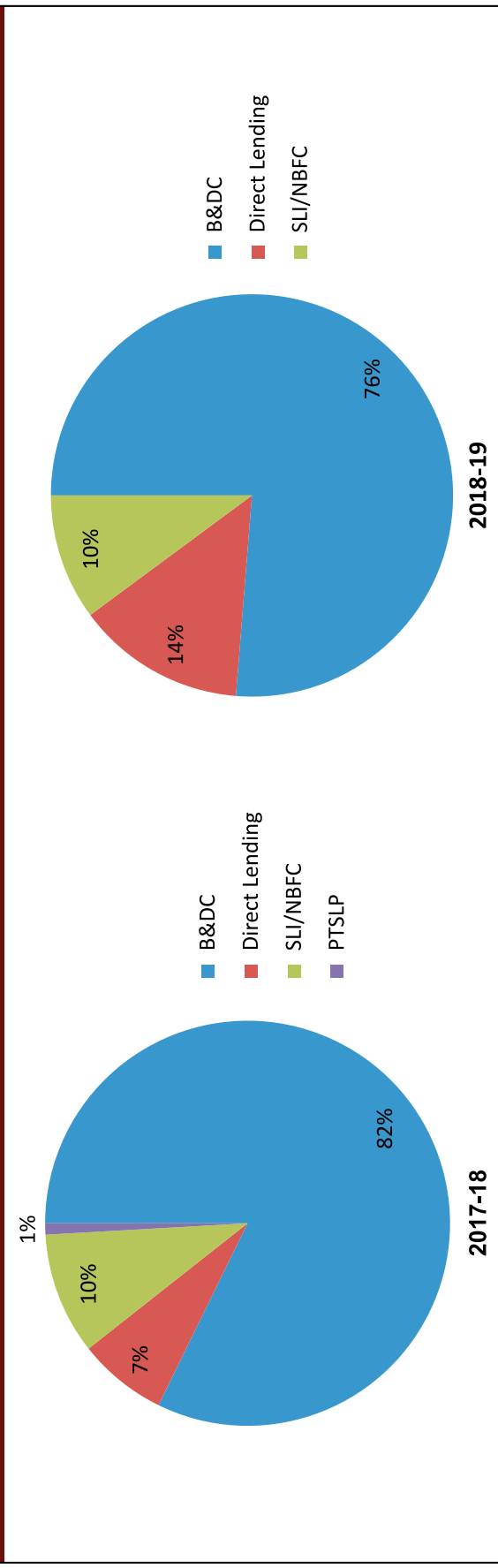


# BUSINESS TREND

## State wise portfolio



## Vertical Wise



## DIRECTORS' REPORT

### Dear Members,

Your Directors take pleasure in presenting the 22nd Annual Report together with the audited financial statements of your Company for the year ended March 31, 2019.

### Financial Highlights

The total income of the Company for the year under review is ₹205.61 crore which is 18.35% higher than the total income of ₹173.73 crore for the previous year. The profit before tax is ₹52.50 crore for the year ended March 31, 2019 as against ₹36.95 crore for the corresponding previous year.

The summarized financial results for the year ended March 31, 2019 are as under:

(₹ In Crore)		
Particulars	2018-19	2017-18
Income from Operations	192.98	164.61
Other Income	12.63	9.12
<b>Total Income</b>	<b>205.61</b>	<b>173.73</b>
Less: Total Expenditure	153.11	136.78
<b>Profit before tax</b>	<b>52.50</b>	<b>36.95</b>
Less: Income Tax	19.45	11.32
<b>Profit after tax</b>	<b>33.05</b>	<b>25.63</b>

### Dividend

On the basis of the financial performance of your Company, the Directors are pleased to recommend for approval of the members a dividend of ₹0.50 per equity share for the financial year 2018-19. The dividend on equity shares, if approved by the members would involve a cash outflow of ₹8,08,28,153.50 (excluding dividend distribution tax).

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

The provisions of Section 125(2) of the Companies Act, 2013 do not apply as no dividend remained unclaimed / unpaid during the preceding financial year 2018-19.

### Reserves

In accordance with section 45-IC of Reserve Bank of India Act, 1934, the Company has transferred a sum of ₹6.61 crore, being 20% of the profit after tax for the FY2018-19, to statutory reserve.

### Operational Highlights

The year witnessed expansion to three new states under Direct Lending (DL) vertical, which were having the best performance in terms of growth and quality as far as MFI industry is concerned namely West Bengal, Odisha and Bihar. NABFINS additional operational districts are now available in 19 new districts, viz. 4 districts in West

Bengal, 1 district in Bihar, 3 districts in Odisha, 1 district in Maharashtra, 2 districts in Chhattisgarh, 4 districts in Assam, 2 districts in Jharkhand and 2 districts in Mizoram. With the addition of the above three states, NABFINS services are now available in 15 States and the Union Territory of Puducherry. Apart from these 15 States and one Union Territory, through NBFCs funded by NABFINS, households in Haryana, Uttar Pradesh, Gujarat, New Delhi, and Telangana are also indirectly supported.

Particulars	2017-18	2018-19	% Change
No. of States & Union Territories Covered	13	16	23
No. of Districts Covered	125	131	5
No. of Partners (including PLFs)	471	479	2
No. of Groups Financed - Partnership Model	31,237	31,250	-
No. of clients - Direct Lending Model	27,954	64,268	130
<b>Amount Disbursed (₹ crore)</b>			
Partnership Model	1,046.08	962.43	(8)
Direct Lending Model	88.38	193.35	119
Second Level Institutions (SLIs)	81.13	112.53	39
PTSLP	3.89	-	-
Skill Loans	2.09	2.53	21
<b>Total Disbursement</b>	<b>1,221.57</b>	<b>1270.85</b>	<b>4</b>
Loan Outstanding	1,180.07	1443.97	23

The disbursements grew by 4% year on year. Highest quantum of growth of disbursement during the year was registered in the state of Tamil Nadu (₹596.52 crore) followed by Karnataka (₹241.19 crore).

Under Direct Lending vertical 36 new Branches started functioning this year, lending has grown by 119% and clients increased by 130%.

Under SLI vertical, 39% growth was observed in terms of loans disbursed under non qualifying assets.

NABFINS empaneled 19 new partners for this year across the states.

Loan portfolio of NABFINS grew from ₹1,180.07 crore to ₹1,443.97 crore registering a YOY growth of 23%.

**Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company, to which the financial statements relate, and the date of the report**

NIL

**Significant and material orders passed by the regulators or courts**

NIL

**Capital Infusion**

There was no capital infusion during the period under review.

The brief shareholding as at the year ended March 31, 2019 is appended below:

Sl. No.	Name of the Shareholder	Share Capital (in ₹ Lakh)		% to the total paid up capital (as on 31.03.2019)
		As on 31.03.2019	As on 31.03.2018	
1	NABARD	10,200.63	10,200.63	63.10
2	Gov. of Karnataka	2,980.00	2,980.00	18.43
3	Canara Bank	1,600.00	1,600.00	9.90
4	Union Bank of India	850.00	850.00	5.26
5	Bank of Baroda	500.00	500.00	3.09
6	Federal Bank	25.00	25.00	0.15
7	Dhanlaxmi Bank	10.00	10.00	0.06
8	Individual Shareholders	Negligible	Negligible	-
<b>Total</b>		<b>16,165.63</b>	<b>16,165.63</b>	<b>100.00</b>

## STATUTORY COMPLIANCE

### Deposits from Public

During the year under review, your Company did not accept any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

## COMPANIES ACT, 2013

### Loans, Guarantees and Investment by the Company

During the year under review, your Company had not granted any loans, whether directly or indirectly nor had it given any guarantee or provided any security covered under section 186 of Companies Act, 2013. Hence reporting on the purpose of the loan or guarantee or security is proposed to be utilized by recipient does not arise.

During the year, your Company had not made any investment covered under section 186 of the Companies Act, 2013.

### Related party transactions

The details of related party transactions as required under Section 134(3)(h) of the Companies Act, 2013 are furnished vide note no. 39 of Notes to Financial Statements.

### Conservation of Energy and Technology Absorption, Foreign Exchange earnings & outgo

The provisions of section 134(3)(m) of the Companies Act, 2013, read with the Companies (Accounts) Rules, 2014 relating to the conservation of energy and technology absorption do not apply to your Company. There were no foreign exchange earnings or outgo during the year under review.



## **Internal Financial Controls**

Your Company has in place, adequate internal financial controls to detect and prevent frauds & errors and ensure accuracy and completeness of the accounting records relevant to the preparation and presentation of financial statements.

## **Extract of the Annual Return**

Necessary disclosure of an extract of the Annual Return in accordance with section 134(3)(a) of the Companies Act, 2013, in the prescribed format (MGT-9) is made available on the Company's website at [www.nabfins.org](http://www.nabfins.org).

## **Corporate Social Responsibility**

During the year under review, your Company, under its CSR mandate focused majorly on providing safe drinking water facility for the general public in addition to capacity building and spreading awareness on Financial Literacy. As an immediate recourse and response to the voices of the people who had lost their livelihood in the flood affected areas, the Company has provided dual power solar lamps to the identified households in flood affected area of Kuttanad region of Kerala.

As prescribed under the Companies (Corporate Social Responsibility) Rules, 2014, the initiatives undertaken by the Company on CSR activities during FY2018-19 and its status are set out in the prescribed format under Annexure I and forms part of this report.

## **AUDITORS**

### **Thematic Audit by C&AG**

During the year, Comptroller & Auditor General of India (C&AG) undertook Thematic Audit of NPAs of the Company for the period covering FY2015-16 to FY2017-18. The Thematic Audit report dated March 14, 2019, with the compliance thereon by the Company was duly discussed by the Audit Committee and the Board of Directors subsequently.

### **Inspection by NABARD**

During February 2019, NABARD had conducted the inspection of your Company for the Financial Year 2017-18. The Audit Committee and the Board of Directors duly discussed NABARD Inspection report dated March 06, 2019 together with the compliance thereon by the Company.

### **Vigilance Inspection by NABARD CVC**

NABFINS being subsidiary of National Bank for Agriculture and Rural Development (NABARD) which is fully owned by Government of India, the CVC guidelines were made applicable to the company since FY2018-19.

During January 2019, NABARD CVC had conducted the inspection of your Company covering the FY2016-17 and FY2017-18. The Audit Committee and the Board of Directors duly discussed NABARD CVC, Vigilance Inspection report dated March 11, 2019 together with the compliance given by the Company.

### **Supplementary Audit by C&AG**

Comptroller and Auditor General of India vide their report dated July 31, 2019 (Annexure-II) have forwarded the 'Nil Comments' certificate under section 143(6)(b) of the Companies Act, 2013 on the accounts of the Company for the year ended March 31, 2019.

Appointment of Statutory Auditors for the FY2019-20 by Comptroller & Auditor General of India is awaited.

### **Statutory Audit**

In pursuance of Section 139 of the Companies Act, 2013, the Comptroller & Auditor General of India had appointed M/s. Phillipos & Co., Chartered Accountants, Bengaluru as the Statutory Auditors of the Company for the year 2018-19.

The Report of the Auditors is self-explanatory and does not contain any qualifications, reservations or adverse remarks and therefore, in the opinion of the Directors, does not call for further comments.

### **Secretarial auditor**

Pursuant to provisions of section 204 of the Companies Act, 2013 and the Rules made there under, CS C R Ramesh Babu, Company Secretary in whole-time Practice (Certificate of Practice Number: 2222), Bengaluru was appointed as Secretarial Auditor of the Company to conduct the secretarial audit for FY2018-19. The Secretarial Audit Report thus received for 2018-19 is self-explanatory and does not contain any qualifications, reservations or adverse remarks and therefore, in the opinion of the Directors, does not call for further comments. The Audit Report is appended as *Annexure III* and forms part of this report.

### **Internal / Concurrent Audit**

M/s. S. Ramachandran & Co., Chartered Accountants, Bengaluru were the Internal Auditors of the Company upto September 30, 2018. Pursuant to provisions of RBI directions on 'outsourcing of financial activities by NBFCs', Shri C. Anand, Assistant General Manager, Risk and Internal Control Department was designated as Internal Auditor of the Company from October 01, 2018. The quarterly review reports / branch audit reports received from the concurrent auditors / internal auditors were placed before the Audit Committee in their meetings at regular intervals.

## **CORPORATE GOVERNANCE**

### **Directors**

#### **Changes in the Board and Key Managerial Personnel during the Year**

During year under review, Government of Karnataka had nominated Shri L K Atheeq, IAS in place of Dr. N. Nagambika Devi, IAS; Union Bank India nominated Shri S N Kaushik in place of Shri K P Acharya; and Canara Bank had nominated Shri K Palanivel in place of Shri Anil Kumar P, as nominee Director(s) on the Board of the Company.

During the period under review, Shri Manoj Kumar Sharma and Shri S K Giri were appointed as additional Directors and subsequently as Independent Directors of the Company (in the Extra-ordinary General Meeting held on April 30, 2019) with effect from February 25, 2019. Further, Shri K S S Prasad, Dy. General Manager was designated as Chief Financial Officer of the Company with effect from June 08, 2018 in place of Shri Vinod C. Also the tenure of Dr. Venugopalan Puhazhendhi, an Independent Director was completed on February 13, 2019.

Your Directors place on record their sincere appreciation for the valuable guidance provided by Dr. N. Nagambika Devi, IAS, Dr. Venugopalan Puhazhendhi, S/Shri K P Acharya and Anil Kumar P during their tenure as Director(s) of the Company. Your Directors also acknowledge and place on record their sincere appreciation for the contribution made by Shri Vinod C. during his tenure as Chief Financial Officer of the Company.

### Meetings Held

During the financial year 2018-19, the Board met six times and particulars of the Board Meeting together with details on directors' attendance are furnished below:

Name of the Director	Board Meeting Attendance Record for FY2018-19						
	Total Attendance (in %)	April 30, 2018	Jun. 08, 2018	July 22, 2018	Sept. 18, 2018	Jan. 07, 2019	Feb. 25, 2019
Shri J K Mohapatra	100	√	√	√	√	√	√
Shri M I Ganagi	100	√	√	√	√	√	√
Shri G R Chintala	100	√	√	√	√	NA	NA
Smt. Meera Saksena	83	√	LOA	√	√	√	√
Shri Subhash C Kalia	100	√	√	√	√	√	√
Prof. Charan Singh	67	LOA	LOA	√	√	√	√
Shri L K Atheeq, IAS	50	NA	NA	NA	NA	LOA	√
Shri S N Kaushik	50	NA	NA	NA	NA \$	LOA	√
Shri K Palanivel	50	NA	NA	NA	NA	√	LOA
Shri P V S Suryakumar	100	NA	NA	NA	NA	√	√
Shri Manoj Kumar Sharma	-	NA	NA	NA	NA	NA	NA \$
Shri S K Giri	-	NA	NA	NA	NA	NA	NA \$
Shri Subrata Gupta	100	√	√	√	√	√	√
Dr. N Nagambika Devi, IAS	33	√	LOA	LOA	NA	NA	NA
Shri Anil Kumar P	-	LOA	LOA	LOA	NA	NA	NA
Shri K P Acharya	-	LOA	LOA	LOA	NA	NA	NA
Dr. Venugopalan Puhazhendhi	100	√	√	√	√	√	NA

LOA – Leave of absence / Absence

NA – Not Applicable

\$ - Attended as Invitee(s)

## Committees of the Board

Following were the various Committees of the Board and their composition as at the financial year ended March 31, 2019 together with particulars of Committee Meeting(s) held during the year under review:

Particulars of the Board Committees	Composition *	Meeting(s) held during financial year 2018-19
Audit Committee	<ol style="list-style-type: none"> <li>1. M I Ganagi, <i>Nom. Director</i> (Chairman)</li> <li>2. Subhash C Kalia, <i>Independent Director</i></li> <li>3. Dr. Charan Singh, <i>Independent Director</i></li> <li>4. K Palanivel, <i>Nom. Director</i></li> <li>5. Meera Saksena, <i>Independent Director</i></li> </ol>	April 30, 2018 June 08, 2018 September 17, 2018 January 07, 2019 February 25, 2019
Nomination & Remuneration Committee	<ol style="list-style-type: none"> <li>1. J K Mohapatra, <i>Independent Director</i></li> <li>2. M I Ganagi, <i>Nom. Director</i> (Chairman)</li> <li>3. Meera Saksena, <i>Independent Director</i></li> </ol>	June 08, 2018 September 18, 2018 January 07, 2019 February 25, 2019
CSR Committee	<ol style="list-style-type: none"> <li>1. J K Mohapatra, <i>Independent Director</i> (Chairman)</li> <li>2. Meera Saksena, <i>Independent Director</i></li> <li>3. Subrata Gupta, <i>Managing Director</i></li> </ol>	July 22, 2018 January 07, 2019
Risk Management Committee	<ol style="list-style-type: none"> <li>1. K Palanivel, <i>Nom. Director</i> (Chairman)</li> <li>2. Subhash C Kalia, <i>Independent Director</i></li> <li>3. M I Ganagi, <i>Nom. Director</i></li> <li>4. S N Kaushik, <i>Nom. Director</i></li> <li>5. Subrata Gupta, <i>Managing Director</i></li> </ol>	June 07, 2018 July 22, 2018 September 17, 2018 January 07, 2019
IT Strategy Committee	<ol style="list-style-type: none"> <li>1. S K Giri, <i>Independent Director</i> (Chairman)</li> <li>2. K Radhakrishnan, <i>Dy. General Manager</i> (CTO);</li> <li>3. Rohit Dube, <i>Asst. General Manager</i> (CIO)</li> </ol>	December 17, 2018 February 26, 2019

\* Committee composition(s) were revised during the year under review, wherever required.

## Declaration by Independent Director(s)

Your Company had received the declaration dated April 01, 2019 from Shri J K Mohapatra, Smt. Meera Saksena, Shri Subhash C Kalia and Dr. Charan Singh, the Independent Directors of the Company that they meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013 and are not disqualified from continuing as Independent Directors.

## Evaluation

Pursuant to provisions of Section 134(3)(p) read with Sub-rule (4) of Rule 8 of the Companies (Accounts) Rules, 2014 of the Companies Act, 2013, the formal performance evaluation of the Board, the Board Committees, the Independent Directors, the Chairman and of the Managing Director was duly carried out by the Company.

The aspects covered in the evaluation included the contribution to and monitoring of corporate governance practices, participation in strategic planning and the fulfillment of Directors' obligations and fiduciary responsibilities, including but not limited to, active participation at the Board and Committee Meetings.

The Independent Directors at their meeting held on February 25, 2019 reviewed the performance of the Board, the non-Independent Directors and the Board Committees. The Non-Independent Directors evaluated the performance of the Board, the Independent Directors and the Board Committees. Performance evaluation of the Chairman was carried out by all other Directors excluding the chairman himself. Also the annual performance of the Managing Director of the Company for the FY2018-19 was evaluated by the Chairman as per the Board approved *Statement of Intent (Sol)*.

During the annual evaluation exercise, the Directors opined that in order to improve the Board's performance, frequency of the meeting could be increased and sufficient time to be allocated to all agenda. It was also suggested for minimizing the quantum of resolution(s) seeking approval through circulation (could be considered only in exigencies) and to avoid wherever possible, placing *Table Agenda*. In order to carve out the annual growth path and other strategic plans, it was also felt need of having annual strategy meet of the Board.

### **Vigil Mechanism / Whistle Blower Policy**

The Company has established a *Vigil Mechanism / Whistle Blower Policy* for Directors and Employees to report genuine concerns and provide for adequate safeguards against victimization of persons who use such mechanism.

### **Risk Management Policy**

Your Company being a Micro Finance Institution (NBFC-mFI), risk management assumes critical significance in the context of the absence or near absence of traditional risk mitigation instruments like collaterals or guarantors. The Company is in continuous process of strengthening the risk management framework for successfully handling any challenges in the business environment.

A sub-committee of the Board, "Risk Management Committee of the Board (RMCB)", along with the Audit Committee of the Board is established to oversee, monitor and guide the Company for effective risk management.

The Company has put in place Loan Policy approved by the Board, Process note on B&DC and Direct Lending Business Vertical, Process note on NPA Management, Policy on 'Document Management, Preservation and Destruction', Vigilance Policy, Disaster recovery policy to manage Business Continuity Risk, KYC Policy to manage reputation/legal risk etc.

The Company has an exclusive "Risk & Internal Control Department" at Head Office for assessment and monitoring of current as well as potential risks through Process Audit of district offices, Concurrent Audit, Internal Audit etc.

### **Directors' Responsibility Statement**

Pursuant to the provisions of section 134(3) (c) of the Companies Act, 2013, the Board of Directors of your Company confirm that –

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the period;

- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 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; and
- v) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

### **Compliance under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company is in compliance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and has an appropriate policy in place. No complaints were received during the year under review.

Pursuant to provisions of the Act, an Internal Complaints Committee was established to oversee and resolve the complaints if any, received under the Act, and the composition of which, as at the financial year ended March 31, 2019 was as mentioned below:

<b>Internal Complaints' Committee</b>
1. Sunitha V, Manager ( <i>Presiding Officer</i> )
2. Ruth Anand, <i>Domain expert</i>
3. Diana Dsouza, Asst. General Manager ( <i>Member</i> )
4. C. Anand, Asst. General Manager ( <i>Member</i> )
5. Savitri Hegde, Company Secretary ( <i>Member</i> )

### **Acknowledgements**

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

For and on behalf of the Board

**Bengaluru**  
**August 06, 2019**

**J K Mohapatra**  
**DIN: 03190289**  
**Chairman**

**Subrata Gupta**  
**DIN: 06833844**  
**Managing Director**

## Corporate Social Responsibility (CSR)

*[Pursuant to Clause (o) of sub section (3) of section 134 of the Act and Rule 9 of the Companies  
(Corporate Social Responsibility) Rules, 2014]*

### CSR Policy

The CSR Policy outlines the Company's responsibility as a corporate citizen and lays down the guidelines and mechanism for undertaking activities for welfare and sustainable development of the community at large. Broad areas covered under the Company's CSR Policy are *Health & Sanitation, Promotion of Education, Promotion of Gender Equality & Women Empowerment etc.*

The CSR Policy gives an overview of the projects which are proposed to be undertaken by the Company in the future years. The CSR Policy is placed on the Company's website at [www.nabfins.org](http://www.nabfins.org)

### 1. Composition of the CSR Committee

The Company has a CSR Committee of Directors comprising of Shri J K Mohapatra, Chairman of the Committee, Dr. Venugopalan Puhazhendhi (ceased to be member w.e.f. Feb. 14, 2019 on account of completion of tenure of his directorship on Feb. 13, 2019), Smt. Meera Saxena and Shri Subrata Gupta. During the financial year 2018-19, the Committee met two times on July 22, 2018 and January 07, 2019.

### 2. Average net profit of the Company for last three financial years for the purpose of computation of CSR:

Particulars	In ₹ Lakh
Net Profit of the Company during the year 2015-16	2,462.77
Net Profit of the Company during the year 2016-17	3,413.20
Net Profit of the Company during the year 2017-18	3,695.53
Total Profit for the past 3 years	9,571.50
Average Profit for the purpose of section 135 of Companies Act 2013	3,190.50
<b>Prescribed CSR Expenditure for the year 2018-19 i.e., 2 % of Average Net Profit</b>	<b>63.81</b>
Add: Balance carried forwarded from FY2017-18	6.58
<b>GROSS amount to be spent for the year 2018-19</b>	<b>70.39</b>

### 3. Details of CSR spent during the financial year 2018-19:

Particulars	In ₹ Lakh
a. Total amount to be spent	70.39
b. Amount as approved by the CSR Committee and the Board	70.39
c. Amount sanctioned	69.73
d. Amount spent (released)	35.05
e. Amount unspent (a-d)	35.34

**4. (A) Manner in which the amount spent during the financial year 2018-19 is detailed below:**

Name & Details of Implementing Agency	CSR Project / activity identified	Sector in which the Project is covered	Location of project / Programs (Local area / district/ state)	Amount outlay / approved (₹ in Lakh)	Amount spent- Direct/ Overheads (₹ in Lakh)
Sandhya Development Society (SDS), Kottayam, Kerala	Providing dual power Solar Lamps	Ecology and Environment	Kuttanad, Kerala	0.38	0.38
Awaaz.De Infosystems Private Limited, Ahmedabad, Gujarat	Financial & Digital Literacy (using Interactive Voice Response (IVR) technology)	Promotion of Education	Rural public in the states of Maharashtra, Madhya Pradesh, Chhattisgarh, Jharkhand	10.35	5.17
Waterlife India Private Limited, Hyderabad, Andhra Pradesh	Making available safe drinking water	Health	Narasimhpur, Odisha & Hosur, Tamil Nadu	59.00	29.50
<b>Total</b>	-	-	-	<b>69.73</b>	<b>35.05</b>
Amount carried forwarded to CSR Budget of FY2019-20				0.66	
Total CSR Budget				70.39	35.05

**(B) Status update (as on the date of Directors' Report) on manner in which the CSR amount pertaining to FY2017-18 is spent :**

Sl. No.	Major Activity	Implementing Agency	Amount sanctioned (in ₹)	Amount Released (in ₹)	Amount carried forwarded to CSR 2018-19	Amount carried forwarded to CSR 2019-20	Status & Outreach
01	<b>Financial Literacy</b> (through Street Play method)	Indian Social Welfare Society (ISWS), Gondia, MH	42,000	42,000	-	-	COMPLETED Outreach: 800
02	<b>Financial &amp; Digital Literacy</b> (using Interactive Voice Response (IVR) technology)	Awaaz.De Infosystems Private Limited, Ahmedabad, GJ	2,75,882	2,75,882	-	-	COMPLETED Outreach: 15,746
03	<b>Health Care</b> (Palliative Care services units to the elderly deprived)	Elders for Elders Foundation, Cuddalore, TN	6,48,900	6,46,350	2,550	-	COMPLETED Outreach: Around 1,500
04	Financial Literacy	Organisation for the Development of People (ODP), Mysuru, KA	15,00,000	13,19,880	57,978	1,22,142	COMPLETED Outreach: Around 12,100



Sl. No.	Major Activity	Implementing Agency	Amount sanctioned (in ₹)	Amount Released (in ₹)	Amount carried forwarded to CSR 2018-19	Amount carried forwarded to CSR 2019-20	Status & Outreach
05	Financial Literacy	Indian Forum for Sustainable Development (IFSD), Kanyakumari, TN	37,500	37,500	-	-	COMPLETED Outreach: 208
06	Financial Literacy	Deepam Women Trust (DWT), Tiruppur, TN	37,500	-	37,500	-	Financial sanction cancelled & amount carried forwarded to CSR Budget FY2018-19
07	Financial Literacy	Humanitarian Organization for Rural Development (HORD), Kanchipuram, TN	1,50,000	1,50,000	-	-	COMPLETED Outreach: 706
08	Financial Literacy	Puliakulam Thiyaga Oli Sudar Mahalir Mandram (PTOSMM), Coimbatore, TN	52,500	52,500	-	-	COMPLETED Outreach: 216
09	Financial Literacy	Parkavan Trust (PARKAVAN), Trichy, TN	30,000	30,000	-	-	COMPLETED Outreach: 300
10	Financial Literacy	Care and Share Charitable Trust (CAST), Trichy, TN	37,500	32,508	4,992	-	COMPLETED Outreach: 591
11	Financial Literacy	Service for Women and Agriculture Development (SWAD), Sivagangai, TN	67,230	67,230	-	-	COMPLETED Outreach: 623
12	Financial Literacy	Trust for Social Justice - Shanthi Nilayam (TSJSN), Villupuram, TN	1,50,000	1,50,000	-	-	COMPLETED Outreach: 3363
13	Financial Literacy	McLevy Institute of Development Services (MIDS), Thiruvallur, TN	15,000	15,000	-	-	COMPLETED Outreach: 73

Sl. No.	Major Activity	Implementing Agency	Amount sanctioned (in ₹)	Amount Released (in ₹)	Amount carried forwarded to CSR 2018-19	Amount carried forwarded to CSR 2019-20	Status & Outreach
14	Financial Literacy	Women Education & Economic Development Society (WEEDS), Kanchipuram, TN	3,07,500	2,66,580	40,920	-	COMPLETED Outreach: 1379
15	Financial Literacy	Vanavil Social Welfare Development Trust (VSWD), Nagapattinam, TN	1,50,000	1,50,000	-	-	COMPLETED Outreach: 879
16	Financial Literacy	Aparajitha Mahila Sangh (AMS), Indore, MP	7,50,000	7,35,000	-	15,000	COMPLETED Outreach: 5,170
17	Financial Literacy	Association for Community Development Services (ACDS), Kanchipuram, TN	1,87,500	1,87,500	-	-	COMPLETED Outreach: 1,250
18	Financial Literacy	Star Manithaneya Sangamam Trust (NGO) [STAR], Tanjaore, TN	75,000	43,792	31,208	-	COMPLETED Outreach: 309
19	Financial Literacy	Maharashtra Gram Darpan (MGD), Amravati, MH	1,95,000	-	1,95,000	-	Financial sanction cancelled & amount carried forwarded to CSR Budget FY2018-19
20	Financial Literacy	Social Action for Rural Integration, Training & Awareness (SARITA), Amravati, MH	1,72,500	1,68,451	4,049	-	COMPLETED Outreach: 1,151
21	Financial Literacy	Swayamdeep Bahuddeshiya Sanstha (SWBS), Amravati, MH	90,000	90,000	-	-	COMPLETED Outreach: 507

Sl. No.	Major Activity	Implementing Agency	Amount sanctioned (in ₹)	Amount Released (in ₹)	Amount carried forwarded to CSR 2018-19	Amount carried forwarded to CSR 2019-20	Status & Outreach
22	Financial Literacy	Thanjavur Multipurposr Social Service Society (TMSSS), Tanjaore, TN	75,000	74,790	210	-	COMPLETED Outreach: 429
23	Financial Literacy	Rathinasabhapathi Environmental Rural Development Organization (RERO), Namakkal, TN	75,000	-	75,000	-	Financial sanction cancelled & amount carried forwarded to CSR Budget FY2018-19
24	Financial Literacy	Vivasaya Matrum Gramya Valarchikkana Pengal Munnetra Sangam Sankari (VGPS), Salem, TN	75,000	-	75,000	-	Financial sanction cancelled & amount carried forwarded to CSR Budget FY2018-19
25	Financial Literacy	Tribal and Rural Deveopment Organization (TARDO), Mysuru, KA	97,500	97,500	-	-	COMPLETED Outreach: 1,104
26	Financial Literacy	Sakthi Pengal Munnetra Sangam (SPMS), TVMalai, TN	2,25,000	2,25,000	-	-	COMPLETED Outreach: 1,345
27	Financial Literacy	Rural Social Welfare Society (RSWS), TVMalai, TN	2,62,500	2,62,500	-	-	COMPLETED Outreach: 5,030
28	Financial Literacy	Chandan Resource Centre (R.) [CRC], Mysuru, KA	75,000	66,575	8,425	-	COMPLETED Outreach: 690
29	Financial Literacy	Social Centre for People's Education Trust (SCOPE), TVMalai, TN	1,87,500	1,38,000	49,500	-	COMPLETED Outreach: 2,299

Sl. No.	Major Activity	Implementing Agency	Amount sanctioned (in ₹)	Amount Released (in ₹)	Amount carried forwarded to CSR 2018-19	Amount carried forwarded to CSR 2019-20	Status & Outreach
30	Financial Literacy	Pengal Mempadu Matrum Vizhippunaravu Sangam (PMVS), Kanchipuram, TN	3,00,000	2,65,389	34,611	-	COMPLETED Outreach: 2,190
31	Financial Literacy	Rural Education And Development Society (REDS), Namakkal, TN	1,87,500	1,87,500	-	-	COMPLETED Outreach: 791
32	Amount carried forwarded to CSR Budget for FY2018-19 @		41,355	-	41,355	-	
<b>TOTAL</b>			<b>65,72,867/-</b>	<b>57,77,427/-</b>	<b>6,58,298/-</b>	<b>1,37,142/-</b>	

#### Notes:

The CSR Policy of the Company allows for undertaking CSR projects through external agencies viz., Trusts, Cooperatives, Company (ies), NBFCs, Banks etc. or unregistered entities like SHG, Farmers' Club, JLG Producer Collective etc. The CSR activities so taken up are monitored and periodically reviewed by the NABFINS CSR Team.

Considering that release of amount sanctioned during FY2017-18, for the purpose of providing financial literacy and other objectives, was on submission of the program report by implementing agencies and was on reimbursement basis, and such reports were submitted in subsequent financial years, eligible amount was released to various implementing agencies during FY2018-19 and FY2019-20. The ineligible amount if any, was carried forwarded to CSR2018-19 or CSR2019-20, as the case may be, which is detailed in Table under point 4(B) above.

#### Responsibility Statement

We hereby affirm that the CSR Policy, as approved by the Board, has been implemented and the CSR Committee monitors the implementation of CSR Projects and activities in compliance with our CSR objectives.

**Bengaluru**  
**August 06, 2019**

**J K Mohapatra**  
**DIN: 03190289**  
**Chairman**

**Subrata Gupta**  
**DIN: 06833844**  
**Managing Director**

**Form No. MR 3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2019**  
*[Pursuant to section 204(1) of the Companies Act, 2013 and Rule*  
*No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014*

To,

**The Members,**

NABARD Financial Services Limited  
# 3072, 14th Cross Road,  
Banashankari II Stage  
Bengaluru - 560070

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by NABARD Financial Services Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on (01.04.2018 to 31.03.2019) 31.03.2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the Books, Papers, Minutes Book, Forms and Returns filed and other records maintained by the Company for the financial year ended on 31.03.2019 according to the provisions of:

The Companies Act, 2013 (the Act) and the Companies Act, 1956 and the rules there under for which I report that the Company has:

- a) Maintained various Statutory Registers and Minutes of the Proceedings of the Board Meetings, Committee Meetings and General Meetings in Compliance with the Act;
- b) Filed all the Forms, Returns, Documents and Resolutions as required to be filed with Registrar of Companies (ROC) and other authorities and all the formalities relating to the same were complied with;
- c) Circulated agenda of the Board Meetings and Committee Meetings adequately in advance. Further, Board Meetings and the Committee meetings were held in compliance with the Act including the requirement of quorum for all the meetings and sought necessary approvals of the Board of Directors, Committee of Directors and Members as per the requirement of the Act;
- d) Complied with the provisions of appointment or / and re-appointment of Directors, Independent Directors, Nominee Directors on the Board of the Company;

- e) Served the notice of Annual General Meeting to all the Members, Directors and Auditors of the Company;
- f) Complied with the provisions with respect to Transfers of the company's Shares as per the requirement of the Act;
- g) Secretarial Standards issued by The Institute of Company Secretaries of India;
- h) Complied with the Provisions of Appointment & Remuneration of Auditors;
- i) Complied with the Provisions affixing Common Seal;
- j) Complied Publication of Name of the Company in all correspondences;
- k) Complied with all other applicable provisions of the Act and the Rules made there under;

**I have also examined the Compliance with the applicable Clauses of the following:**

- (i) The Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- (ii) The Employees State Insurance Act, 1948
- (iii) The payment of Bonus Act, 1965
- (iv) Maternity Benefit Act, 1961
- (v) Payment of Gratuity Act, 1972
- (vi) The Karnataka Tax on Professions, Trades, Callings and Employment Act, 1976
- (vii) Minimum Wages Act, 1948
- (viii) Payment of Wages Act, 1936
- (ix) Industrial Disputes Act, 1947
- (x) Contract Labour (Regulation & Abolition) Act, 1970
- (xi) Income Tax Act 1961
- (xii) The RBI Act, 1934
- (xiii) Service Tax / GST Act, 2016
- (xiv) Equal Remuneration Act, 1976
- (xv) Karnataka Shops and Commercial Establishment Act
- (xvi) The Child Labour (Prohibition and Regulation) Act, 1986
- (xvii) Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Directors, Non-Executive Directors, Women Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in accordance with the secretarial standards framed by Institute of Company Secretaries of India.

As per the Minutes of the Meetings of the Board and Committees of the Board is duly signed by the Chairman. Decisions at the meetings of the Board of Directors of the company were passed unanimously. There were no dissenting views by any member of the Board of Directors / Committees of the Board during the period under review.

Based on the Statutory Auditors Report and RBI Inspection Report, Internal Auditors' Report produced to me which were confirmed by the Management and according to the information and explanations given to me by the Company, I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

Place: Bangalore  
Date: 23.04.2019

C.R. RAMESH BABU  
Practicing Company Secretary  
ACS No: 3182  
C P No: 2222

**Note:**

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

**C.R.RAMESH BABU**  
B.Com, LL.B, ACA, ACS  
**PRACTISING COMPANY SECRETARY**

No.240, 10th B cross,  
25th Main, JP Nagar 1st Phase,  
Bangalore - 560 078  
Ph: 26630318 / 41227900 / 9341254660  
Email: ramesh\_cr55@yahoo.co.in

To,  
NABARD Financial Services Limited  
# 3072, 14th Cross Road,  
Banashankari II Stage  
Bengaluru - 560070

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

- 1) Maintenance of Secretarial record is the responsibility of the Management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
- 2) I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the processes and practices, I followed provide a reasonable basis for my opinion.
- 3) I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
- 4) Wherever required, I have obtained the Management representation about the Compliance of Laws, Rules and Regulations and happening events etc.
- 5) The Compliance of the Provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
- 6) The Secretarial Audit Report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management as conducted the affairs of the company.

Place: Bangalore  
Date: 23.04.2019

C.R. RAMESH BABU  
Practicing Company Secretary  
ACS No: 3182  
C P No: 2222



**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF NABARD FINANCIAL SERVICES LIMITED, BANGALORE FOR THE YEAR ENDED ON 31 MARCH 2019**

The preparation of financial statements of NABARD Financial Services Limited for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act responsible for expressing opinion on the Financial Statements under section 143 of the Act based on independent audit in accordance with the Standards on Auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 30 April 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Statements of NABARD Financial Services Limited for the ended 31 March 2019 under section 143(6)(a) of the Act. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and Company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 143(6)(b) of the Act.

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

Place: Hyderabad  
Date: 31 July 2019

Sd/-  
(M.S.Subrahmanyam)  
Director General of Commercial Audit &  
Ex-Officio Member, Audit Board,  
Hyderabad

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF NABARD FINANCIAL SERVICES LIMITED

#### Opinion

We have audited the accompanying Financial Statements of **NABARD FINANCIAL SERVICES LIMITED**, which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter together referred to as 'Financial Statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Financial Statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act and other Accounting Principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and its cash flows for the year ended on that date.

#### Basis for Opinion

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

#### Management's Responsibility for the Financial Statements

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- a. Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d. Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- e. Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope

of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Financial Statements.

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

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

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

### **Report on Other Legal and Regulatory Requirements**

1. As required by section 143(3) of the Act, based on our audit we report that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c) The Balance Sheet, the Statement of Profit and Loss and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account;
- d) In our opinion, the aforesaid Financial Statements comply with the AS specified under section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of section 164 (2) of the Act;
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "**Annexure A**". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting;
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act; and

- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has no pending litigations on its financial position in its Financial Statements;
  - ii. The Company has no material foreseeable losses on long-term contracts including derivative contracts; and
  - iii. The Company has no amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
- 2 As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143(11) of the Act, we give in "**Annexure B**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
- 3 As required by the section 143(5) of the Companies Act 2013 we give in the "**Annexure C**" a statement on the directions given by the Comptroller and Auditor general of India.

**For Phillipos & Co**  
Chartered Accountants  
Firms Registration No. 0026505

**JAMES JOSEPH**  
Partner  
(Membership No. 203604)

Bengaluru, April 30, 2019

## **ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

(Referred to in paragraph 1(f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report to the Members of **NABARD Financial Services Limited** of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of **NABARD Financial Services Limited** (“the Company”) as of March 31, 2019 in conjunction with our audit of the Financial Statements of the Company for the year ended on that date.

#### **Management’s Responsibility for Internal Financial Controls**

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

#### **Auditor’s Responsibility**

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the Auditor’s judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error.

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

### **Meaning of Internal Financial Controls over Financial Reporting**

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

### **Limitations of Internal Financial Controls over Financial Reporting**

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

### **Opinion**

According to the information and explanation given to us and based on our audit, the Company needs to strengthen its internal controls at Branches Over Compliance of KYC norms, maintaining and safeguarding of loan documents etc. However, by stating this we are not modifying the Report further Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India".

**For Phillipos & Co**  
Chartered Accountants  
Firms Registration No. 0026505

Bengaluru, April 30, 2019

**JAMES JOSEPH**  
Partner  
(Membership No. 203604)

## **ANNEXURE 'B' TO THE INDEPENDENT AUDITOR'S REPORT**

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of NABARD Financial Services Limited of even date)

- i. In respect of the Company's Fixed Assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
  - b. The Company has a program of verification to cover all the items of fixed assets in a phased manner which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain Fixed Assets were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c. According to the information and explanations given to us, the records examined by us and based on the examination of the conveyance deeds / registered sale deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. In respect of immovable properties of land and building that have been taken on lease and disclosed as Fixed Assets in the Financial Statements, the lease agreements are in the name of the Company.
- ii. The Company is in the business of providing financial lending activity and does not have any physical inventories. Accordingly, reporting under clause 3 (ii) of the Order is not applicable to the Company.
- iii. As explained to us, the Company has not granted any loans to companies, firms or other parties covered in the register maintained u/s 189 of the Companies Act, therefore, the provisions of clause (iii) of paragraph 3 of the CARO 2016 are not applicable to the Company
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 185 and 186 of the Act in respect of grant of loans, making investments and providing guarantees and securities, as applicable.
- v. The Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2019 and therefore, the provisions of the clause 3 (v) of the Order are not applicable to the Company.
- vi. The maintenance of cost records has not been specified by the Central Government under section 148(1) of the Companies Act, 2013 for the business activities carried out by the Company. Thus reporting under clause 3 (vi) of the order is not applicable to the Company.
- vii. According to the information and explanations given to us, in respect of statutory dues:
  - a. The Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues applicable to it with the appropriate authorities.



- b. There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income Tax, Goods and Service Tax, Customs Duty, Cess and other material statutory dues in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.
- viii. The Company has not taken any loans or borrowings from financial institutions, banks and government or has not issued any debentures. Hence reporting under clause 3 (viii) of the Order is not applicable to the Company.
- ix. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) or term loans and hence reporting under clause 3 (ix) of the Order is not applicable to the Company.
- x. To the best of our knowledge and according to the information and explanations given to us, we report that no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year except cash embezzlements by an employee and certain partners of the Company aggregating to ₹90.24 Lakhs of which ₹41.58 Lakhs has been recovered. The service of the concerned employee has been terminated.
- xi. In our Opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable to the Company.
- xiii. In our opinion and according to the information and explanations given to us, the Company is in compliance with section 177 and 188 of the Companies Act, 2013 where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the Financial Statements as required by the applicable Accounting Standards.
- xiv. During the year, the Company has not made any preferential allotment or private placement of shares or fully or partly paid convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its Directors or persons connected to its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.
- xvi. The Company is registered under section 45-IA of the Reserve Bank of India Act, 1934.

**For Phillipos & Co**

Chartered Accountants  
Firms Registration No. 002650S

**JAMES JOSEPH**

Partner

(Membership No. 203604)

Bengaluru, April 30, 2019

**Addendum to our Audit Report dated 30th April, 2019 to the Members of NABARD Financial Services Limited, Bangalore for the year ended 31st March, 2019, arising out of supplementary audit conducted by office of Controller & Audit General of India and consequential comments made by them under sections 143(6)(a) and 143(6)(b) of the Companies Act, 2013.**

**“Annexure C” to the Independent Auditors` Report should read as follows**

**(Refer to in Paragraph 3 under ‘Report on Other Legal and Regulatory Requirements’ Section of our Report to the Members of NABARD Financial Services Limited of dated 30th April 2019)**

**“Annexure C” to the Independent Auditors’ Report**

1	Whether the company has system in place to process all the accounting transactions through IT system? If Yes, the implication of Processing of accounting transaction outside IT system on the Integrity of the accounts along the financial implication if any, may be stated.	The Company has an IT system which process all the accounting transactions.  As per our Audit observation there are no Accounting Transactions processed outside of IT system.  Hence commenting on financial implication does not arise.
2	Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/loans/ interest etc.,  made by a lender to the company due to the company`s inability to repay the loan? if yes, the financial impact may be stated.	There was no restructuring of existing loans. As per our audit observation there were no cases of waiver/ write off of debts/loans/interest etc. made by a lender to the company.
3	Whether funds received/receivable for specific schemes from central/state agencies where properly accounted for/ utilised as per its term and conditions? List the cases of deviation.	During the year the company has not received against any funds for specific schemes from central/state agencies.

**For Phillipos & Co**  
Chartered Accountants  
Firms Registration No. 002650S

**JAMES JOSEPH**  
Partner  
(Membership No. 203604)

Bangalore, July 29, 2019

# NABARD FINANCIAL SERVICES LIMITED

3072, 14th CROSS, K R ROAD, BANASHANKARI 2nd STAGE, BENGALURU - 560070

## BALANCE SHEET AS AT MARCH 31, 2019

(₹ Lakh)

	Particulars	Note No	As at 31.03.2019	As at 31.03.2018
<b>I</b>	<b><u>EQUITY AND LIABILITIES</u></b>			
<b>1</b>	<b>Shareholders' Funds</b>			
	a. Share Capital	1	16,165.63	16,165.63
	b. Reserves and Surplus	2	12,497.62	9,566.23
<b>2</b>	<b>Non-Current Liabilities</b>			
	a. Long-Term Borrowings	3	80,199.20	62,255.73
	b. Other Long Term Liabilities	4	1,521.32	1,445.94
	c. Long-Term Provisions	5	4,094.05	2,292.54
	d. Deferred Tax Liabilities (Net)	6	14.76	27.05
<b>3</b>	<b>Current Liabilities</b>			
	a. Short-Term Borrowings	7	4,261.35	-
	b. Other Current Liabilities	8	40,169.91	41,692.51
	c. Short-Term Provisions	9	3,153.36	2,344.66
	<b>TOTAL</b>		<b>1,62,077.20</b>	<b>1,35,790.28</b>
<b>II</b>	<b><u>ASSETS</u></b>			
<b>1</b>	<b>Non-Current Assets</b>			
	a. Property, Plant & Equipment			
	i. Tangible Assets	10	1,452.84	1,246.69
	ii. Intangible Assets	11	148.96	104.87
	b. Deferred Tax Assets (Net)	-	-	-
	c. Long-Term Loans and Advances	12	51,142.84	33,785.34
	d. Other Non-Current Assets	13	741.14	161.82
<b>2</b>	<b>Current Assets</b>			
	a. Cash and Cash Equivalents	14	10,548.25	12,788.59
	b. Short-Term Loans and Advances	15	95,449.27	85,631.95
	c. Other Current Assets	16	2,593.90	2,071.02
	<b>TOTAL</b>		<b>1,62,077.20</b>	<b>1,35,790.28</b>

**The accompanying notes form an integral part of the financial statements**

**For NABARD Financial Services Limited**

**JK MOHAPATRA**  
CHAIRMAN  
DIN : 03190289

**SUBRATA GUPTA**  
MANAGING DIRECTOR  
DIN : 06833844

**JAMES JOSEPH**  
PARTNER  
M.No. : 203604

Place : Bengaluru  
Date : 30.04.2019

**KSS PRASAD**  
CHIEF FINANCIAL OFFICER  
M.No. : 22715

**SAVITRI HEGDE**  
COMPANY SECRETARY  
M.No. : A45935

As per our report of even date  
**For Phillipos & Co**  
Chartered Accountants  
Firm Reg No : 0026505

## NABARD FINANCIAL SERVICES LIMITED

3072, 14th CROSS, K R ROAD, BANASHANKARI 2nd STAGE, BENGALURU - 560070

### STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2019

(₹ Lakh)

Particulars		Note No	Figures for the year ended	
			31.03.2019	31.03.2018
	<b>INCOME:</b>			
I	Revenue From Operations	17	19,298.25	16,461.50
II	Other Income	18	1,263.20	911.99
III	<b>Total Revenue ( I + II )</b>		<b>20,561.45</b>	<b>17,373.48</b>
IV	<b>EXPENSES:</b>			
	Employee Benefit Expenses	19	2,522.78	1,966.49
	Finance Costs	20	7,824.26	6,840.89
	Depreciation & Amortization	10 & 11	130.49	117.94
	Other Expenses	21	3,190.67	2,585.39
	Provision On Loan Portfolio			
	- Standard Assets		100.44	126.20
	- Sub Standard Assets		1,542.32	2,041.04
	<b>Total Expenses</b>		<b>15,310.96</b>	<b>13,677.96</b>
V	<b>Profit Before Exceptional And Extraordinary Items And Tax (III-IV)</b>		<b>5,250.49</b>	<b>3,695.53</b>
VI	Exceptional Items		-	-
VII	<b>Profit Before Extraordinary Items And Tax (V-VI)</b>		<b>5,250.49</b>	<b>3,695.53</b>
VIII	Extraordinary Items		-	-
IX	<b>Profit Before Tax (VII-VIII)</b>		<b>5,250.49</b>	<b>3,695.53</b>
X	<b>Tax Expense:</b>			
	- Current Tax		1,950.69	1,081.64
	- Previous Year Tax		6.70	-
	- Deferred Liability / ( Asset )		(12.29)	49.99
XI	<b>Profit (Loss) For The Year From Continuing Operations (IX-X)</b>		<b>3,305.39</b>	<b>2,563.90</b>
XII	<b>Earnings Per Equity Share:</b>	36		
	(1) Basic		1.64	1.32
	(2) Diluted		1.64	1.32

*The accompanying notes form an integral part of the financial statements*

**For NABARD Financial Services Limited**

**J K MOHAPATRA**  
CHAIRMAN  
DIN : 03190289

Place : Bengaluru  
Date : 30.04.2019

**SUBRATA GUPTA**  
MANAGING DIRECTOR  
DIN : 06833844

**KSS PRASAD**  
CHIEF FINANCIAL OFFICER  
M.No. : 22715

As per our report of even date  
**For Phillipos & Co**  
Chartered Accountants  
Firm Reg No : 0026505

**JAMES JOSEPH**  
PARTNER  
M.No. : 203604

**SAVITRI HEGDE**  
COMPANY SECRETARY  
M.No. : A45935

# NABARD FINANCIAL SERVICES LIMITED

3072, 14th CROSS, K R ROAD, BANASHANKARI 2nd STAGE, BENGALURU - 560070

## Cash Flow Statement for the year ended March 31, 2019

(₹ Lakh)

Particulars	Figures for the year ended	
	31.03.2019	31.03.2018
<b>a) Cash flow from Operating Activities</b>		
Profit before tax	5,250.49	3,695.53
<b>Adjustments for :</b>		
Depreciation	130.49	117.94
Provision for Non Performing Assets	1,542.32	2,041.04
Provision for Standard Assets	100.44	126.20
(Profit) / Loss on sale of Fixed Asset	18.54	-
Non performing assets written off	16.10	4.00
Income on investment in mutual fund	(125.00)	(17.18)
Interest on Fixed Deposit	(1,106.19)	(866.21)
<b>Operating Profit before working capital changes</b>	<b>5,827.19</b>	<b>5,101.32</b>
<b>Changes in current assets and liabilities</b>		
(Increase) / Decrease in Loans and Advances	(25,744.08)	(33,152.48)
(Increase) / Decrease in Other Current Assets	(522.88)	(735.69)
Increase / (Decrease) in Liabilities and Provisions	(837.95)	99.64
<b>Cash generated from operating activities</b>	<b>(27,104.91)</b>	<b>(33,788.53)</b>
Payment towards Income tax	(2,026.16)	(1,457.65)
<b>Net cash flow from operating activities (A)</b>	<b>(23,303.88)</b>	<b>(30,144.86)</b>
<b>b) Cash flow from Investing Activities</b>		
(Increase) / Decrease of Property, Plant & Equipment and Intangibles	(400.22)	(210.13)
Proceeds from disposal of Property, Plant & Equipment and Intangibles	0.95	-
Income from mutual fund investment	125.00	17.18
Interest on Fixed Deposit	1,106.19	866.21
<b>Net cash flow from investing activities (B)</b>	<b>831.92</b>	<b>673.26</b>
<b>(c) Cash flow from Financing Activities</b>		
Proceeds from issue of Shares	-	944.00
Dividend payment	(374.00)	(366.41)
Increase / (Decrease) in Borrowings	20,605.61	29,439.49
<b>(C)</b>	<b>20,231.61</b>	<b>30,017.08</b>
<b>Net increase in cash and cash equivalent (A)+(B)+(C)</b>	<b>(2,240.34)</b>	<b>545.48</b>
Cash and cash equivalent at the beginning of the year	12,788.59	12,243.11
<b>Cash and cash equivalent at the end of the year as per Balance Sheet</b>	<b>10,548.25</b>	<b>12,788.59</b>
<b>Cash and cash equivalent at the end of the year comprises of</b>		
Cash in hand	0.17	0.03
Balances with Banks	155.46	743.40
	155.63	743.44
Other Bank Balances	10,392.62	12,045.15
<b>Cash &amp; Cash equivalent as per Balance Sheet</b>	<b>10,548.25</b>	<b>12,788.59</b>
<b>The cash flow statement has been prepared under "Indirect method" as set out in the AS - 3 on cash flow statements specified under section 133 of Companies Act 2013.</b>		

The accompanying notes form an integral part of the Financial Statements

For NABARD Financial Services Limited

**J K MOHAPATRA**  
CHAIRMAN  
DIN : 03190289

Place : Bengaluru  
Date : 30.04.2019

**SUBRATA GUPTA**  
MANAGING DIRECTOR  
DIN : 06833844

**KSS PRASAD**  
CHIEF FINANCIAL OFFICER  
M.No. : 22715

As per our report of even date  
**For Phillipos & Co**  
Chartered Accountants  
Firm Reg No : 0026505

**JAMES JOSEPH**  
PARTNER  
M.No. : 203604

**SAVITRI HEGDE**  
COMPANY SECRETARY  
M.No. : A45935

## **NABARD FINANCIAL SERVICES LIMITED**

### **NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019**

#### **NATURE OF BUSINESS:**

NABARD Financial Services Limited is subsidiary of NABARD and incorporated under Companies Act 1956. 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 without accepting public deposits.

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Significant Accounting Policies:**

##### **i. Basis of Preparation of Financial Statements:**

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under section 133 of the Companies Act, 2013, read with relevant provisions of the Companies Act 2013, ("the Act") and conform to the statutory requirements, circulars and guidelines issued by the RBI from time to time and to the extent they have an impact on the Financial Statement. The Financial Statements have been prepared on accrual basis under the historical cost convention method and as a going concern basis. The Accounting Policy adopted in the preparation of the Financial Statements are consistent with those of the previous years.

##### **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. Cash Flow Statement:**

Cash flows are reported using the Indirect Method, whereby profit/loss before tax is adjusted for the effects of transactions of non-cash nature. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information. For the purpose of Cash Flow Statement cash comprises of cash on hand and demand deposits with banks. Cash equivalents are short term balances with banks with original maturity period of three months or less from the date of acquisition, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of change in value.

#### **iv. Prior Period, Exceptional and Extra Ordinary Items:**

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

#### **v. 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 from time to time.
- 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.

#### **vi. Property, Plant & Equipment**

##### **a. Tangible Assets**

Property, Plant & Equipment are carried at cost less accumulated depreciation/amortization and impairment loss, if any. The cost of Property, Plant & Equipment comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from the tax authorities), any directly attributable expenditure on making the asset ready for its intended use, other incidental expenses and interest on borrowings attributable to acquisition of qualifying Property, Plant & Equipment up to the date the asset is ready for its intended use. Subsequent expenditure on Property, Plant & Equipment and Intangible Assets after its purchase is capitalized only if it is probable that the future economic benefit will flow to the enterprise and the cost of the item can be measured reliably.

##### **b. Intangible Assets**

Software and system development expenditure are capitalized at cost of acquisition including cost attributable to bring the same in the working condition. Any expenses on such software for support and maintenance payable are charged to the statement of profit and loss.

All capital assets with individual value less than ₹5,000 are depreciated fully in the year in which they are purchased.

#### **vii. Depreciation and Amortization:**

Depreciable amount for assets is the cost of an asset less estimated residual value. Depreciation on Property, Plant & Equipment has been provided under Straight Line Method as per the useful life prescribed in Schedule II to the Companies Act 2013. In respect of Property, Plant & Equipment purchased or put to use during the period, depreciation is provided on a pro-rata basis from the date on which the asset is purchased or put to use.

Intangible assets are stated at cost and are amortized over a period of 6 years or lower of license period.

### **viii Investments**

Investments expected to mature after twelve months are taken as long term/non-current investments and are stated at cost. Provision is recognised only in case of diminution which is other than temporary in nature. Investments maturing within three months from the date of acquisition are classified as cash equivalents, if they are readily convertible into cash. All other investments are recognized as short/current investments and are valued at lower of cost and net realizable value.

### **ix. Employee Benefits:**

Employee benefits consist of Provident Fund, Medical Benefits, Leave Encashment, Compensated Absences and Gratuity Scheme.

#### ***a. Defined Contribution Plans:***

The Company's contributions paid/payable during the year to Provident Fund and Employee State Insurance Scheme are considered as defined contribution plans and are charged as an expense based on the amount of contribution required to be made and when services are rendered by the employees.

#### ***b. Defined Benefit Plans:***

Gratuity is post-employment benefit and is in the nature of Defined Benefit Plan. The company makes annual contributions to fund administered by trustees and managed by Life Insurance Corporation of India for the amount notified by said insurance companies. The defined benefit plan are valued by independent external actuary as at the Balance Sheet date using project unit credit method to determine the present value of defined benefit obligation and related service costs.

#### ***c. Short-Term Employee Benefits:***

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive, leave encashment and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service.

### **x. Borrowing Cost:**

Borrowing Cost include interest, amortisation of ancillary costs incurred. Cost in connection with the borrowing of funds to the extent not directly related to the acquisition of qualifying assets are charged to the Statement of Profit and Loss over the tenure of the loan. Borrowing cost allocated to and utilised for qualifying assets, pertaining to the period from commencement of activities relating to construction/development of the qualifying asset up to the date of capitalisation of such asset is added to the cost of the assets. Capitalisation of borrowing costs is suspended and charged to the Statement of Profit and Loss during extended periods when active development activity on the qualifying assets is interrupted.



#### **xi. Lease**

Lease arrangements where risks and rewards incidental to ownership of asset substantially rest with lessor are recognised as operating leases. 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 statement of profit and loss on accrual basis.

#### **xii. Taxation:**

Current Tax is the amount of tax payable on the taxable income for the year as determined in accordance with the applicable tax rates and the provisions of the Income Tax Act, 1961 and other applicable Tax Laws.

##### **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 expenses or benefits are 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 on 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.

#### **xiii. 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. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the balance sheet date.

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.

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.

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.

## Impairment of Assets

The carrying value of assets/cash generating units at each balance sheet date is reviewed for impairment. If any indication of impairment exists, the recoverable amount of such asset is estimated and if the carrying value exceed the recoverable amount, impairment loss is recognized in the statement of profit & loss as expense, for such excess amount. The recoverable amount is greater of the net selling price and value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit & Loss.

## Operating Cycle

Based on the nature of products/activities of the Company and normal time between the acquisition of assets and their realisation in cash and cash equivalents, the Company has determined its operating cycle as 12 months for the purpose of classification of its Assets and Liabilities as Current and Non-Current.

### xiv. Asset Classification & Provisioning Norms:

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

#### A. Qualifying Assets

Asset classification and provisioning is made as per the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011 and modifications from time to time issued by the RBI for qualifying assets

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

#### A.1. Asset Classification

Asset Classification	Criteria
Standard Assets	Standard Asset means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business;
Non-Performing Assets	Non - Performing Asset means an asset for which, interest/principal payment has remained overdue for a period of 90 days or more

#### A.2. Provisioning Norms for Qualifying Assets

Asset Classification	RBI Norms	NABFINS Compliance
Standard Assets	0.40% of Standard Assets	0.40 % of Standard Assets
90 Days & above but less than 180 Days	50 % of the aggregate loan Instalments Overdue	50 % of the aggregate loan Instalments Overdue
Non-Performing Assets 180 Days & Above	100 % of the aggregate loan Instalment Overdue	100 % of the aggregate loan Instalments Overdue

## B. Non Qualifying Assets

### B.1. Asset Classification Non Qualifying Assets

Asset Classification	RBI Norms	NABFINS Compliance
Standard Assets	0.40% of Standard Assets	0.40% of Standard Assets
Substandard Assets – An asset which has been classified as Non-performing asset for a period not exceeding 12 months	10% of total outstanding	10% of total outstanding
Doubtful Assets – An asset which remains sub-standard asset for a period exceeding 12 months	100% of the outstanding where the advance is unsecured + net of realisable value of the security, if any + 20%, 30% and 50% of provision up to one year, 1-3 years and more than 3 years respectively	100% of the outstanding where the advance is unsecured + net of realisable value of the security, if any + 20%, 30% and 50% of provision up to one year, 1-3 years and more than 3 years respectively
Loss Asset – An asset which has been identified as loss asset by the NBFC or its internal auditor or external auditor	100% of the outstanding	100% of the outstanding

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.

**xv. 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.

**For and on behalf of Board of Directors**

**J K MOHAPATRA**

CHAIRMAN  
DIN: 03190289

**SUBRATA GUPTA**

MANAGING DIRECTOR  
DIN: 06833844

**KSS PRASAD**

CHIEF FINANCIAL OFFICER  
M No. 22715

**SAVITRI HEGDE**

COMPANY SECRETARY  
M No. A45935

As per our report of even date

**For PHILLIPOS & CO**

Chartered Accountants  
Firm Reg. No 002650S

**JAMES JOSEPH**

PARTNER  
M.No. 203604

Place: Bengaluru  
Date: 30.04.2019

**NABARD FINANCIAL SERVICES LIMITED**  
**NOTES FORMING PART OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2019**

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018
1	<b>Share Capital</b>		
	<b>Authorized Capital</b>		
	20,00,00,000 Equity Shares of ₹10/- each (Previous year 20,00,00,000 Equity Shares of ₹10/- each)	20,000.00	20,000.00
	Issued,Subscribed & Fully Paid up:		
	16,16,56,307 Equity Share of ₹10/-each (Previous year 16,16,56,307 Equity shares of ₹10/- each)	16,165.63	16,165.63
	<b>TOTAL</b>	<b>16,165.63</b>	<b>16,165.63</b>

**a. Reconciliation of the number of equity shares outstanding at the beginning and end of the year**

**Number of Shares**

**31-03-2019      31-03-2018**

Number of Shares outstanding at the beginning of the year  
Add : Issued during the year  
Number of Shares outstanding at the end of the year

16,16,56,307	15,22,16,307
-	94,40,000
<b>16,16,56,307</b>	<b>16,16,56,307</b>

**b. Reconciliation of the equity share capital outstanding at the beginning and end of the year**

**Amount (₹ Lakh)**

**31-03-2019      31-03-2018**

Equity Share Capital Outstanding at the beginning of the year  
Add : Share Capital Issued during the year  
Equity Share Capital Outstanding at the end of the year

16,165.63	15,221.63
-	944.00
<b>16,165.63</b>	<b>16,165.63</b>

**c. 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 par value of ₹10 per share. Each share holder is entitled to one vote per share. The distribution of dividend is in proportion to the number of equity shares held by each share holders.

Repayment of capital will be in proportion to number of equity shares held.

**d. Details of shareholder holding more than 5%**

1. National Bank for Agricultural & Rural Development
2. Government of Karnataka
3. Canara Bank
4. Union Bank of India

Number of Shares			
%	31-03-2019	31-03-2018	%
63.10	10,20,06,300	10,20,06,300	63.10
18.43	2,98,00,000	2,98,00,000	18.43
9.90	1,60,00,000	1,60,00,000	9.90
5.26	85,00,000	85,00,000	5.26

**e. 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

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018	
<b>2</b>	<b>Reserves &amp; Surplus</b>			
	<b>(a) Reserve</b>			
	(i) Reserve Fund			
	Opening Balance	Note No 25a	2,029.25	1,516.47
	Additions During The Year		661.08	512.78
	<b>Sub Total (A)</b>		<b>2,690.33</b>	<b>2,029.25</b>
	(ii) Risk Fund			
	Opening Balance	Note No 25b	200.00	200.00
	Additions During The Year		-	-
	<b>Sub Total (B)</b>		<b>200.00</b>	<b>200.00</b>
	<b>(b) Surplus</b>			
	Opening Balance	Note No 25b	7,336.98	5,662.77
	Transfer from Statement of Profit & Loss		3,305.39	2,563.90
	Amount Available for Appropriation		<b>10,642.37</b>	<b>8,226.67</b>
	Less: Appropriation			
	- Transfer To Statutory Reserve	Note No 25a	661.08	512.78
	- Dividend		310.74	304.43
	- Dividend Tax		63.26	61.98
	- Transfer to Fund		-	10.50
	<b>Sub Total (C)</b>		<b>9,607.29</b>	<b>7,336.98</b>
	<b>GRAND TOTAL (A+B+C)</b>		<b>12,497.62</b>	<b>9,566.23</b>

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018
<b>3</b>	<b>Long-Term Borrowings</b>		
	<b>(a) Loan from Bank</b>		
	<b>Secured :</b>		
	- Union Bank of India, Domlur, Bengaluru (Lien on Fixed Deposits) Note No 23	79.35	265.88
	<b>Unsecured :</b>		
	- Refinance from NABARD Note No 22	80,119.85	61,989.86
	<b>TOTAL</b>	<b>80,199.20</b>	<b>62,255.73</b>
<b>4</b>	<b>Other Long Term Liabilities</b>		
	- FA-CSO Bank Gaurantee / Security Deposit Note No 30	50.35	9.53
	- Interest payable on Security Deposit	20.84	20.84
	- Patient Capital from IFAD - Govt of Tamilnadu Note No 26	700.00	700.00
	- Revolving Fund Assistance - LWE Note No 27	510.50	510.50
	- Security Deposit Note No 24	239.63	205.07
	<b>TOTAL</b>	<b>1,521.32</b>	<b>1,445.94</b>
<b>5</b>	<b>Long -Term Provisions</b>		
	Provision Made Against		
	- Standard Assets	556.41	455.98
	- Substandard & Doubtful Assets	3,488.98	1,836.56
	- Loss Provision	48.66	
	<b>TOTAL</b>	<b>4,094.05</b>	<b>2,292.54</b>
<b>6</b>	<b>Deferred Tax Asset ( Liability)</b>		
	- Deferred Tax Note No 42	14.76	27.05
	<b>TOTAL</b>	<b>14.76</b>	<b>27.05</b>
<b>7</b>	<b>Short - Term Borrowings</b>		
	<b>Loan Repayble On Demand From Banks</b>		
	Overdraft & Current Accounts with Banks (Lien on Fixed Deposits)		
	- Canara Bank, Ashoka Pillar Branch, Bengaluru	1,375.21	-
	- IDBI, Banashankari Branch, Bengaluru	1,568.10	-
	- State Bank of India, Jayanagar Branch, Bengaluru	1,318.04	-
	<b>TOTAL</b>	<b>4,261.35</b>	<b>-</b>

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018
<b>8</b>	<b>Other Current Liabilities</b>		
	(a) Current Maturities of Long-Term Debt		
	- Refinance from NABARD Note No 22	36,999.76	38,630.76
	- Term Loan from Union Bank of India Note No 23	175.32	143.52
	(b) Interest on Borrowings		
	- Refinance from NABARD	1,444.67	1,300.41
	- Term Loan from Union Bank of India	-	3.69
	(c) Other Payables		
	- Withholding and Other Taxes Payable	70.90	42.89
	- Accrued Salaries and Incentives to Staff	108.18	115.79
	- Commission & Other Payables	271.87	279.96
	- ESIC, PF & Professional Taxes	30.97	18.30
	- Loan Linked Group Term Life Insurance Payable Note No 40	240.76	632.86
	- Outstanding Expenses	137.25	108.93
	- Payable to SHG/JLG groups and B&DC Note No 48	612.25	348.69
	- Provision for CSR Note No 41	67.13	64.42
	- Unutilised Funds from NABARD for SHG promotion	0.25	2.28
	(d) Security Deposits		
	- Tender Deposit	10.60	-
	<b>TOTAL</b>	<b>40,169.91</b>	<b>41,692.51</b>
<b>9</b>	<b>Short - Term Provisions</b>		
	<b>(a) Provision for Employee Benefit</b>		
	Gratuity	-	1.58
	Leave Encashment Note No 34	138.97	125.59
	Leave Travel Allowance	46.30	8.35
	<b>TOTAL (A)</b>	<b>185.27</b>	<b>135.52</b>
	<b>(b) Others</b>		
	Provision Made for		
	- Income Tax	1,950.69	1,081.64
	- Substandard Assets	1,017.40	1,127.50
	<b>TOTAL (B)</b>	<b>2,968.09</b>	<b>2,209.14</b>
	<b>GRAND TOTAL (A+B)</b>	<b>3,153.36</b>	<b>2,344.66</b>



## NABARD FINANCIAL SERVICES LIMITED

Note : 10 & 11 PROPERTY, PLANT AND EQUIPMENT, AS ON MARCH 31, 2019

(₹ Lakh)

Note No.10 Tangible Assets	Gross Block			Depreciation Block			Net Carrying Value		
	As at 01.04.2018	Additions	Disposal/ Written off	As at 31.03.2019	As at 01.04.2018	Additions	Withdrawn	As at 31.03.2019	As at 31.03.2018
Land	581.27	-	-	581.27	-	-	-	581.27	581.27
Building	349.74	-	-	349.74	10.36	5.54	-	333.84	339.38
Furniture & Fixtures	115.21	51.19	0.75	165.65	33.56	12.68	0.47	119.88	81.66
Office Equipments	323.65	59.47	105.78	277.34	181.65	39.17	87.15	143.66	142.00
Servers & Networks	26.85	6.04	-	32.89	9.95	4.45	-	18.48	16.89
Laptop & Desktops	174.58	213.05	11.61	376.03	89.43	42.21	11.03	255.42	85.15
Vehicle	0.59	-	-	0.59	0.25	0.06	-	0.29	0.35
<b>Sub Total</b>	<b>1,571.89</b>	<b>329.75</b>	<b>118.14</b>	<b>1,783.51</b>	<b>325.20</b>	<b>104.11</b>	<b>98.65</b>	<b>1,452.84</b>	<b>1,246.69</b>
<b>Note No.11</b>									
<b>Intangible Assets</b>									
Software	161.62	70.47	-	232.09	56.75	26.38	-	148.96	104.87
<b>GRAND TOTAL</b>	<b>1,733.51</b>	<b>400.22</b>	<b>118.14</b>	<b>2,015.60</b>	<b>381.95</b>	<b>130.49</b>	<b>98.65</b>	<b>1,601.80</b>	<b>1,351.56</b>
<b>PREVIOUS YEAR</b>	1,523.39	210.13	-	1,733.51	264.01	117.94	-	1,351.56	1,259.38

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018
<b>12</b>	<b><u>Long Term Loans &amp; Advances</u></b>		
	(a) Security Deposits		
	Rental deposit for Branches	65.50	49.50
	(b) Loans & Advances To Related Parties	-	-
	(c) Other Loans & Advances		
	- Loans to Employees	40.61	54.76
	Unsecured Considered good:		
	- Standard Assets	47,497.25	31,808.15
	- Sub Standard Assets	3,282.79	1,726.74
	- Doubtful	256.69	146.20
		Note No 33	
	<b>TOTAL</b>	<b>51,142.84</b>	<b>33,785.34</b>
<b>13</b>	<b><u>Other Non-Current Assets</u></b>		
	Unsecured Considered good:		
	- Income Tax Refund Due	741.14	161.82
	<b>TOTAL</b>	<b>741.14</b>	<b>161.82</b>
<b>14</b>	<b><u>Cash &amp; Cash Equivalents</u></b>		
<b>I</b>	(a) Balance with Banks	155.46	743.40
	(b) Cash on Hand	0.17	0.03
		<b>155.63</b>	<b>743.44</b>
	<b>Other Bank Balance</b>		
<b>II</b>	- Bank deposits with less than 12 months maturity	437.41	2,452.22
<b>III</b>	- Earmarked balances with banks	2,229.25	2,200.00
<b>IV</b>	- Balances with banks-held as margin money or security deposit against borrowings, gurantee/other commitments	7,725.96	7,392.93
	<b>Total Other Bank Balances</b>	<b>10,392.62</b>	<b>12,045.15</b>
	<b>TOTAL</b>	<b>10,548.25</b>	<b>12,788.59</b>

#### Details of Bank Balances and Deposits

1. Deposits available on demand or with an original maturity of less than three months included in under 'Cash and Cash Equivalents'
2. Bank deposits due to mature within 12 months from the reporting date included under 'Other Bank Balances'
3. Bank deposits due to mature after 12 months from the reporting date, if any is included under 'Non-Current Assets'

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018
<b>15</b>	<b><u>Short-Term Loans and Advance</u></b>		
	(a) Loans & Advances		
	Unsecured Considered Good		
	- Standard Assets	91,338.25	81,774.84
	- Sub Standard Assets	1,754.56	2,140.55
	(b) Others		
	Unsecured Considered Good		
	- Advances To Employees	29.53	26.02
	- Advances To Others	0.21	-
	- Income Tax	2,026.16	1,457.65
	- NSDL Deposit	1.50	-
	- Prepaid Expenses	36.08	44.48
	- Tax Deducted At Source	262.86	188.38
	- Telephone Deposit	0.12	0.02
	<b>TOTAL</b>	<b>95,449.27</b>	<b>85,631.95</b>
<b>16</b>	<b><u>Other Current Assets</u></b>		
	Advance to Vendors	19.17	8.91
	Cash with B&DC's	Note No 32 107.93	54.93
	Group Term life Insurance	Note No 40 142.44	253.02
	GST Receivable	77.06	33.33
	Interest Receivable on Bank Deposits	288.49	274.22
	Interest Receivable on Loans & Advances	1,310.33	1,011.85
	Processing Fee Receivable	259.90	165.93
	Receivable From Tax Authorities	-	22.46
	Skill Loans	Note No 27 388.58	246.38
	<b>TOTAL</b>	<b>2,593.90</b>	<b>2,071.02</b>

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018
<b>17</b>	<b>Revenue from Operations</b>		
	Interest Income	18,054.57	15,283.36
	Processing Fee	1,243.68	1,178.14
	<b>TOTAL</b>	<b>19,298.25</b>	<b>16,461.50</b>
<b>18</b>	<b>Other Income</b>		
	HRA Recovery	3.98	4.57
	Interest on Fixed Deposits	1,106.19	866.21
	Interest on Income Tax Refund	2.96	-
	Interest on Staff Loans	4.20	5.81
	Loan Preclosure Charges	-	5.31
	Miscellaneous Income	0.21	4.11
	Mutual Fund Redemption Income	125.00	17.18
	Recovery from Bad Debts	20.66	8.23
	Sale of Scrap	-	0.56
	<b>TOTAL</b>	<b>1,263.20</b>	<b>911.99</b>
<b>19</b>	<b>Employee Benefit Expenses</b>		
	Contribution to Provident Fund & Other Fund	150.63	120.17
	Gratuity	69.95	28.05
	Incentive for Staff	140.39	136.09
	Leave Encashment	95.92	94.66
	Leave Travel Allowance	101.11	52.27
	Mobile Purchase for Staff	10.67	11.93
	Rent Paid for Staff Quarters	2.46	5.57
	Salaries and Wages	1,886.63	1,465.65
	Staff Insurance	43.95	32.07
	Staff Welfare	21.07	20.03
	<b>TOTAL</b>	<b>2,522.78</b>	<b>1,966.49</b>
<b>20</b>	<b>Finance Costs</b>		
	Interest on		
	- NABARD Refinance Loans	7,737.76	6,679.71
	- Over Draft Facility	65.90	131.75
	- Security Deposits	-	2.97
	- UBI Term Loan	20.60	26.46
	<b>TOTAL</b>	<b>7,824.26</b>	<b>6,840.89</b>

(₹ Lakh)

Note No	Particulars	As at 31.03.2019	As at 31.03.2018
<b>21</b>	<b>Other Expenses</b>		
	Advertisement Expenses	1.40	-
	Auditors Remuneration		
	- Concurrent Audit Fee	4.45	5.16
	- Statutory Audit Fee	3.85	4.13
	- Tax Audit Fee	0.44	0.47
	Bad Debts Written Off	16.10	4.00
	Bank Charges	73.86	56.72
	Books and Periodicals	0.17	0.69
	Broker Commission	-	0.13
	Business Promotion	8.68	5.29
	Commission for B&C/B&F	1,834.57	1,517.02
	Credit Bureau Check Expenses	37.83	9.75
	CSR Expenses	70.00	67.89
	Data Entry Expenses	-	0.19
	Directors Sitting Fee	10.05	8.20
	Electricity & Water Charges	24.18	21.50
	Insurance	8.48	11.55
	Internet Expenses & Website Charges	19.78	6.78
	Legal & Professional Charges	36.45	26.10
	Loss on Sale of Fixed Assets	18.54	-
	Meeting Expenses	7.47	4.61
	Membership & Subscription	21.02	7.84
	Miscellaneous Expenses	1.05	1.84
	Postage, Telephone & Courier Charges	57.78	49.70
	Printing & Stationery	71.28	64.79
	Prior Period Expenses	6.84	-
	Provision Towards Frauds	48.66	-
	Rates & Taxes	9.73	73.75
	Recruitment Expenses	6.11	4.63
	Rent	144.33	96.19
	Repairs & Maintenance	35.96	38.63
	Review & Retreat Expenses	5.46	8.99
	Security Guard Expenses	10.16	8.88
	SHPI Promotion Expenses	-	4.04
	Swach Bharath Cess Expenses	-	0.02
	Technology Maintainence	263.17	182.54
	Training Expenses	14.16	7.63
	Travelling & Conveyance	318.66	285.74
	<b>TOTAL</b>	<b>3,190.67</b>	<b>2,585.39</b>

# NABARD FINANCIAL SERVICES LIMITED

## NOTES FORMING PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

### NOTE NO. 22

#### RE-FINANCE LOAN FROM NABARD:

The company has "Re-Finance" arrangements with NABARD, and the refinance is being availed by the company for disbursement of loan. Refinance is repayable with half yearly installments and interest payments are made as per the demand advice received from NABARD.

The "Re-Finance" arrangements are unsecured in nature and there has been no default in repayment of loan installments and also interest. The interest rate wise refinance outstanding as on March 31, 2019 is summarized in the following table.

ROI	( ₹ Lakh)
7.20%	6,545.45
7.90%	28,909.75
8.00%	21,036.33
8.20%	4,130.18
8.35%	503.17
8.50%	7,803.18
8.75%	37,877.00
9.20%	10,314.55
<b>Total</b>	<b>1,17,119.61</b>

The current maturities (payable within the period of 12 months) of "Re-Finance" commitments, are classified as Current Liabilities amounting to ₹36,999.76 Lakhs and the remaining commitments are classified under Long Term Borrowing amounting to ₹80,119.85 Lakhs (Refer Note No 3 & 8).

### NOTE NO. 23

#### LOAN FROM UNION BANK OF INDIA

During the FY 2015-16 a sum of ₹717.75 Lakhs was borrowed from Union Bank of India, Domlur Branch for acquiring property as approved by the Board. As on March 31, 2019 the outstanding was ₹254.67 Lakh

The current maturities (payable within the period of 12 months) of term loan are classified as Current Liabilities amounting to ₹175.32 Lakhs and the remaining commitments are classified under Long Term Borrowing amounting to ₹79.35 Lakhs (Refer Note No 3 & 8).

## **NOTE NO. 24**

### **SECURITY DEPOSIT B&DC**

As a part of the agreement between the Company and the Business and Development Correspondents (B&DCs) / Facilitators (B&DFs), the B&DCs and B&DFs are required to keep interest free security deposit with the Company depending on the quantum of loans outstanding against the borrowers sponsored by them. As on March 31, 2019, such security deposit aggregates to ₹239.63 lakhs which is shown under Other Long Term liabilities. (Refer Note No 4).

## **NOTE NO. 25**

### **(a.) STATUTORY RESERVE**

During the year, the company has transferred ₹661.08 Lakhs being 20% profit after tax to the statutory reserves in accordance with the provisions of section 45-IC of Reserve Bank of India Act, 1934.

### **(b.) INTEREST ON RISK FUND**

The company has allocated a sum of ₹200 Lakhs towards risk fund as approved by the Board and the interest earned on risk fund has been recognized as income in the statement of profit & loss on accrual basis.

## **NOTE NO. 26**

### **PATIENT CAPITAL**

The Company entered into an MOU with Project Management Unit (PMU) of IFAD Post Tsunami Sustainable Livelihood Programme (PTSLP) on 19.06.2013. Under the MOU, Patient Capital Assistance (PCA) of ₹500 Lakh was received by the company till 31.03.2016. This is to be utilized for financing micro enterprises in 6 identified districts in TN.

In FY 2016-17, the project was expanded to include six additional districts in Tamil Nadu. An MOU to replicate a similar arrangement as previously was entered into between PMU of IFAD PTSLP and the company on February 03, 2017.

Under this MOU, ₹353.33 Lakh would be released towards PCA to the company over a period of 3 years from 2016-17. Of this, ₹200 Lakh was released during the FY 2016-17 which is accounted as "Patient Capital" under "Other Long Term Liabilities". (Refer Note No 4)

Loan of ₹3,201.31 Lakh has been released till 31.03.2018 to 1469 groups, this include PCA of ₹842.55 Lakh and there was no disbursement during the year 2018-19.

## **NOTE NO. 27**

### **REVOLVING FUND ASSISTANCE FROM NABARD**

NABARD sanctioned ₹500 Lakh to the Company to be used as "Revolving Fund Assistance (RFA)" to lend to the trainees who register themselves with Gurukuls set up by the PAN IIT Alumni Reach for India Foundation (PARFI) to undergo training on select skills. The entire fund shall be utilized within a period of 4 years from the date of release of first installment.

The principal recovery and unutilized outstanding amount (amount not released / unutilized) is transferable to the Share Capital Deposit account maintained on behalf of NABARD, at the end of 5 years from the date of release of first installment by NABARD. NABARD reserves the right to transfer any amount in share capital deposit account towards the equity of NABFINS.

As per the terms and conditions of the sanction, ₹250 lakh was released by NABARD in the financial year 2015-16 and ₹250 Lakh was released in 2017-18.

As on 31.03.2019, ₹685.91 Lakhs was disbursed to 6040 beneficiaries under this scheme (Skill Loans). As per sanction terms of the fund, it should be utilized within a period of four years from the date of receipt of first instalment from NABARD which has been complied and tenure of the scheme ended on March 2019. The amount outstanding of ₹388.58 Lakhs under this scheme is parked under other current asset which will be eventually transferred to NABARD or to the equity of the Company as per the directions of NABARD. A sum of ₹10.50 Lakhs Interest income earned on unutilized fund has been added to revolving fund during FY 2017-18 year as per the direction of the C&AG of India.

#### NOTE NO. 28

##### NET INTEREST MARGIN DURING THE YEAR:

Particulars		For the year ended March 31, 2019	For the year ended March 31, 2018
Average Interest (a)		16.35%	16.16%
Average Cost of Borrowings (b)		8.00%	8.07%
Interest Margin (a – b)		8.34%	8.09%

Average interest represents the average rate of interest at which loans have been disbursed to the customers for the year ended 31 March 2019 and 31 March 2018.

The Average interest cost of borrowings of the Company for the year ended 31 March 2019 and 31 March 2018 has been computed based on the monthly interest cost divided by the average monthly balances of outstanding borrowings.

#### NOTE NO. 29

##### PAYABLE TO SHGS & B&DC

The Company operates predominantly under Business and Development Correspondent Model. There are instances where the amount is directly deposited to the bank account of the Company and no information is passed on to the company regarding the deposit. As a result such deposits are parked under suspense account. An amount of ₹267.98 Lakhs which was deposited by various borrowers (SHGs/JLGs) and/or B&DCs to company's bank accounts and has not been appropriated to SHG's due to non-availability of information. As per the directions from the C&AG of India, the said amount was reduced from the Long Term Advances. The interest impact has not been considered on the above mentioned amount.



## NOTE NO. 30

### CUSTOMER SERVICE OFFICERS BANK GAURANTEE /SECURITY DEPOSIT

The Customer Service Officers (CSO) employed are involved in cash recoveries from the borrowers, wherever required. In order to mitigate the risk of cash defalcation, the CSOs, as a part of their terms of employment, are required to provide a bank guarantee / security deposit for ₹20,000/-. As on 31 March 2019, the aggregate bank guarantee / security deposit is ₹50.35 Lakhs. The same is shown under other long term liabilities (Refer Note No 4).

## NOTE NO. 31

### DIVIDEND

Your directors propose to declare 5% dividend on equity shares for the year 2018-19. The cash out flow in the form dividend will be ₹808.28 Lakhs. Dividend on equity shares allotted during the year ranks for pro rata dividend as per the norms of the allotment.

## NOTE NO. 32

### CASH WITH B&DC

The Company operates predominantly under Business and Development Correspondent Model. Under this model the NGOs who are empaneled with company does the recovery at the field level and the amount recovered will be deposited to designate bank account maintained by the company. The collection made at the end of the month will be deposited in the subsequent month. As on March 31, 2019, ₹107.93 Lakh (net) was collected but not deposited as on 31.03.2019 was which is disclosed under Other Current Assets.

## NOTE NO. 33

### ASSET CLASSIFICATION & PROVISIONING:

#### • QUALIFYING ASSETS

#### (A) As per RBI guidelines (DNBR (PD) CC.No.047/03.10.119/2015-16 dated July 01, 2015)

As per the guidelines, the aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of (i) 1% of the outstanding loan portfolio or (ii) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more.

(i)

(₹ Lakh)

Asset Classification	Outstanding Amount	Over Due Amount	RBI Norms		Provision	
			%	Amount	%	Amount
<b>Total Portfolio</b>	1,44,397.53	-	1 %	1,443.98	1%	1,443.98
<b>TOTAL</b>	<b>1,44,397.53</b>	-		<b>1,443.98</b>	-	<b>1,443.98</b>

(ii)

(₹ Lakh)

Asset Classification	Criteria	Outstanding Amount	Over Due Amount	RBI Norms		Provision	
Standard Assets	Less than 90 Days	1,25,245.30	-	0.40%	500.98	0.40%	500.98
Substandard Assets	90 Days & above but less than 180 Days	715.76	379.77	50%	189.88	50%	189.88
Substandard Assets	180 Days & Above	4,277.48	4,033.34	100%	4,033.34	100%	4,033.34
<b>TOTAL</b>		<b>1,30,238.54</b>	<b>4,413.11</b>		<b>4,724.20</b>		<b>4,724.20</b>

During the year under the review, the Company assigned the loan account number to SHG members with in the SHG for whom the disbursement was made and has recognized the default made at the SHG member level within the SHG for asset classification and provisioning norms for loan disbursed during the year. Till March 31, 2018, the default recognition and asset classification and provisioning norms was followed based on the SHG level default and not on the SHG member default. It is further disclosed that notwithstanding to above change in asset classification and provisioning norms for SHG's during the current year the loan documents for all SHG's forms are still being obtained from group only and not from individual members of SHG.

#### • NON QUALIFYING ASSETS

Asset classification and provisioning is made as per the Reserve Bank of India Master Direction DNBR.PD.008/03.10.119/2016-17 of Non-Banking Financial Company Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) 2016.

(₹ Lakh)

Asset Classification	Criteria	Outstanding Amount	RBI Norms		NABFINS Compliance	
					%	Provision Held
Standard Assets	Up to 89 Days	13,858.19	0.40%	55.43	0.40%	55.43
Sub Standard	90 Days to 12 Months	44.12	10.00%	4.41	60.00%	26.47
Doubtful	Up to 1 Year	37.99	100.00%	37.99	100.00%	37.99
	1 to 3 Years	136.40	100.00%	136.40	100.00%	136.40
	>3 Years	82.28	100.00%	82.28	100.00%	82.28
<b>Total</b>		<b>14,158.99</b>				<b>338.59</b>

#### NOTE NO. 34

#### EMPLOYEES BENEFITS:

- The Managing Director is on deputation from NABARD. His remuneration including Provident Fund, Gratuity and Leave Salary is reimbursed to NABARD on the basis of the advice received from NABARD. Employee Benefits Expense include ₹74.65 Lakh (inclusive of taxes) towards this reimbursement and rent paid

towards accommodation provided to the MD which is charged to Statement of Profit & Loss under the head Rent Expense.

- ii. The services of a Deputy General Manager and three Assistant General Managers of NABARD are utilized by NABFINS on a placement basis. As per the terms of placement, 20% of the remuneration paid to these officials on placement are being reimbursed to NABARD based on the advice received from NABARD and the same is charged to the Statement of Profit and Loss. Employee Benefit Expense include ₹21.96 Lakh (inclusive of taxes) towards this reimbursement.
- iii. The Liability in respect of Gratuity for employees is funded through a scheme administered by an insurer and the said gratuity of ₹69.95 lakh on actuarial basis has been paid during the year and is included in Employee Benefit Expense.
- iv. Liability in respect of Leave Encashment has been provided as per policy of the company amounting to ₹138.97 Lakhs.
- v. As a part of Company's policy, the cost of mobile phones, within the limits fixed by the Company, will be reimbursed by the Company to the employees and hence the same has been charged off as employee cost in the statement of profit & loss. Employee Benefit Expenses include ₹10.67 Lakh towards such reimbursement to staff during the year.
- vi. During the year the Company has recognized the following amounts in the Statement of Profit and Loss as expense under the head contribution to Provident Fund and Other Fund.

(₹ Lakh)

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Employers' Contribution to Pension and Provident Fund	116.20	98.95
Employers' Contribution to ESIC	34.25	21.07
Labour Fund Employers' Contribution	0.18	0.15

#### NOTE NO. 35

#### CONSUMABLES:

All the purchases towards stationery and other consumables has been made as per the requirement and consumed immediately, hence no material inventory of consumables is available with the Company. Accordingly all the purchases made towards consumables has been charged off in the Statement of Profit & Loss.

## NOTE NO. 36

### EARNINGS PER SHARE:

(₹ Lakh)

Particulars	2018-19	2017-18
Net Profit After Tax as per Statement of Profit & Loss	3,305.38	2,563.89
Less : Transfer To Statutory Reserve	661.08	512.77
Profit Available To Equity Shareholders	2,644.30	1,605.60
Weighted Average No. of Equity Shares (no.'s)	16,16,56,307	15,53,71,595
Basic Earnings Per Share	1.64	1.32
Diluted Earnings Per Share	1.64	1.32

## NOTE NO. 37

### PROPERTY, PLANT & EQUIPMENT'S

Property, Plant & Equipment's are carried at cost less accumulated depreciation/amortization and impairment loss, if any.

Depreciable amount for assets is the cost of an asset less estimated residual value. Depreciation on Property, Plant & Equipment has been provided under straight line method as per the useful life prescribed in Schedule II to the Act which is summarised in the table given below.

### TANGIBLE ASSETS

Type of tangible asset	Estimated Useful Life
Furniture & Fixtures	10 Years
Office Equipment	5 Years
Servers & Networks	6 Years
Laptops & Desktops	3 Years
Vehicle	10 Years

### INTANGIBLE ASSETS:

Lower of license period or 6 years

**NOTE NO 38**

**NAMES OF RELATED PARTIES AND NATURE OF RELATIONSHIP:**

<b>Description of Relationship</b>	<b>As at March 2019</b>	<b>As at March 2018</b>
Holding Entity	NABARD	NABARD
Share Holder	Canara Bank	Canara Bank
Share Holder	Union Bank of India	Union Bank of India
Chairman	Shri Jugal Kishore Mohapatra	Shri Jugal Kishore Mohapatra
Managing Director	Shri Subrata Gupta	Shri Subrata Gupta
Director	Dr. Venugopalan Puhazendhi	Dr. Venugopalan Puhazendhi
Director	Dr.Charan Singh	Dr. Charan Singh
Director	Smt Meera Saksena	Smt. Meera Saksena
Director	Shri Subhash C Kalia	Shri Subhash C Kalia
Additional Director	Shri S K Giri	-
Additional Director	Shri Manoj Kumar Sharma	-
Key Managerial Person	Shri K S S Prasad	Shri Vinod Chandrasekharan
Key Managerial Person	Ms. Savitri Hegde	Ms. Savitri Hegde

**NOTE NO. 39**

**TRANSACTIONS WITH THE RELATED PARTIES:**

(₹ Lakh)

Name(s) of the Related Party	Nature of Relationship	Nature of Contracts / Arrangements / Transactions	Year ended Mar 31, 2019	Year ended Mar 31, 2018
NABARD	Holding Entity	Loan Received	56,855.00	79,253.00
		Loan Repaid	40,356.00	45,902.00
		Interest Paid	7,711.38	6,679.71
		Reimbursement of Salary to Shri Subrata Gupta Managing Director (KMP)	63.26	15.96
		Reimbursement of Retirement Benefits of Dr. B S Suran. Managing Director (KMP)	13.71	NIL
		Reimbursement of Salary to Dr. B S Suran. Managing Director (KMP)	NIL	57.01
		Reimbursement of Salary of Sri Vinod C. Chief Financial Officer (GM) #	8.20	6.16
		Reimbursement of Salary of Sri KSS Prasad Chief Financial Officer (DGM) ##	6.75	NIL
		Reimbursement of Salary of Sri Manoj Chalak (DGM)	6.12	4.55
		Reimbursement of Salary of Sri K Radhakrishnan (DGM) @	0.88	NIL
		Reimbursement of Salary of Sri O P Dhondiyal	NIL	7.90
		Payment of Arrears Sri C P Mohan	NIL	2.39
		Payment of Arrears Sri Y K Rao	NIL	5.11
		Payment of Arrears Sri V Maruthi Ram	NIL	3.52

(₹ Lakh)

Name(s) of the related party	Nature of Relationship	Nature of Contracts / Arrangements / Transactions	Year ended Mar 31, 2019	Year ended Mar 31, 2018
Union Bank of India	Share Holder	Loan Repaid	156.48	168.31
Union Bank of India	Share Holder	Interest Paid	20.59	26.45
Shri Jugal Kishore Mohapatra	Non - Executive Chairman & Independent Director	Sitting Fee	1.80	1.60
Shri Subrata Gupta	Managing Director (KMP)	Residential Rent	4.26	1.18
Dr. Venugopalan Puhazhendhi	Independent Directors	Sitting Fee & Reimbursement \$	2.41	2.29
Smt Meera Saksena		Sitting Fee	1.60	1.60
Shri Subhash C Kalia		Sitting Fee	2.10	1.60
Dr. Charan Singh		Sitting Fee & Reimbursement	1.15	1.30
Shri Manoj Kumar Sharma	Additional Director	Sitting Fee \$\$	0.20	NIL
Shri S K Giri	Additional Director	Sitting Fee & Reimbursement \$\$	0.31	NIL
Ms. Savitri Hegde	Company Secretary (KMP)	Remuneration	8.13	7.03

# Ceased to be Chief Financial Officer of the Company from June 7, 2018

\$ Completed the tenure as Director on Feb 13, 2019

## Appointed as Chief Financial Officer of the Company from June 8, 2018

\$\$ Appointed as Additional Directors from Feb 25, 2019

@ Deputed as Deputy General Manager (CTO) from Feb 04, 2019

**Note:**

1. The above stated amounts are exclusive GST

**NOTE NO. 40**

**LOAN LINKED CREDIT INSURANCE:**

As a credit risk mitigation measure and to support the family of the borrower in the unfortunate event of the death of a borrower, the Company provides Credit Linked Group Term Life Insurance cover to the borrowers. As per the terms of the policy, life insurance cover is provided to the borrower for a period of 1/2/3 years depending on the tenure of loan. The premium is collected from the borrower as on first repayment and the same is paid to insurance service provider annually as per the term of the policy. The insurance policy is renewed annually, leading to a time gap between the collection insurance premium from the borrower and discharge of the liability. The balance under this head is ₹240.76 Lakhs, which is shown under other Current

Liability and ₹142.44 Lakhs receivable from the borrower is shown under the head other Current Asset (Refer Note No 7 and 16).

#### NOTE NO. 41

##### EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY:

(₹ Lakh)

Total Amount to be spent for 2018-19	70.39
Amount sanctioned	69.73
Amount released on March 31,2019	35.05
<b>Amount shown as Provision for CSR under 'Other Current Liabilities' head</b>	<b>67.12</b>
Amount pertaining to FY 2016-17	8.74
Amount pertaining to FY 2017-18	23.04
Amount pertaining to FY 2018-19	35.33

#### NOTE NO. 42

##### BREAK-UP OF DEFERRED TAX ASSET / (LIABILITY) AS ON MARCH 31, 2019

(₹ Lakh)

Particulars	DTL	DTA
Difference between value of Property, Plant & Equipment and Intangibles as per Companies books and tax books	102.01	-
Disallowance u/s 43B of the Income Tax Act, 1961 in respect of Earned Leave Encashment & Leave Travel Concession	-	51.33
<b>Total</b>	<b>102.01</b>	<b>51.33</b>
Deferred Tax Calculated on above	29.70	14.94
Opening Balance of Deferred Tax Liability	27.04	
Less : Reversal from Opening Balance	(12.28)	
Closing Balance of Deferred Tax Liability	14.76	

#### NOTE NO. 43

##### FOREIGN CURRENCY TRANSACTIONS:

Particulars	2018-19	2017-18
a. Earnings in Foreign Currency	Nil	Nil
b. Expenditure in Foreign Currency	Nil	Nil



#### NOTE NO. 44

##### DISCLOSURE UNDER MSME

There are no Micro and Small Enterprises to whom the Company owes dues, which are outstanding for more than 45 days at the Balance Sheet date. The information regarding Micro and Small Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company.

#### NOTE NO. 45

##### SEGMENT REPORTING

The Company is engaged in Financial Lending Activity which is considered as the only reportable business segment as per AS 17. The geographical segment is not relevant since the Company's business activities are restricted within the country

#### NOTE NO. 46

##### AUDIT FEES

(Amt in ₹)

Particulars	FY 2018-19	FY 2017-18
Statutory Audit Fee	4,54,300/-	4,13,000/-
Tax Audit Fee	51,920/-	47,000/-
Secretarial Audit Fees	1,60,000/-	1,60,000/-

**Note:** The above stated amounts are inclusive of taxes as applicable.

#### NOTE NO. 47

##### RATES & TAXES

Previous year rates & taxes includes reversal of ineligible input tax under GST to the tune of ₹70.94 Lakh. Current year the reversal of ineligible input taxes has been allocated under respective expenditure heads.

#### NOTE NO. 48

##### SHG/JLG GROUPS AND B&DCs BALANCE

Other Current Liabilities includes a sum of ₹612.25 Lakhs which is payable to groups, pending due to resolution/confirmation from the groups. The amount will be refunded to the groups in due course.

Cont.....RBI Disclosures

**Disclosure required in terms of Annexure XII of RBI Master Direction DNBR.PD.008/03.10.119/2016-17 dated September 01, 2016 “Master Direction – Non Banking Financial Company –Systemically Important Non – Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016.**

**NOTE NO. 49**

**CAPITAL TO RISK WEIGHTED ASSET RATIO:**

<b>Particulars</b>	<b>As at 31.03.2019</b>	<b>As at 31.03.2018</b>
CRAR	18.80%	21.28%
Tier I Capital	18.80%	21.28%
Tier II Capital	-	-
Amount of subordinated debt raised as Tier II Capital	-	-
Amount raised by issue of Perpetual Debt Instruments	-	-

As per the RBI Norms NBFC-MFI should maintain capital adequacy ratio which shall not be less than 15 percent of it aggregate risk weighted assets.

**NOTE NO.50**

**DISCLOSURE WITH RESPECT TO INVESTMENTS**

The Company does not have any investment outside India. During the year the Company had transacted in debt mutual fund as per the policy approved by the Board. The investments made are towards short term liquidity and were closed to meet the fund requirement and hence there was no investment as on March 31, 2019.

**EXPOSURES:**

**(a) Derivatives**

The Company did not have any exposure in derivatives as at March 31st 2018 and as at March 31st 2019.

**(b) Securitization**

The Company did not have any exposure in securitized assets as at March 31st 2018 and as at March 31st 2019.

**(c) Exposure to Real Estate Sector**

The Company did not have any direct or indirect exposure to the real estate sector as at March 31st 2018 and as at 31st March 2019.

**(d) Exposure to Capital Market**

The Company did not have any direct or indirect exposure to the capital market as at March 31st 2018 and as at 31st March 2019.

**NOTE NO. 51**

**ASSET LIABILITY MANAGEMENT MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES**

(₹ Lakh)

	Up to 30/31 Days	Over 1 Month upto 2 Month	Over 2 Months upto 3 Months	Over 3 Month & up to 6 Month	Over 6 Month & up to 1 Year	Over 1 Year & up to 3 Years	Over 3 Years & up to 5 Years	Over 5 Years	Total
<b>Liabilities</b>									
Borrowings									
- Refinance NABARD	-	-	-	18,452.59	18,547.13	67,172.20	12,947.69	-	1,17,119.61
- UBI Term Loan	14.61	14.61	14.61	43.83	87.66	79.35	-	-	254.67
<b>Total</b>	<b>14.61</b>	<b>14.61</b>	<b>14.61</b>	<b>18,496.42</b>	<b>18,634.79</b>	<b>67,251.55</b>	<b>12,947.69</b>	<b>-</b>	<b>1,17,374.28</b>
<b>Assets</b>									
Deposits	100.47	0.88	1,650.75	4,677.75	3,962.77	-	-	-	10,392.62
Advances	9,611.98	9,072.71	8,925.40	24,743.64	40,739.08	51,254.46	50.26	-	1,44,397.53
<b>Total</b>	<b>9,712.45</b>	<b>9,073.59</b>	<b>10,576.15</b>	<b>29,421.39</b>	<b>44,701.85</b>	<b>51,254.46</b>	<b>50.26</b>	<b>-</b>	<b>1,54,790.15</b>

Note: Positive mismatch arises in some time buckets, as our liability mainly consists of NABARD refinance which is repayable in half yearly installments. The surplus in these time buckets is used for loan disbursement and balance is parked in fixed deposits to meet the half yearly repayment commitments of NABARD Refinance.

**NOTE NO. 52**

**DETAILS OF FINANCING OF PARENT COMPANY PRODUCTS**

The Company has not financed product of Parent Company during the year.

**DETAILS OF SINGLE BORROWER LIMIT (SGL) / GROUP BORROWER LIMIT (GBL) EXCEEDED BY THE NBFC:**

- i) Loans and Advances, excluding advance funding but including Off-Balance Sheet exposures to any single party in excess of 15 per cent of owned fund of the Non-Banking Financial Company: **Nil**
- ii) Loans and Advances to (excluding advance funding but including debentures/bonds and Off-Balance Sheet Exposures) and investment in the shares of single party in excess of 25 per cent of the owned fund of the NonBanking Financial Company: **Nil**

**UNSECURED ADVANCES:**

Refer to Note 12 and 15 of notes forming part of financial statements for the year ended March 31, 2019.

## NOTE NO. 53

### MISCELLANEOUS

#### 1. Registration obtained from other financial sector regulators

Regulator	Registration Number	Date of Registration
Reserve Bank of India	CoR No. 02-00001	November 18, 2008

#### 2. Disclosure of Penalties imposed by RBI and other regulators

No penalty has been imposed by RBI and other regulators during current and previous year.

#### 3. Related Party Transactions

Refer Note No. 39 of notes forming part of financial statements for the year ended March 31, 2019.

#### 4. Remuneration of Directors

Refer Note No. 39 of notes forming part of financial statements for the year ended March 31, 2019.

## NOTE NO. 54

### ADDITIONAL DISCLOSURES

#### 1. Provisions and Contingencies

(₹ Lakh)

Break up of 'Provisions and Contingencies' shown under the head – Expenditure in Statement of Profit and Loss	Current Year	Previous Year
Provisions for Depreciation on Investment	-	-
Provision towards NPA	1,542.32	2041.04
Provision made towards Income Tax	1,950.69	1081.64
Other Provision and Contingencies (with details)		
(i) Leave Encashment	138.97	125.59
(ii) Leave Travel Allowance	46.30	8.35
Provision for Standard Assets	100.44	126.20

#### 2. Concentration of Advances:

Particulars	Amount
Total Advances to Twenty Largest Borrowers (₹ Lakh)	9,950.33
Percentage of Advances to Twenty Largest Borrowers to Total Advances of the applicable NBFC	6.89%

#### 3. Concentration of Exposures:

Particulars	Amount
Total Exposure to Twenty Largest Borrowers / Customers (₹ Lakh)	9,950.33
Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the applicable NBFC on borrowers / customers	69.68%

#### 4. Concentration of NPAs:

Particulars	Amount
Total Exposure to top four NPA accounts (₹ Lakh)	110.30

#### 5. Sector-wise NPAs:

Sl. No	Sector	Percentage of NPAs to Total Advances in that sector
1	Agriculture & Allied Activities	100%
2	MSME	-
3	Corporate Borrowers	-
4	Services	-
5	Unsecured Personal Loans	-
6	Auto Loans	-
7	Other Personal Loans	-

#### 6. Movement of NPAs:

(₹ Lakh)

Particular	Current Year 2018-19	Previous Year 2017-18
<b>a) Movement of Gross NPA</b>		
Opening Balance	4,013.19	4,954.63
Additions during the year	2,003.98	2,398.02
Reduction/write off/upgraded during the year	723.43	3,339.16
Closing Balance	5,294.05	4,013.19
<b>b) Movement of Net NPA</b>		
Opening Balance	1,049.43	1,244.78
Additions during the year	461.66	356.98
Reduction during the year	723.43	552.33
Closing Balance	787.66	1,049.43
<b>c) Movement of Provisions for NPAs (Excluding provisions on standard assets)</b>		
Opening Balance	2,964.06	3,709.86
Provision made during the year	1,542.32	2,041.04
Write-off/ Write-back of excess provisions	-	2,786.83
Closing Balance	4,506.38	2,964.06

**NOTE NO. 55****DISCLOSURE OF COMPLAINTS:**

	<b>Particulars</b>	<b>No.</b>
<b>(a)</b>	No. of complaints pending at the beginning of the year	Nil
<b>(b)</b>	No. of complaints received during the year	02
<b>(c)</b>	No. of complaints redressed during the year	02
<b>(d)</b>	No. of complaints pending at the end of the year	Nil

**NOTE NO. 56****COMPARATIVES**

Previous Year figures are regrouped / reclassified wherever necessary to make them comparable with current year's classification / disclosure.

**For and on behalf of Board of Directors**

**J K MOHAPATRA**

CHAIRMAN  
DIN: 03190289

**SUBRATA GUPTA**

MANAGING DIRECTOR  
DIN: 06833844

**KSS PRASAD**

CHIEF FINANCIAL OFFICER  
M No. 22715

**SAVITRI HEGDE**

COMPANY SECRETARY  
M No. A45935

As per our report of even date

**For PHILLIPOS & CO**

Chartered Accountants  
Firm Reg. No 002650S

**JAMES JOSEPH**

PARTNER  
M.No.203604

Place: Bengaluru  
Date: 30.04.2019

**Addendum to Notes forming part of Financial Statements for the year ended March 31st, 2019, arising out of Supplementary Audit conducted by Office of Comptroller & Auditor General of India**

**NOTE NO. 57**

**DISCLOSURE ON FRAUD**

NABFINS extends loans to Self Help Groups under business & development correspondent model. A business and development correspondent based at Chittoor through which the company extended loans to groups committed a fraud against the company for an amount of ₹12.10 Crores during the financial year 2015-2016. The Company has initiated legal proceedings including filing FIR with police authorities, Chittoor District of Andhra Pradesh. The Company has also lodged the insurance claim with insurance company. As on date the case is pending with the court of law.

During the year under review there was an embezzlement of cash by an employee and certain business and development correspondents aggregating to ₹90.24 Lakhs of which ₹41.58 Lakhs has been recovered.

**NOTE NO. 58**

**CAPITAL COMMITMENT**

The Company had entered into agreement as on February 29th, 2019 with M/s. Cerulean Interiors Pvt Ltd towards civil work (interiors). Estimated amount of contract to be executed on capital account and not provided for is ₹86.71 Lakh.

**For and on behalf of Board of Directors**

**J K MOHAPATRA**

CHAIRMAN  
DIN: 03190289

**SUBRATA GUPTA**

MANAGING DIRECTOR  
DIN: 06833844

**KSS PRASAD**

CHIEF FINANCIAL OFFICER  
M No. 22715

**SAVITRI HEGDE**

COMPANY SECRETARY  
M No. A45935

As per our report of even date

**For PHILLIPOS & CO**

Chartered Accountants  
Firm Reg. No 002650S

**JAMES JOSEPH**

PARTNER  
M.No.203604

Place: Bengaluru  
Date: 31.07.2019

## Schedule to the Balance Sheet of a Non-Deposit taking Non-Banking Financial Company

(As required in terms of paragraph 13 of  
Non-Banking Financial (Non-Deposit Accepting or Holding)  
Companies Prudential Norms (Reserve Bank) Directions, 2007)

As on 31st March, 2019

Sl.	Particulars		(₹ Lakh)	
	Liabilities Side :		Amount Outstanding	Amount Overdue
(1)	<b>Loans and advances availed by the non- banking financial company inclusive of interest accrued thereon but not paid:</b>			
	(a)	Debentures : Secured	NIL	NIL
		: Unsecured	NIL	NIL
		(other than falling within the meaning of public deposits*)		
	(b)	Deferred Credits	NIL	NIL
	(c)	Term Loans	254.67	NIL
	(d)	Inter-corporate loans and borrowing	NIL	NIL
	(e)	Commercial Paper	NIL	NIL
	(f)	Public Deposits*	NIL	NIL
	(g)	Other Loans (specify nature)- Refinance from NABARD	1,18,564.28	NIL
	* Please see Note 1 below			
(2)	<b>Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid) :</b>			
	(a)	In the form of Unsecured debentures		
	(b)	In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security		
	(c)	Other public deposits		
	* Please see Note 1 below			
	<b>Assets side :</b>			
(3)	<b>Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :</b>		<b>Amount Outstanding</b>	
	(a)	Secured	NIL	
	(b)	Unsecured	144,397.53	
(4)	<b>Break up of Leased Assets and stock on hire and other assets counting towards AFC activities</b>		<b>Amount Outstanding</b>	
	(i)	Lease assets including lease rentals under sundry debtors :	NIL	
		(a) Financial lease	NIL	
		(b) Operating lease	NIL	
	(ii)	Stock on hire including hire charges under sundry debtors:	NIL	
		(a) Assets on hire	NIL	
		(b) Repossessed Assets	NIL	
	(iii)	Other loans counting towards AFC activities	NIL	
		(a) Loans where assets have been repossessed	NIL	
		(b) Loans other than (a) above	NIL	



<b>(5)</b>	<b>Break-up of Investments :</b>		
	<b>Current Investments :</b>		<b>Amount outstanding</b>
	1.	Quoted :	NIL
		(i) Shares : (a) Equity	NIL
		(b) Preference	NIL
		(ii) Debentures and Bonds	NIL
		(iii) Units of mutual funds	NIL
		(iv) Government Securities	NIL
		(v) Others (please specify)	NIL
	2.	Unquoted :	
		(i) Shares : (a) Equity	NIL
		(b) Preference	NIL
		(ii) Debentures and Bonds	NIL
		(iii) Units of mutual funds	NIL
		(iv) Government Securities	NIL
		(v) Others (please specify)	NIL
	<b>Long Term investments :</b>		<b>Amount outstanding</b>
	1.	Quoted :	NIL
		(i) Shares : (a) Equity	NIL
		(b) Preference	NIL
		(ii) Debentures and Bonds	NIL
		(iii) Units of mutual funds	NIL
		(iv) Government Securities	NIL
		(v) Others (please specify)	NIL
	2.	Unquoted :	
		(i) Shares : (a) Equity	NIL
		(b) Preference	NIL
		(ii) Debentures and Bonds	NIL
		(iii) Units of mutual funds	NIL
		(iv) Government Securities	NIL
		(v) Others (please specify)	NIL

<b>(6)</b>	<b>Borrower group-wise classification of assets financed as in (2) and (3) above :</b>			
	Please see Note 2 below			
	<b>Category</b>	<b>Amount net of provisions</b>		
		<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
	1. Related Parties **			
	(a) Subsidiaries	NIL	NIL	NIL
	(b) Companies in the same group	NIL	NIL	NIL
	(c) Other related parties	NIL	NIL	NIL
	2. Other than related parties	NIL	144,397.53	144,397.53
	<b>TOTAL</b>		<b>144,397.53</b>	<b>144,397.53</b>

<b>(7)</b>	<b>Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):</b>		
	Please see Note 3 below		
	<b>Category</b>	<b>Amount net of provisions</b>	
		Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
	1.	Related Parties **	
		(a) Subsidiaries	NIL
		(b) Companies in the same group	NIL
		(c) Other related parties	NIL
	2.	Other than related parties	NIL
		<b>TOTAL</b>	<b>NIL</b>
	As per Accounting Standard of ICAI (Please see Note 3)		
<b>(8)</b>	<b>Other Information</b>		
	<b>Particulars</b>	<b>Amount</b>	
	(i)	Gross Non-Performing Assets	NIL
		(a) Related parties	NIL
		(b) Other than related parties	5,294.05
	(ii)	Net Non-Performing Assets	NIL
		(a) Related parties	NIL
		(b) Other than related parties	787.66
	(iii)	Assets acquired in satisfaction of debt	NIL

Notes:

- As defined in paragraph 2(1) (xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.
- Provisioning norms shall be as applicable to it in terms of Non-Banking Financial Company -Micro Finance Institutions (Reserve Bank) Directions, 2011.
- All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

For NABARD Financial Services Limited

As per our report of even date  
**For PHILLIPOS & CO**  
Chartered Accountants  
Firm Reg. No 002650S

**J K MOHAPATRA**  
CHAIRMAN

**SUBRATA GUPTA**  
MANAGING DIRECTOR

**JAMES JOSEPH**  
PARTNER  
M.No. 203604

Place: Bengaluru  
Date: 30.04.2019

**KSS PRASAD**  
CHIEF FINANCIAL OFFICER  
M.No.: 22715

**SAVITRI HEGDE**  
COMPANY SECRETARY  
M.No. : A45935

## BEYOND BUSINESS

### ATMW - Any Time Water!!!!



Access to safe drinking water is one of the critical needs of the Community. This prompted the Company to support setting up of water ATMs to facilitate access to safe drinking water under its CSR mandate.

As a beginning, two units one each at in Narasinghpur, Odisha and Hosur, Tamil Nadu were proposed to be set up. The first plant was set up in Narasinghpur block, Cuttack District in Odisha was inaugurated in June 2019.

The water ATMs supported by the Company is set up by M/s. Waterlife India Pvt. Limited, Hyderabad. The water ATM is built on a self sustaining model. The Panchayat provides the land, water and electricity to run the plant. Waterlife will undertake operations and maintenance of the plant for a period of 10 years under BOT model. It will sell the water at a nominal rate of 35 paise per litre.

The water ATM has a capacity to generate 1,000 litres of drinking water per hour. The 10-stage UV filtration technology by Waterlife ensures the water meets WHO and ISO standards and retains its essential minerals. The technology also helps in minimal water rejection—only 25 per cent compared to conventional water purification systems.

### Let there be 'SOLAR' light

In July and August 2018, the Kuttanad Region of Kerala witnessed nature's fury that led to loss of life and destruction of property. The Company, as a corporate citizen, realizing the need for immediate recourse, decided and provided the families by providing dual power solar lights as an immediate relief.

### Educate, Enlighten & Empower

Financial Literacy is a very critical pillar of financial inclusion and also an important tool for customer protection. An educated client is an empowered client is not only an asset to the Company but to the Society as a whole.

The Company has been furthering the cause of financial inclusion by promoting education and by building awareness among the rural masses by



leveraging the latest technology and provide information at the convenience of the audience at their 'ear'step through their own mobiles.

A campaign using Interactive Voice Response (IVR) technology through mobile (audio based) communications on select subjects like importance of savings, insurance, thrift, use of ATMs, digital & cyber security within the broad theme of financial inclusion was run over a period of time so that the messages could reach the mass. The campaign was a great success and was well received by the intended beneficiaries.

## SUCCESS STORY...

### Thoda Model Hut..... Sustaining the ethnic heritage.....



Toda community is a Dravidian ethnic group who live in the Nilgiri Mountains of Tamil Nadu. The Toda lands are now a part of the Nilgiri Biosphere Reserve, a UNESCO-designated International Biosphere Reserve; and also a World Heritage Site.

NABFINS with USSS one of the B&DC operating in the district has promoted Toda Thenmalar, Thoda Rojamar, Thoda Ponmalar JLGs consisting of 16 members from this ethnic group with a loan amount of ₹40,000/- each member in November 2018.

Ooty District Administration supported these groups for having space inside the Ooty Botanical garden for establishing a small shop. The group established a Thoda Model Hut for selling those products which will educate others about their culture and lifestyles. Thoda Model Hut has become a center of attraction for the visitors of the Botanical Garden and the members are grateful for the financial support extended by NABFINS for their venture.

# SHADES OF ENTREPRENEURSHIPS WE SUPPORTED...



*Annai Indhra Magalir SHG, Nallathangalpatty, Trichy*



*Deepam Abdhulkalam JLG, Udumalpet, Tiruppur*



*Deepam Pirai Nila JLG, UKC Nagar*



*Jothi ESHG, Sikkal, Nagapatiman*



*Krantibhoomi Ramai Mahila SHG, Mahad*



*Venmathi Mahalir Self Help Group (3) Namakkal*



WYC Kayal JLG, Nilgiris



Gangai JLG, Jallipatty, Tiruppur



WYC Palani Andavar JLG, Nilgiris



Malargal SHG, Poonampalaiyam, Trichy

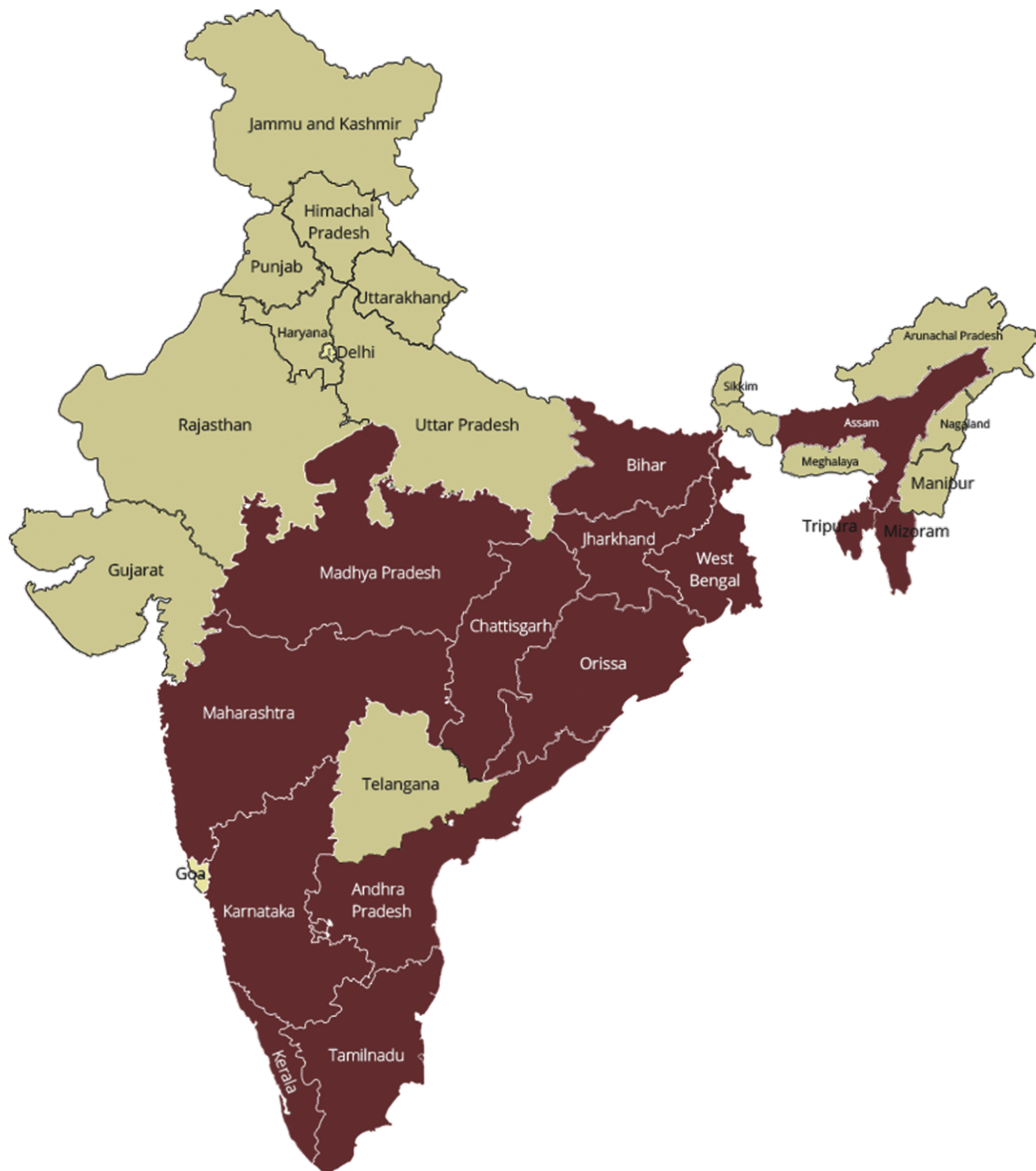


Deepam Mens Handloom Shg, Nedugunam, Chetpet, Tiruvannamalai



Leelipushpam shg, Edamalaipatty Pudur, Trichy

# Our Presence...





**NABFINS Limited**

(Formerly NABARD Financial Services Limited)

# 3072, 14th Cross, K.R. Road, Banashankari 2nd Stage, Bengaluru - 560070 Karnataka, India

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