



मन्त्रालय

ANNUAL REPORT

2015-16



मन्त्रालय



प्रधानमंत्री
मन्त्रालय
योजना



VISION OF MUDRA

To be an integrated financial and support services provider
par excellence benchmarked with global best practices and standards
for the bottom of the pyramid universe
for their comprehensive economic and social development.

MISSION OF MUDRA

To create an inclusive, sustainable and value based entrepreneurial culture,
in collaboration with our partner institutions
in achieving economic success and financial security.



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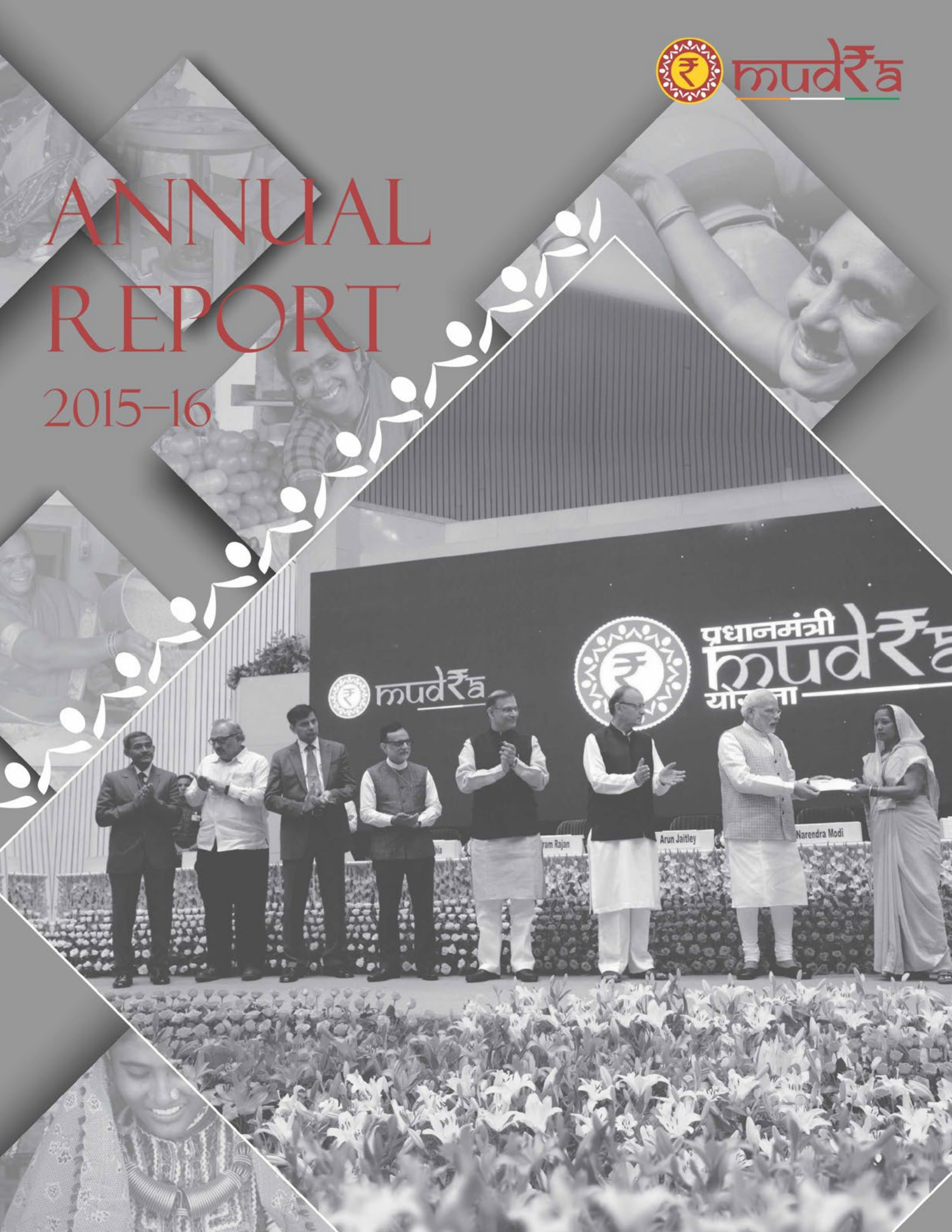


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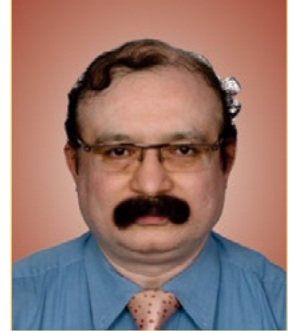
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Company Secretary

Chairman's Message



I am happy to present the first Annual Report of Micro Units Development and Refinance Agency Ltd. (MUDRA) for the financial year ended March 31, 2016.

The launch of MUDRA and Pradhan Mantri Mudra Yojana (PMMY) by the Hon'ble Prime Minister on April 08, 2015 is one of the historic events of the year and is the landmark initiative in the financial inclusion landscape. MUDRA and the PMMY will help crores of micro entrepreneurs to access credit from the formal financial system. One of the major ills of the micro enterprise segment is the lack of adequate credit access, leading to borrowings from informal sources or dependence on limited internal resources, thereby stifling the growth of the sector. MUDRA aims to overcome this difficulty.

During 2015–16, PMMY made a significant contribution by extending credit of ₹1.33 lakh crore to nearly 3.48 crore borrowers. The programme also helped in extending financial support to the weaker sections of the society, viz., SC/ST/OBC/women entrepreneurs, in large numbers. The programme has also facilitated the inclusion of nearly 1.25 crore new entrepreneurs in the formal credit system.

MUDRA on the other hand, has made a steady beginning by extending nearly ₹3300 crore of refinance to different financial institutions, for extending funding support to this vulnerable sector. MUDRA also introduced a new working capital instrument entitled "MUDRA Card". It started securitisation, a new area of business, with a view to enable credit access at reasonable cost to the borrowers.

The journey has already begun. It is hoped that over the years MUDRA and PMMY will make a lasting impact on the development of the micro enterprise sector, which is one of the largest employers in the country, and will fuel the economic growth trajectory of the nation, thereby encouraging the underserved/unserved to participate actively in the growth journey of India.

In this connection, I would like to place on record appreciation and thanks to all our stakeholders, who have supported MUDRA in its journey. Our special thanks are due to the Government of India, the Reserve Bank of India, all banks and microfinance institutions who have supported the implementation of PMMY. I would also like to thank the Board of Directors of MUDRA for its guidance.

Dr Kshatrapati Shivaji

August 31, 2016

The Inception of MUDRA



“People think it is big industries and corporate houses that provide higher employment. The truth is, only 12.5 million people are employed by big corporate houses, against 120 million by the MSME sector. We need to understand the energy of the bottom of the pyramid of individuals and provide them with means for upliftment.”

Shri Narendra Modi, Hon'ble Prime Minister during the launch of PMMY



The Prime Minister also gave examples of other small businesses that, with a little help, have the potential to grow manifold. He said that the biggest asset of the poor is his / her integrity (imaan). Combining their integrity with capital (MUDRA), would become the key to their success—

पूंजी सफलता की कुंजी.

Speaking about women's self-help groups in particular, the Prime Minister said that the kind of honesty and integrity showed by these loan takers is seldom seen in any other sector.



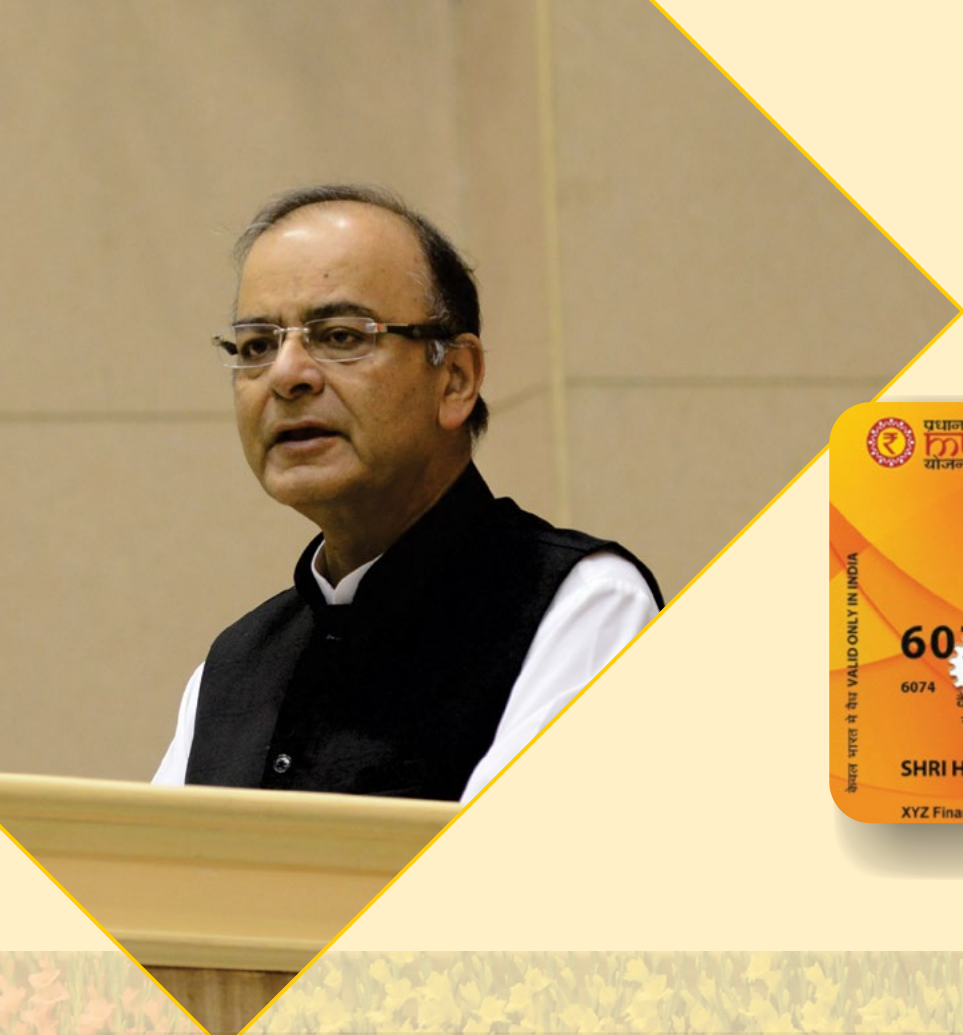
प्रधानमंत्री
कर्पव रेखा
योजना

08 अप्रैल, 2015

विज्ञान भवन, नई दिल्ली



भारतीय लघु उद्योग विकास बैंक
SMALL INDUSTRIES DEVELOPMENT BANK



Funding the unfunded

“Our government firmly believes that development has to generate inclusive growth. While large corporate and business entities have a role to play, this has to be complemented by informal sector enterprises which generate maximum employment. There are some 5.77 crore small business units, mostly individual proprietorship, which run small manufacturing, trading or service businesses. 62 per cent of these are owned by SC/ST/OBC. These bottom-of-the-pyramid, hard-working entrepreneurs find it difficult, if not impossible, to access formal systems of credit. I, therefore, propose to create a Micro Units Development Refinance Agency (MUDRA) Bank, with a corpus of ₹20,000 crore, and credit guarantee corpus of ₹3,000 crore. MUDRA Bank will refinance Micro-Finance Institutions through a Pradhan Mantri Mudra Yojana. In lending, priority will be given to SC/ST enterprises. These measures will greatly increase the confidence of young, educated or skilled workers who would now be able to aspire to become first generation entrepreneurs; existing small businesses, too, will be able to expand their activities. Just as we are banking the unbanked, we are also funding the unfunded”.

Extract from the Hon'ble Finance Minister's speech while presenting budget for FY 2015-16



सिडबी के रजत जयंती समारोह के अवसर पर
माइक्रो यूनिट्स डेवलपमेंट एंड रिफाइनंस एजेंसी लि. (मुद्रा)
(सिडबी की सहायक संस्था)
एवं

प्रधानमंत्री
मिपवेरूह
योजना

का भारत के माननीय प्रधानमंत्री
श्री नरेन्द्र मोदी
के द्वारा उद्घाटन

विज्ञान भवन, नई दिल्ली

बुधवार, 08 अप्रैल, 2015



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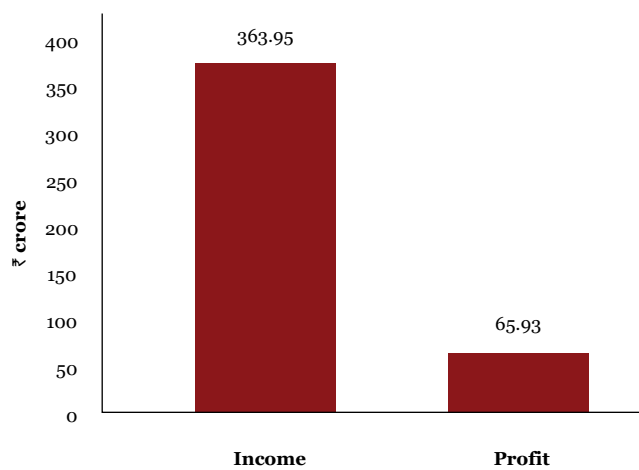
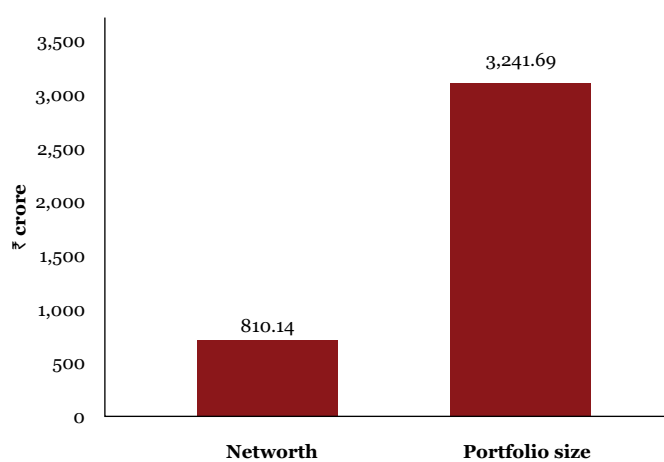
Abbreviations

ADFIAP	Association of Development Financial Institutions in Asia & Pacific
AFC	Assets Financing Company
ALCO	Assets & Liabilities Management Committee
ATM	Automatic Teller Machines
BC	Banking Correspondent
BSBD	Basic Saving Bank Deposit Account
CAG	Comptroller & Auditor General
CEO	Chief Executive Officer
CGFMU	Credit Guarantee Fund for Micro Units
CoR	Certificate of Registration
CRAR	Capital to Risk Weighted Assets Ratio
CSO	Central Statistical Organisation
CSR	Corporate Social Responsibility
CVC	Central Vigilance Commission
CVO	Chief Vigilance Officer
DBT	Direct Benefit Transfer
DFS	Department of Financial Services, Government of India
DMD	Deputy Managing Director
EPS	Earnings Per Share
FDR	Fixed Deposits Receipt
FY	Financial Year
GDP	Gross Domestic Product
GIS	Geographic Information System
GLP	Gross Loan Product
GoI	Government of India
IAAD	Indian Audit & Accounts Department
ICAI	Institute of Chartered Accountants of India
IFC	Internal Financial Controls
IMF	International Monetary Fund
IT	Information Technology
JAM	Jandhan-Aadhar-Mobile
MFI	Micro Finance Institution

Abbreviations

MFIN	Micro Finance Institutions Network
MSME	Micro, Small & Medium Enterprises
MUDRA	Micro Units Development & Refinancing Agency Ltd.
NABARD	National Bank for Agricultural & Rural Development
NBFC	Non Banking Financial Company
NBFI	Non Banking Financial Institution
NCD	Non Convertible Debentures
NCGTC	National Credit Guarantee Trustee Company Ltd.
NCSBS	Non Corporate Small Business Sector
NDSI	Non Deposit taking Systemically Important
NPA	Non Performing Assets
NPCI	National Payments Corporation of India
NREGS	National Rural Employment Guarantee Scheme
NSSO	National Sample Survey Office
O/D	Overdraft
OAE	Own Account Enterprises
OBC	Other Backward Classes
PAR	Portfolio at Risk
PAT	Profit after Tax
PMJDY	Pradhan Mantri Jan Dhan Yojana
PMMY	Pradhan Mantri Mudra Yojana
POS	Point of Sale
PSB	Public Sector Banks
PSS	Priority Sector Shortfall
PTC	Pass Through Certificates
RBI	Reserve Bank of India
RoC	Registrar of Companies
RRB	Regional Rural Bank
RTI	Right to Information
SC	Scheduled Castes
SFMC	SIDBI Foundation for Micro Credit
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India
SOP	Standard Operating Procedures
SPV	Special Purpose Vehicle
ST	Schedules Tribes
TDS	Tax Deducted at Source

MUDRA at a Glance (Highlights)





Annual Report 2015–16



1

Economic Scenario Micro Enterprises

India has emerged as one of the fastest growing economies in the world projected to clock one of the highest growth rates in the world during financial year 2016–17.¹ A prudent fiscal policy, range bound inflation figures and an accommodating monetary policy in tandem with on-ground developments such as soft global commodity prices, growing private consumption, and a new thrust to stalled projects are key factors contributing to the realization of this scenario.

The millions of MSMEs in the country are India's mainstay in providing employment outside agriculture. The pyramidal distribution of MSMEs by number of enterprises with the large ones towards the top also consists of micro units engaged in manufacturing, processing, trading and services making up its broad base. Rural areas account for half of all MSMEs in the country. At least 80 per cent MSMEs are micro enterprises. As one of the largest disaggregated business ecosystems in the world, these micro enterprises engage nearly 10 crore people in the country, offering livelihood to five times that number.

Micro enterprises comprise of myriad low scale activities such as clay pot making, basket weaving, *jhadoo* making, fruits and vegetable vendors, transport (three wheeler tempos and autos), food-service units, repair shops, machine operators, welders, cottage industries, small industries, handlooms, handicraft workers, food processors, retailers, beauticians and street vendors, etc. These are collectively referred to as the non-corporate small business sector (NCSBS).

¹ According to the Economic Survey 2015–16, the Indian economy will continue to grow at more than 7 per cent in 2016–17. According to IMF World Economic Outlook Update (January 2016), Indian economy is expected to grow at 7–7.75 per cent during 2016–17.

Of the 5.77 crore small units constituting the NCSBS, nearly all are individual proprietorships.² Around 94 per cent of small business units are own account enterprises (OAEs) run by individuals belonging to financially weaker segment comprising of SCs, STs or OBCs. The little credit, that these units can access, comes mostly from local moneylenders, friends, and relatives. Other financially weak sections engaged in micro enterprises too face an enormous challenge with accessing credit.

Access to institutional finance could potentially turn these micro entrepreneurs into strong instruments of GDP growth and employment. To build on this opportunity Government of India initiated the Micro Units Development & Refinance Agency Ltd (MUDRA) in 2015-16 with the mandate of 'funding the unfunded' micro entrepreneurs.

Hon'ble Finance Minister of India outlined the concept and role of MUDRA in his budget speech in February 2015. Thereafter, MUDRA—a wholly owned subsidiary of Small Industries Development Bank of India (SIDBI)—was instituted as a public limited company in March 2015. It was registered as a non-banking finance institution (NBFI) with Reserve Bank of India (RBI) on April 07, 2015 and launched a day later on April 08, 2015 by the Hon'ble Prime Minister of India to support the micro enterprises sector in the country.

Alongside the inauguration of MUDRA, Hon'ble Prime Minister also launched the *Pradhan Mantri Mudra Yojana* (PMMY)—a scheme to extend loans to micro enterprises.

² NSSO Survey (2013), National Sample Survey Office, Ministry of Statistics and Programme Implementation, Government of India.

Financial Inclusion Landscape

“Financial Inclusion, broadly defined, refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.”

– Dr Raghuram Rajan



2.1 A DECADE OF FINANCIAL INCLUSION

The annual statement on monetary policy issued in April 2005 stated,

‘There has been expansion, greater competition and diversification of ownership of banks leading to both enhanced efficiency and systemic resilience in the banking sector. However, there are legitimate concerns in regard to the banking practices that tend to exclude rather than attract vast sections of population, in particular pensioners, self-employed and those employed in the unorganised sector. While commercial considerations are no doubt important, the banks have been bestowed with several privileges, especially of seeking public deposits on a highly leveraged basis, and consequently they should be obliged to provide banking services to all segments of the population, on equitable basis. Against this background:

- RBI will implement policies to encourage banks which provide extensive services

while disincentivising those which are not responsive to the banking needs of the community, including the underprivileged.

- The nature, scope and cost of services will be monitored to assess whether there is any denial, implicit or explicit, of basic banking services to the common person.
- Banks are urged to review their existing practices to align them with the objective of financial inclusion.’

With this pronouncement, Reserve Bank of India (RBI) took the first definite step towards financial inclusion. Since then the RBI has incessantly endeavoured to ensure that the people of the country have access to banking facilities. Through a combination of policy instruments, product improvements, process improvements and expansion of touch points, banks have been encouraged to motivate customers to open new bank accounts.

These efforts of RBI have had an observable rural thrust. To focus on unbanked and under-



banked areas, villages with less than 2000 residents were covered in the initial phase while those with less than 500 persons were covered subsequently. To speed up the inclusion process, technology and agency network too were leveraged.

The Government of India invigorated the financial inclusion efforts by mandating that government payments such as wages disbursed for services rendered under the National Rural Employment Guarantee Scheme (NREGS), pensions, and other subsidies be routed through bank accounts, thus incentivising the poor to open bank accounts to receive money.

In addition to banks, cooperative societies, and post offices play a critical role in providing financial services in rural areas. Almost 6.5 crore wage earners receive NREGS payments through dedicated post office accounts. With India Post gearing up to open a Payments Bank, it is slated to play a defining role in achieving financial inclusion goals in rural areas.

With the introduction of banking correspondents (BCs), the banking network expanded significantly. The banking outlets in villages, which were 67,694 in March 2010, increased by about eight times in five years, while the 7.35 crore basic banking accounts increased approximately five-fold during this period. By any standards these are remarkable growth rates that fairly reflect the responsiveness and social

responsibility of banks, especially from public sector. This has ensured access to services for millions of new customers in the rural hinterland.

2.2 CURRENT STATUS OF FINANCIAL INCLUSION

Access to financial services may be estimated by indicators such as the number of bank branches and ATMs. Similarly, usage of those services is estimated by indicators such as the number of accounts, number of account holders and number of transactions (Table 2.1).



2.3 PARADIGM SHIFT PRADHAN MANTRI JAN DHAN YOJANA

With the launch of the Pradhan Mantri Jan Dhan Yojana (PMJDY), financial inclusion

TABLE 2.1: GROWTH IN ACCESS TO FINANCIAL SERVICES

	2011	2012	2013	2014
Automated Teller Machines (ATMs) per 1,00,000 adults	8.85	10.99	12.87	17.80
Branches of commercial banks per 1,00,000 adults	10.51	11.18	11.84	12.84
Deposit accounts with commercial banks per 1,000 adults	934.45	1,022.34	1,161.03	1,337.89
Loan accounts with commercial banks per 1,000 adults	139.25	148.15	142.52	151.33

Source: Financial Access Survey Report (various years), International Finance Corporation.

underwent a paradigm shift. It was reinvented as a programme with universal applicability across the country regardless of the areas being banked, unbanked or under-banked and covered urban locations too. The objective under PMJDY was to ensure a basic bank account for 100 per cent households in each block. Banks were mandated with the responsibility of ensuring 100 per cent coverage across the country.

By March 31, 2016, approximately 2,142.70 lakh PMJDY accounts were opened. Of these, 1,317.10 lakh were in rural areas while 825.60 lakh belonged to urban areas. In rural areas 96.3 per cent of the coverage of households with PMJDY accounts was achieved by public sector banks (PSBs) and regional rural banks (RRBs) with private sector banks contributing a nominal 3.7 per cent.

With PMJDY, the rural need gap of basic banking services seems to have been nearly met. Barring few blocks in some remote states, the coverage in the country is complete. Except for nine states (99.8–100 per cent coverage), all others reported 100 per cent coverage of households with bank accounts (Table 2.2).

The continued government-led monitoring and hard work put in by the entire banking system has ensured these PMJDY outcomes. The exercise found a mention in the Guinness Book of World Records for the largest number of bank accounts opened in the shortest time span.

Approximately 1,550 lakh of these 'zero' balance PMJDY accounts had balances, despite there being no need to maintain funds in them as per the extant RBI guidelines. These PMJDY accounts had an aggregate deposit of ₹35,600



TABLE 2.2: PMJDY VOLUMES FOR FINANCIAL INCLUSION, AS ON MARCH 31, 2016

All scheduled banks	Total	In PMJDY accounts	PMJDY as % of total
Deposits (₹ crore)	99,26,500	35,600	0.36%
	Total	MFI/SHG/MUDRA/BSBDA OD loans outstanding ³	Small loans as % of total
Credit (₹ crore)	77,25,300	2,39,700	3.10%

Source: www.pmjdy.gov.in

TABLE 2.3: SOME FINANCIAL INCLUSION INDICATORS

No of adults	84 crore ^a
No of households (2011) ^b	24.66 crore
No of rural households (2011)	16.78 crore
No of deposit accounts – Commercial Banks (March 2015) ^c	143.99 crore
Of which rural accounts	49.40 crore
Of which PMJDY accounts	14.716 crore
No of BSBD accounts with banks (March 2015) ^d	39.81 crore
Banking outlets in villages (March 2015) ^e	5,53,713
Of which branches	49,571
No of deposit accounts—Post office (March 2015) ^f	39.93 crore
No of NREGS accounts—Post office (March 2015)	6.49 crore
No of loan accounts commercial banks (March 2015) ^g	14.42 crore
Of which rural accounts	4.99 crore
No of loan accounts with Micro Finance Institutions (MFIs) (March 2015) ^h	3.71 crore
No of saving SHG members (March 2015) ⁱ	10.02 crore
No of borrowing SHG members (March 2014)	5.84 crore

Source:

- Census of India estimated 120 crore people in 2011, of which the adult population is taken at about 70 per cent of the total. The National Population Commission estimated that adults (15 years or more) represent 71 per cent of 2011 population.
- As per the 2011 Census of India, censusindia.gov.in
- Basic statistical returns of banks; RBI
- Annual Report of RBI 2014-15 (www.rbi.org.in)
- Annual Report of RBI 2014-15 (www.rbi.org.in)
- India Post Annual Report 2015-16—this includes savings accounts, NREGS accounts, recurring deposit accounts and monthly income scheme deposits, indiapost.gov.in
- Basic statistical returns of banks; RBI
- Bharat Microfinance Quick Report 2015, Sadhan, www.sa-dhan.net/publications.aspx
- Status of Microfinance 2014-15, NABARD (www.nabard.org)

crore, translating to an average of nearly ₹1,700. Close to 950 lakh of these accounts have been linked to unique identification Aadhar numbers, enabling leak proof transfer from government directly to beneficiaries. To take universal banking closer to people, 1,775.20 lakh RuPay debit cards have also been issued to the account holders which can be used in ATMs and merchant establishments (Table 2.3).

2.4 OTHER FINANCIAL SERVICES

While basic banking creates the opportunity for inclusion, true financial security from such an initiative requires a comprehensive approach that includes other affordable products targeted at the masses.

In addition to providing access to basic banking services for 100 per cent households, Government of India has attempted to bring various insurance-based and pension products nearer to poor families that were thus far financially excluded. Some of the prominent product offerings through the reinvigorated financial inclusion initiative of the government are:

- *Pradhan Mantri Jivan Jyoti Bima Yojana (PMJJBY)*: A life insurance scheme providing cover of ₹2 lakh per life with a premium contribution of ₹330 per year, with 295.5 lakh enrolments till March 31, 2016;
- *Pradhan Mantri Jan Suraksha Bima Yojana (PMSBY)*: An accident insurance scheme providing a cover of ₹2 lakh per person at a premium of ₹12 per annum, with 94 million applicants till March 31, 2016;
- *Atal Pension Yojana (APY)*: A pension scheme introduced to encourage poor

people save small sums for their old age, subscribed by 24.2 lakh individuals; and

- *Pradhan Mantri Fasal Bima Yojana (PMFBY)*: A new crop insurance scheme introduced in January 2016 with features such as a lower premium, full cover for value of crop loss and technology based crop loss measurements.

2.5 EXPECTATIONS FROM FINANCIAL INCLUSION

For a vast country with varied manpower quality and a range of challenges associated with technology and connectivity, the financial inclusion initiative has indeed been an achievement that holds out a promise for the better. The pace of account opening has demonstrated that despite teething issues and the enormous scale involved the initiative has managed to motivate vulnerable people to put their faith in the formal financial system.

While household coverage has been satisfactory, *Economic Survey 2016* pointed out possible gaps in coverage at individual level.³ The current programme also does not have a clear credit component. An overdraft of ₹5000—envisaged as a feature of a PMJDY account—to meet the credit requirements of the masses is a solution that portends a rise in non-performing assets (NPAs). Apprehending defaults, banks do not encourage account holders to access this overdraft facility. At least 37.3 lakh overdraft accounts had been sanctioned by the end of June 2016 of which 20.5 lakh drew credit.

To look into the 'medium-term path on financial inclusion', RBI had set up a committee headed by

³ Economic Survey of India 2016, Ministry of Finance, www.indiabudget.nic.in/survey.asp

Shri Deepak Mohanty, Executive Director. The committee examined issues relating to credit and insurance in detail covering exclusion issues beyond the household level. Towards achieving comprehensive inclusion across savings, credit, insurance, and geographical coverage, it offered the following guidelines:

- Step up financial inclusion efforts in the North–East region.
- Open more PMJDY accounts targeting women.
- Phase out existing interest subvention schemes.
- Transform subvention schemes into crop insurance schemes for small and marginal farmers.
- Restructure Agricultural Insurance Corporation to form Crop Insurance Corporation.
- Improve credit flow to MSMEs through institutional, informational and collateral substitute options.
- Enhance the range of credit guarantees to small and micro units.
- Introduce a GIS mapping system to locate banking access points across the country.
- Increase use of mobile technology for last mile delivery of financial products and services.
- Open more rural ATMs to serve the lakhs of new debit cards that have been issued.

The task for the government, the banking system, and financial markets in the country is to ensure that the masses retain their faith in the formal financial system while the real economy offers individuals the opportunity to use these financial products and facilities.

The significant progress achieved within a short time has raised hopes and aspirations of the people and the administration to fulfil the ultimate objective of financial security to all citizens of the country. This security may not come from doles, but from developing skills, building enterprises and creating an ecosystem that allows for growth through economic activity. This translates into the more challenging task of transforming the lives of financially excluded in such a way that they are able to participate in a modern economy fruitfully partaking from the overall gains.

2.6 ADVENT OF MUDRA AND MUDRA YOJANA

The setting up of MUDRA and the Pradhan Mantri Mudra Yojana (PMMY) sought to fill the credit gaps in small, micro and tiny enterprises to spur economic activity. The PMMY was setup with the objective of fulfilling loan requirements up to ₹10 lakh for such enterprises to start or expand their business activities. Up to March 31, 2016, an aggregate credit of ₹1,32,954 crore was extended to 34.88 million loan applicants.

Within a year of inception, the PMMY has captured the imagination of both banks and small, micro, and tiny enterprises. The comparative data of the disbursement done by a sample of 26 PSBs indicate a growth of nearly 68 per cent under this segment during FY 2015–16. A significant proportion of PMMY loans are incremental while new loans to these enterprises are also being extended. From the perspective of credit access these loans are furthering financial inclusion.



2.7 DIFFERENTIATED BANKS FOR SMALL TRANSACTIONS

In January 2013, the committee on 'Comprehensive Financial Services for Small Businesses and Low Income Households', chaired by Dr Nachiket Mor, in its report proposed specialised banking structures including payment banks, wholesale banks and wholesale investment banks. The draft guidelines on payment banks and small finance banks (SFBs) were released by the RBI on July 17, 2014. Based on the comments and suggestions received on the draft guidelines, the final guidelines were released by RBI on November 27, 2014. On September 16, 2015, the RBI granted in-principle approval to 10 applicants for setting up SFBs. Previously, in-principle approval had been issued to 11 applicants to set up payment banks.

These institutions too will play a crucial role in expediting financial inclusion in the country.

2.8 WAY FORWARD

Continuing the momentum generated from opening of bank accounts, the government is committed to pushing comprehensive financial inclusion using available technology to ensure hassle-free and leak-proof direct benefits transfer (DBT) mechanism for the excluded people.

The JanDhan, Aadhar and Mobile (JAM) trinity in the government's view provides the technology, transmission vehicle, and last mile linkage to reduce time and cost of financial services, improve accuracy of delivery of benefits, and authenticate receipt of money by the target beneficiary.

Pilot studies carried out in routing domestic liquefied petroleum gas (LPG) subsidies and NREGS daily wage payments clearly establish the cost savings and reduction in leakage. Further, diversion of domestic cooking gas for other purposes has declined. In case of NREGS, the government intends to directly credit the beneficiary's bank account through the JAM trinity, instead of routing funds through multiple layers.

Economic Survey 2016 estimates that JAM will reduce payment leakages by 14 per cent, reduce cost of disbursement of funds by 38 per cent and reduce requirements of float funds by 26 per cent, accompanied by cost savings on interest.

The introduction of Business Correspondents (BCs) as customer service points is a significant step towards financial inclusion. The BCs can handle payments from bank accounts, coverage of all left out individuals with PMJDY bank accounts, and linking of accounts to the correct Aadhar numbers—three critical components in JAM fulfilling DBT.

Stabilisation of JAM is expected to improve MUDRA loans off-take too. Small loans disbursement and repayment process stand to benefit from a seamless mobile-based payments and receipts system that leverages BCs as collection points.

Given the pace of progress in the last two years, savings, payments, and remittance services will be fully achieved soon, to complete the spadework for complete financial inclusion. Credit and insurance services might require more time to offer universal coverage on account of issues related to risk and resource availability.

In the context of financial inclusion, the endeavour of MUDRA is to provide credit access to those small, micro, and tiny enterprises that are unable to offer collateral assets to secure loans, record of accounts of their business, or convincing proposals to banks.

MUDRA views its role as bringing together banks and potential micro enterprise customers by catalysing through literacy on the demand side and enabling through advocacy and technology on the supply side.



3

Microfinance Creating Micro Enterprises

Microfinance refers to loans up to ₹1 lakh, usually extended to individuals who lack access to financial services—especially credit. While lending small money started in late 1980s, microfinance in its current form is less than two decades old. The customers of microfinance are often people vulnerable to mistakes, fraud, and agent commissions due to lack of education, financial knowledge, documents necessary to satisfy banks, or collateral to secure their loans. Typical customers of microfinance are people who eke out subsistence level livelihoods, such as, small and marginal farmers, wage labourers, hawkers, petty traders, providers of different kinds of services, skilled workers and OAE proprietors.

To serve the credit side financial needs of these micro entrepreneurs, Micro Finance Institutions (MFI) model has proved scalable and viable—employing over 1 lakh youth. Despite the intensive banking coverage, MFIs have become the preferred source for more than 32 million customers primarily due to the ease of access and doorstep delivery of credit. MFIs have been able to show that it is possible to achieve scale in sustainable business even when dealing with vulnerable populations.

The relevance and suitability of MFIs in serving the tiny requirements of small borrowers for their micro enterprises was further underscored by MUDRA's recognition of their role in extension of credit. MUDRA is expected to serve millions of small borrowers through better governed MFIs offering suitable products at affordable costs and thereby ensure growth and strengthening of the microfinance sector in India.



3.1 DEVELOPMENTS IN THE MICROFINANCE SECTOR

Fiscal 2015-16 saw heightened action in the microfinance sector. Bandhan Microfinance—one of the largest MFIs—transformed itself into a universal bank in August 2015. Further, RBI issued in principle approval to eight MFIs to convert into small finance banks. Two MFIs went public to a resounding reception at the stock market with shares valued at a premium post listing—a reflection of the changing perception for the sector. With favourable factors, such as, adequate availability of equity, ability of banks to fully finance most MFIs, and MUDRA and NABARD offering significant liquidity support the sector posted unprecedented growth during the year.

The performance of the MFI sector during 2015-16 had been noteworthy. The data of 166 MFIs that are part of the Sa-Dhan registered

a 27 per cent growth in loan disbursements during 2015-16 over last year.⁴ Gross outstanding loan portfolio of ₹63,853 crore was 31 per cent higher than last year. The share of loan portfolio was 40 per cent for South India followed by Central (19 per cent), East (18 per cent) and West (14 per cent). The disbursements increased to ₹72,345 crore during 2015-16—an increase of 27 per cent over the previous year. The client outreach at 399 lakh, as on March 31, 2016, increased 8 per cent over the previous year.

NBFC-MFIs have contributed to 85 per cent of the client outreach and 88 per cent of the outstanding portfolio. This is apart from the SHG Bank Linkage Programme, which too recorded a significant growth during the year and touched an outstanding almost equal to the MFI sector.

⁴ The Bharat Microfinance Report 2016 (SaDhan)

TABLE 3.1: PERFORMANCE OF NBFC-MFIs, AS ON MARCH 31, 2016

	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Outreach (lakh)	237	199	194	234	226	325
Gross loan portfolio (in ₹ crore)	16,681	14,951	16,281	23,227	37,988	53,233
Borrowings (in ₹ crore)	5,442	4,333	7,943	12,033	22,029	33,706
Average loan outstanding per account (in ₹)	7,030	7,533	8,689	10,364	12,795	16,394

Source: mfinindia.org

The provisional data of 56 NBFC-MFIs that are part of the MFI Network (MFIN) oversaw a 65 per cent growth in loan disbursements during 2015-16 over last year.⁵ The outstanding gross loan portfolio (GLP) of NBFC-MFIs stood at an all-time high of ₹53,233 crore on March 31, 2016. This was estimated to be 84 per cent higher than last year (Table 3.1). The 44 per cent surge in client base of NBFC-MFIs in 2015-16 was the highest since 2008-09. Furthermore, rate of interests declined by up to 3 per cent on loans extended by MFIs in 2015-16, creating favourable conditions for the borrower.

Apart from borrowings, the MFIs also sold their portfolio through securitisation mode to raise resources. The ₹11,500 crore securitisation deals concluded by MFIs to sell their portfolios to financing banks, was more than double of 2014-15. MUDRA too participated in securitisation operations by investing in Pass Through Certificates (PTCs). The volume of securitisation transactions is expected to further grow in 2016-17.

⁵ MFIN is the first self-regulatory organisation (SRO) in the financial services sector recognized by the RBI and regulates NBFC-MFIs to ensure responsible lending and client protection. MFIN works closely with other key stakeholders and plays an active part in the larger financial inclusions dialogue through the medium of microfinance. (<http://mfinindia.org/>)

3.2 INCREASE IN LOAN QUANTUM PER BORROWER

The portfolio growth of MFIs has been catalysed in large measure by RBI's doubling the loan limit from ₹50,000 per borrower to ₹1,00,000. In their quest for higher business growth some of the MFIs too increased the loan quantum starting as early as the first cycle.

The average loan disbursed as per data of MFIN, increased from ₹14,731 in 2014-15 to ₹17,805 in 2015-16. The average loan outstanding increased by more than ₹3,600 to reach ₹16,394 during 2015-16. The loan size has increased steeply in the last two years. In addition, there was significant difference between individual MFIs; the average loan outstanding across the top 10 MFIs ranged from ₹11,961 to ₹23,773. Given that MFIs operate in similar contexts and compete for the same customers, the rationale behind such a wide range needs to be further explored.

As long as the loans taken by the individual are within reasonable limits, the other members of the group are able to fulfil their joint liability guarantee. But when the loan size increases beyond a reasonable threshold, it becomes much more difficult for the guarantors to fulfil their group obligations to the MFIs. Consequently, the recently revised code of conduct for MFIs stipulated that loans above ₹60,000 per person

should be given as an individual loan and not against group guarantee.

However, it is believed that increase in per capita loan has resulted in creation of some meaningful business assets in the country.

3.3 MUDRA—FUNDING SUPPORT TO MFIS

Creation of MUDRA has stimulated the microfinance funding ecosystem. MUDRA provided ₹616 crore by way of finance to MFIs. Rest of the banking system provided loans and bought out securitised assets in order to fulfil their priority sector lending obligations.



MFIs reported that borrowings by MFIs during 2015-16 from financial institutions were around ₹33,700 crore—a 53 per cent y-o-y increase. The low risks and reasonable rates of return on micro loans has enthused the banks to continue expanding their exposure to MFIs in the last four years. Bulk loans to MFIs as an asset class proved to be superior in the bouquet of assets available for banks to invest for the purpose of meeting priority sector obligations.

In a bid to diversify their funding sources MFIs issued non-convertible debentures (NCDs)

to raise debt finance from capital markets, but the volumes were small.

3.4 PROSPECTS OF MFI SECTOR

Introduction of RBI regulation for MFIs as a separate class of institutions has considerably improved the performance and field conduct of the sector. The industry voluntarily adopted a code of conduct that prescribed responsible outlook towards customers and business transactions and helped maintain fairness in competition. In a recent revision of this code, regulatory and market changes too were incorporated.

MFIs have introduced customer protection measures in their lending and monitoring processes. RBI has introduced margin cap limits in a bid to cap the pricing of MFI loans. An analysis of data shows that most MFIs charge interest rates well within the RBI limits. Significant improvement in MFI performance in the past three years is related to cost reductions in operations, high recovery efficiency and profitability. Portfolio at risk (PAR) > 30 days (Gross Loan Portfolio) stood at a low level of 0.33 per cent, validating the ability of MFIs to expand business with robust processes to deal with repayments. The reduction in operating costs and the increasing profitability, even as the interest rates are declining, are welcome signs.

3.5 OPERATING COSTS AND PROFITABILITY CONCERNS

A key concern arising from the high growth rates is excessive debt adversely impacting the borrowers. Also the flip side of this is the loan concentration in certain pockets as also in certain households that might impact portfolio quality of MFIs. Growth in portfolio outstanding—nearly

twice the growth in number of loans for NBFC–MFIs—suggests that the sizes of incremental loans are much larger than in the past.

Some MFIs have clocked aggressive growth rates during the year while others have grown at a moderate pace. Across MFIs, the GLP growth rates varied between 19 per cent and 194 per cent. While MFIs have clearly defined business strategies to pursue their growth objectives, concerns regarding governance remain when it comes to equally protecting the interest of all stake holders—especially, customers.

Tamil Nadu, Karnataka, Maharashtra, Uttar Pradesh, and Madhya Pradesh were the top five states in client outreach and loan portfolio disbursed during 2015–16 as per MFIN. Together, they accounted for 59 per cent of customers, 60 per cent of loans outstanding and 59 per cent of loans. The top 10 states accounted for 86 per cent of the borrowers while the remaining 20 states had 14 per cent customers, revealing an uneven distribution of microfinance in India. Increasing penetration of microfinance in other states is a priority for which MUDRA intends to dedicate its energies in the next three years.

3.6 SHG–BANK LINKAGE PROGRAMME

The SHG–Bank Linkage Programme has also been growing at a reasonable pace. The portfolio growth has been much higher than growth in outreach, implying disbursement of higher average loans to groups. Compared to the MFIs, delinquency rates were higher for SHG loans. That said, SHGs enable credit flow to the vulnerable sections, especially in rural areas thus fulfilling a crucial objective of financial inclusion.

3.7 CONCLUSION

The growth experience of MFIs in India in the past three years has underscored the role of microfinance in providing funding support to financially excluded sections. The unbridled growth of the microfinance sector has largely progressed in a disciplined and regulated manner. This holds out hope for it to be sustainable. This is good news for the creation of micro enterprises which in turn may ensure income generation and employment for the weaker socio-economic strata in the country.

TABLE 3.2: SHG–BANK LINKAGE SNAPSHOT

	2006–07	2007–08	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16
Outreach Members (lakh)	380	471	540	596	625	566	579	546	584	599.6
Y-O-Y growth (%)		23.90	14.60	10.40	4.90	-9.40	2.30	-5.70	6.96	2.67
Loans outstanding (₹ crore)	12,366	16,999	22,676	27,266	30,619	36,341	39,375	42,927	51,221	57,119
Y-O-Y growth (%)		37.50	33.40	20.20	12.30	18.70	8.30	9.02	19.32	10.8

Source: *Microfinance India: State of the Sector Report* (various years), NABARD, Mumbai.



4

MUDRA—‘Funding the Unfunded’

With the primary enabling ecosystem for financial inclusion having been created with PMJDY and Aadhar, the next crucial initiative required for firing up the economic engine is MUDRA. An overwhelming majority of the 5.77 crore micro enterprises belonging to NCSBS employing over 10 crore people—which supports livelihoods for at least five times that number—are operated at subsistence level. Many of these entrepreneurs belonging to the economically weaker socio-economic strata are unable to access funds from formal financial sources—for fixed assets or working capital. Funding this unfunded constituency of entrepreneurs is the core purpose that MUDRA provides refinance support to and credit guarantee for the lenders who finance such activities.

The business domain of MUDRA consists of income generating micro enterprises engaged in manufacturing, trading and services sectors for loans up to ₹10 lakh. From fiscal 2016–17 micro enterprises involved in activities allied to agriculture too have also been brought within the ambit of PMMY loans. The overdraft amount of ₹5,000 sanctioned under PMJDY is also treated as part of MUDRA loans under PMMY.

4.1 BUSINESS OPERATIONS AT MUDRA

MUDRA supplements the efforts of the existing institutions by providing funding support through refinance and securitisation of loan assets, to extend financial assistance to borrowers from micro enterprises. RBI allocated ₹20,000 crore out of priority sector shortfall of banks as Mudra Refinance Fund (MRF). This



allocation along with its own share capital formed the working funds of MUDRA.

During the year, MUDRA sanctioned ₹3,783.21 crore and disbursed ₹3,337.21 crore. The sanctions include undisbursed sanction of ₹250 crore in respect of non banking financial companies (NBFCs).

4.1.1 Refinance

Commercial banks, RRBs, cooperative banks, NBFCs, and MFIs engaged in financing micro enterprises are eligible for refinance support from MUDRA subject to fulfilling prescribed conditions, referred to as the 'Benchmarks for Sanction'.

4.1.1.1 Refinancing commercial banks

As partners enrolled by MUDRA, all PSBs and 17 private sector commercial banks may avail refinance for loans extended to micro enterprises. As per RBI guidelines for MRF, scheduled commercial banks (SCBs) need to lend to the ultimate borrowers at their base rate to avail MUDRA refinance. During the year 2015-16, MUDRA refinanced 16 PSBs.

Institution	Amount sanctioned (₹ crore)	Amount disbursed (₹ crore)
Commercial banks	2,432	2,432

4.1.1.2 Refinancing RRBs

Of the 56 RRBs the 35 shortlisted as MUDRA partners are eligible for refinance support. RRBs can avail refinance for the loans extended to MUDRA borrowers with up to 3.5 per cent interest margin. During the fiscal 2015-16, MUDRA refinanced three RRBs.

Institution	Amount sanctioned (₹ crore)	Amount disbursed (₹ crore)
RRBs	239.25	239.25

4.1.1.3 Refinancing cooperative banks

Among other banks, 2 state cooperative banks and 11 scheduled urban cooperative banks have also been shortlisted as partners based on their financial performance parameters. Like RRBs, cooperative banks too are required to lend at an interest rate not exceeding 3.5 per cent calculated from the rate of interest charged by MUDRA to avail the refinance. However, none of the cooperative banks availed refinance support from MUDRA during 2015-16.

4.1.1.4 Refinancing NBFCs-MFIs

MFIs are eligible to draw refinance support from MUDRA for loans extended to micro



entrepreneurs. Accordingly, MUDRA has finalized schemes to provide refinance support to NBFC–MFIs and other MFIs conforming to the financial and other qualifying parameters. During 2015–16, MUDRA extended refinance support to 22 MFIs.

<i>Institution</i>	<i>Amount sanctioned (₹ crore)</i>	<i>Amount disbursed (₹ crore)</i>
MFIs	812	616

4.1.2 Securitisation of loan assets

MUDRA also extended support to NBFCs and MFIs in the form of securitisation of their loan assets that helped them access debt funds from the capital market for their operations. Accordingly, MUDRA Board approved the following schemes:

- Extending Partial Second Loss Guarantee
- Providing Partial Pooled Guarantee for issuance of bonds (NCDs)
- Investments in PTCs

MUDRA made its first investment in PTCs for the loan portfolio originated by a leading MFI during the financial year 2015–16.

<i>Institution</i>	<i>Amount sanctioned (₹ crore)</i>	<i>Amount disbursed (₹ crore)</i>
Investment PTCs (senior tranche)	49.96	49.96

4.1.3 Overall business

As on March 31, 2016, the outstanding refinance portfolio of MUDRA stood at ₹3,291.66 crore.

<i>Institution</i>	<i>₹ crore</i>
Banks	2,426.16
MFIs	576.29
RRBs	239.25
Securitisation	49.96
TOTAL	3,291.66

4.2 OTHER FUNCTIONS OF MUDRA

4.2.1 Resources management

Resources aggregating ₹5,000 crore were raised by MUDRA during 2015–16 under MRF, from the priority sector shortfall of SCBs. This, along with ₹750 crore drawn from the share capital, contributed by SIDBI—the holding company of MUDRA, formed the working funds for the financial year.

4.2.2 Monitoring of PMMY

MUDRA has also been entrusted with monitoring of the PMMY. MUDRA developed a dedicated portal for the purpose. The disaggregated information was captured from participating banks and MFIs on a weekly basis. Various reports generated from the captured data were used to monitor the progress of the programme.



4.2.3 Developing new products

To facilitate hassle free and flexible working capital to the borrowers, MUDRA introduced the MUDRA card—a debit card on RuPay platform.⁶ Many partner banks disbursed working capital loans by adopting the MUDRA card scheme.



4.2.4 Credit Guarantee Fund for Micro Units

A Credit Guarantee Fund for Micro Units (CGFMU) was also operationalised during

⁶ *Shishu* (< ₹50,000), *Kishore* (₹50,001–₹5,00,000) and *Tarun* (₹5,00,000–₹10,00,000) are the three PMMY loan categories.

MUDRA CARD

In the contemporary world, where technology plays an important role in payment and settlement, the small and micro enterprises also need to be on board with the same. Debit/credit card is the simplest form of digital payment mechanism for banking. Making credit/ debit cards available with small/ micro entrepreneurs will empower them to move ahead with confidence.

In the MUDRA target segment, the need for working capital is beyond any doubt. Most micro enterprises need flexible credit. Realising this MUDRA introduced the MUDRA card, a RuPay Debit card, operable on all ATMs and PoS machines where RuPay is operative.

The Mudra card is a flexible credit product that meets the working capital needs of micro and small entrepreneurs as cash can be withdrawn from any ATM or merchandise purchased using PoS machine so that interest burden is reduced. Most of the banks have accepted the product and introduced it in the first year.

The total number of cards issued during the year was at 5.17 lakh for an amount of ₹1476.96 crore. An amount of ₹1391.25 crore was withdrawn by the borrowers. The average works out to ₹28,567 per MUDRA card.



CREDIT GUARANTEE FUND FOR MICRO UNITS

As announced by the Hon'ble Finance Minister in the budget for FY 2015–16, a separate credit guarantee fund was created for MUDRA loans, with an initial corpus of `3000 crore. National Credit Guarantee Trustee Company (NCGTC), a subsidiary of SIDBI managing various credit guarantee funds, shall be the implementing agency for MUDRA Credit Guarantee Scheme. The fund was constituted during 2015–16 and the schemes were notified on April 18, 2016 through a GoI gazette notification. Since the fund is providing coverage to micro units, the cover will be on the basis of portfolio and not individual unit specific. This is expected to enhance the flow of credit at the ground level.

the year. Of the ₹3,000 crore CGMFU corpus, ₹500 crore was received as the first instalment. The fund is being operated by National Credit Guarantee Trust Corporation (NCGTC).

All MUDRA loans issued on or after April 08, 2015 are eligible to be covered under the CGFMU, notified on April 18, 2016. The enrolment of members for credit guarantee has since commenced.

4.3 OTHER INITIATIVES

4.3.1 Stakeholder meets

Soon after MUDRA's inception, SIDBI/ MUDRA organized stakeholder meets at national (at Delhi) and regional (Patna and Jaipur) level. Some of the recommendations emerging from these meets (detailed below) have already been adopted and implemented.

- Initiate refinance schemes for commercial banks, RRBs, and cooperative banks

STAKEHOLDERS' MEETS

Two stakeholders' meetings at national level were held on March 25 and April 22, 2015 to discuss products, process, pricing and partners for MUDRA. Regional Consultation Meets were also held at Patna, Jaipur and other centres to elicit views of Banks/RRBs/MFIs on MUDRA/ PMMY. Consultation meetings were also held with member institutions of MFIN and Sa-dhan, Self Regulatory Organizations (SROs).

by availing of funds from the MUDRA Refinance Corpus.

- Adopt SIDBI Foundation for Micro Credit (SFMC) financing model and extend the scheme to MFIs enrolled with the SFMC-Vertical.⁷
- Introduce MUDRA Card through RuPay platform to provide working capital facilities to MUDRA beneficiaries.
- Offer enhancement of credit through securitisation of loan portfolio of partner institutions.

4.3.2 Awareness and outreach

To create awareness about loans for micro enterprises and to enhance the number of loans sanctioned—especially, those under *Shishu* category—MUDRA organised an information campaign from September 01 to October 02, 2015, overlapping with central government's initiative of organizing credit camps across the country.

⁷ SIDBI Foundation for Micro Credit (SFMC) was launched by the SIDBI in January 1999.



5

Pradhan Mantri Mudra Yojana

Credit for Micro Enterprises

Pradhan Mantri Mudra Yojana (PMMY)—also known in the Indian banking circles as the Mudra loan scheme—not only intends to bridge the funding gap to the micro enterprises but also aims to boost the confidence of the first generation entrepreneurs and assist existing small businesses expand their activities. Non-corporate small business sector (NCSBS) and OAEs including proprietorship and partnership firms engaged in small manufacturing units, service sector enterprises, shop keeping, fruits and vegetable vending, trucking, operating food services, repairing and maintenance, operating machines, running small industries, food processing, handicraft making (artisans) among others in both rural and urban areas are potential Mudra borrowers under PMMY. From FY 2016–17 onwards, activities allied to agriculture have also been made eligible under PMMY.

PMMY envisages providing Mudra loans to income generating micro enterprises engaged in manufacturing, trading and services up to ₹10 lakh. The MUDRA loans are divided into three categories based on the business life-cycle that the loanee enterprise currently is in. These three categories signify the growth, development and funding needs of the beneficiaries.

- **Shishu:** Loans up to ₹50,000
- **Kishore:** Loans from ₹50,001 to ₹5,00,000
- **Tarun:** Loans from ₹5,00,001 to ₹10,00,000

In addition, the overdraft amount of ₹5,000 sanctioned under PMJDY has been also classified as a Mudra loan.

Need based term loan, overdraft limit or composite loan for acquiring capital assets and/or working capital and marketing related requirements to eligible borrowers are provided under PMMY. The project cost to sanction loans is accepted on the basis of a business plan and proposed investment. Banks, NBFCs, MFIs, and other financial intermediaries enrolled by MUDRA periodically, are eligible to extend Mudra loans.

To facilitate hassle free and flexible working capital assistance to the borrowers, MUDRA introduced the MUDRA card—a debit card on RuPay platform which can be operated across the ATMs and ‘Point of Sale’ (POS) Machines. A borrower would be able to manage his credit needs by drawing funds from ATMs or make payments through POS machines, based on the requirement and repay as and when funds are available with him. Many partner banks / MFIs disbursed working capital loans by adopting the MUDRA card scheme.

The lending terms of PMMY, such as, margin, interest rate, security, etc., are as per the RBI stipulations. In terms of RBI guidelines issued vide ‘Master Circular on lending to Micro, Small & Medium Enterprises (MSME) Sector’ (para 4.2) dated July 01, 2014, banks are mandated not to collect collateral security in the case of loans up to ₹10 lakh extended to units in the micro and small enterprises (MSE) sector. Banks are required to encourage their branch level functionaries to avail of the Credit Guarantee Scheme cover, wherever desirable.⁸ In this case, a dedicated guarantee

⁸ ‘Master Circular - Lending to Micro, Small & Medium

fund ‘Credit Guarantee Fund for Micro Units’ (CGFMU) has been constituted and has started its operations.

5.1 IMPLEMENTATION AND MONITORING OF PMMY

PMMY is being implemented from April 08, 2015— the day it was launched. The Hon’ble Prime Minister ceremonially launched the programme by handing over loan amounts to a few borrowers.

Department of Financial Services (DFS), Government of India has set up ‘Mission Mudra’ to closely monitor the programme. Periodic video conferencing by DFS officials with banks has helped in timely implementation and monitoring of the programme.

While the progress of PMMY is being monitored by MUDRA, NABARD is supporting it by following up with RRBs. Monitoring of MFI progress is being supported by MFIN in respect of NBFC–MFIs—a segment that played a major role in dispensing micro loans and *Sa-Dhan* with regard to non-NBFC–MFIs.⁹

For effective monitoring, a dedicated portal linked to MUDRA website (www.mudra.org.in) was put in place to capture weekly data on the performance of institutions under PMMY. The portal captures nation-wide state level disaggregated data by category of loan and

Enterprises (MSME) Sector’ (RBI/2014-15/93, RPCD. MSME & NFS.BC.No. 3/06.02.31/2014-15), 1 July 2014; Section IV, Para 4.2: Common Guidelines / Instructions for Lending to MSME Sector – Collateral (https://www.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=9018)

⁹ On September 14, 1998, the leading microfinance stakeholders, got together to establish the body, and agreed that Mr Mathew Titus would lead and establish the Association. The Association—*Sa-Dhan*—was thus incorporated on July 21, 1999. (<http://www.sa-dhan.net/Inner.aspx?Others/About.htm>)

category of borrowers viz., new entrepreneurs, women entrepreneurs, SC/ST, minority, and Mudra Card. Banks and MFIs log on to the portal to submit their weekly performance data. This data is then analysed and reported to the central government.

In order to boost the lending under PMMY—especially, for *Shishu* loans—MUDRA carried out a month-long publicity campaign on behalf of the government through print media and radio from September 01, 2015 to October 02, 2015. This culminated in mega credit camps in different locations in the country in the last week of the campaign. This credit campaign resulted in lending to 22.50 lakh borrowers with aggregate lending of ₹4,120 crore.

5.2 PERFORMANCE OF PMMY DURING 2015-16

With efforts from all stake holders, the PMMY financial target for the year 2015-16 was surpassed by the end of the fiscal. As against a target of ₹1,22,188 crore set for the year, notified banks and MFIs disbursed an aggregate sum of ₹1,32,954.73 crore, achieving 109 per cent by year end. The achievements—especially, by the PSBs—indicate a significant credit growth in this segment. Data collected from PSBs indicates a 70 per cent growth in credit to MSEs during 2015-16. Other lending institutions too have achieved



high growth in credit to MSEs, largely owing to the PMMY.

5.2.1 Performance of banks

Under PMMY the State Bank of India (SBI) with ₹12,281.18 crore was the biggest lending bank, followed by Canara Bank with ₹7,506.64 crore and Punjab National Bank (PNB) with ₹3,593.42 crore.

Among the private sector SCBs, HDFC Bank with ₹5,356.89 crore topped the list, followed by ₹3921.51 crore by ICICI Bank and ₹3,594.64 crore by IndusInd Bank.

Amongst RRBs, Uttar Bihar Gramin Bank with ₹1,350.90 crore had the highest lending under PMMY, followed by Karnataka Vikas Gramin Bank at ₹1,070.05 crore and Pragathi Krishna Gramin Bank extending ₹1,051.88 crore to MSEs.

5.2.2 Performance of MFIs

The data submitted by a total of 39 NBFC-MFIs and 33 non-NBFC-MFIs for FY 2015-16 suggests a disbursement of ₹45,904 crore worth of Mudra loans.

Disbursements by MFIs was topped by SKS Microfinance Ltd (now, Bharat Financial Inclusion Ltd) with ₹11,856 crore followed by Janalakshmi Financial Services Limited extending ₹10,596 crore, and Ujjivan Financial Services giving out ₹3,969 crore in Mudra loans.

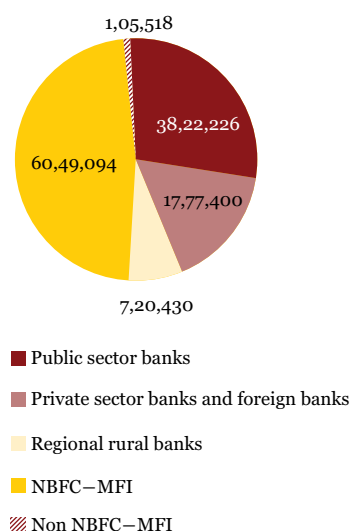
5.3 SERVING SPECIFIC BORROWER SEGMENTS

5.3.1 Financing first-time entrepreneur

The Mudra loan objective of ‘funding the unfunded’ has twin purposes of seeding new enterprises and expanding existing units. Out of a total of 3.49 crore enterprises supported under

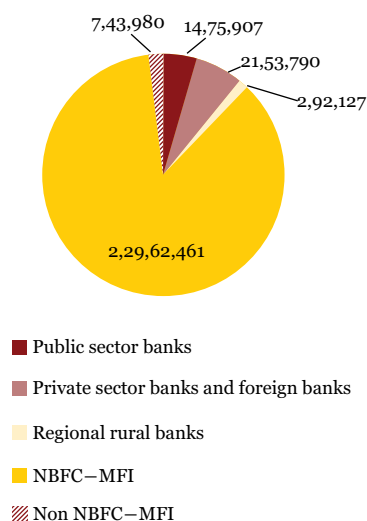
PMMY during 2015-16, nearly 36 per cent (1.25 crore accounts) were for first time borrowers (new entrepreneurs) (Figure 5.1).

Figure 5.1: Lending to new entrepreneurs by type of institutions (no. of accounts)



Source: MUDRA

Figure 5.2: Lending to women entrepreneurs by type of institution (no. of accounts)



Source: MUDRA

5.3.2 Financing women entrepreneurs

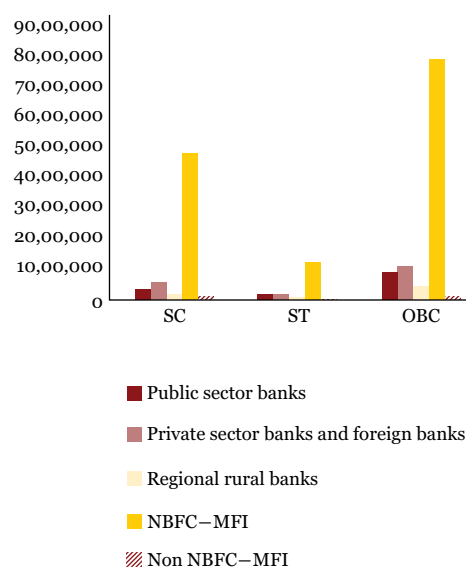
Providing financial support to women entrepreneurs—for both financial inclusion and empowerment—was another prime objective of PMMY. Out of a total of 3.49 crore accounts a whopping 79 per cent (2.76 crore women) were funded under PMMY (Figure 5.2). Almost 99 per cent of the PMMY loans extended by MFIs was for women borrowers, which contributed significantly for the share of women borrowers under this programme.

5.3.3 Funding SC/ST/OBC enterprises

The NSSO survey of 2013 indicated that more than 60 per cent of the micro and small enterprises belonged to weaker socio-economic strata like SCs, STs and OBCs.

A total of 1.84 crore accounts—nearly 53 per cent of the total—financed under PMMY belonged to SC/ST/OBC category, thus fulfilling

Figure 5.3: PMMY accounts by socio-economic category



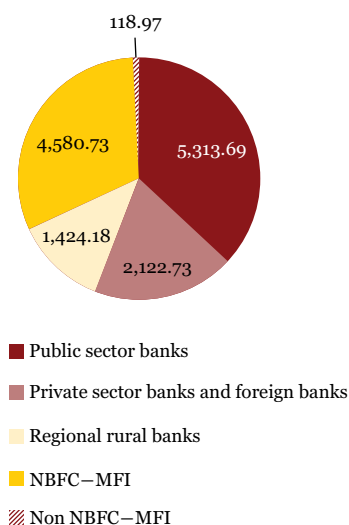
Source: MUDRA

another aspect that would eventually facilitate financial inclusion (Figure 5.3).

5.3.4 Loans to entrepreneurs belonging to minority communities

Banks and MFIs provided loans to 40.88 lakh accounts belonging to minorities under PMMY, with an aggregate disbursement of ₹13,560.30 crore. This represents 11.7 per cent of all PMMY loans and 10.2 per cent of the aggregate amount disbursed during 2015-16 (Figure 5.4).

Figure 5.4: Disbursement under PMMY to minorities (₹ crore)



Source: MUDRA

5.3.5 Overdraft against Pradhan Mantri Jan Dhan Yojana account

Among those availing financial assistance under PMMY, 24.17 lakh borrowers used overdraft facility against their PMJDY accounts. The amount extended under this arrangement was ₹274.02 crore.

5.4 LOOKING AHEAD

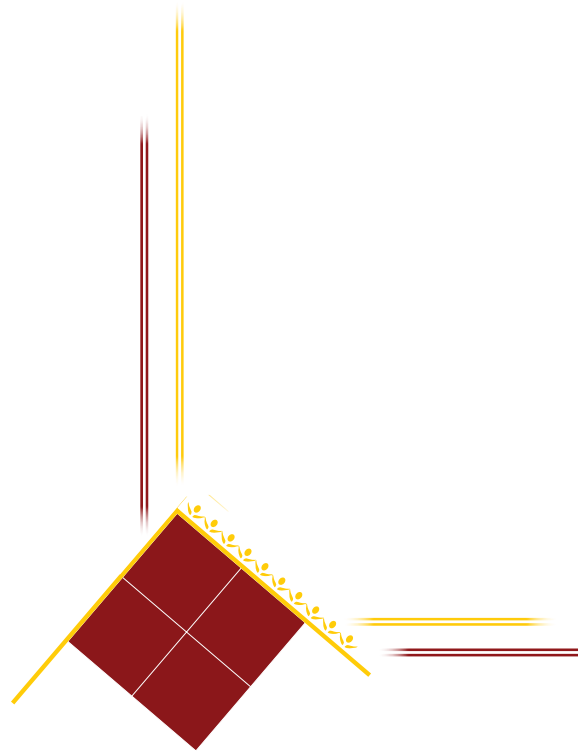
In 2016-17, the government has set a disbursement target of ₹1,80,000 crore—an increase of 47.3 per cent over the target set for FY 2015-16 and 35.4 per cent above the achievement.

With similar support from partner institutions, as received in 2015-16, MUDRA hopes to achieve this target too.

TABLE 5.1: MSE LOAN TARGETS BY TYPE OF INSTITUTION

Type of the institution	Target (₹ crore)
Public sector banks	77,700
Private sector banks & foreign banks	21,000
Regional rural banks	15,000
NBFC – MFIs	64,240
Non – NBFC–MFIs	2,060
Total	1,80,000

Source: MUDRA.



Impact of MUDRA

SNAPSHOTS

CLAY UTENSILS

Lender : Cashpor Micro Credit

Activity : Clay utensils making

Category : *Shishu*

Loan : ₹15,000



Suman, who knew clay pot making, decided to make it her means of livelihood. For this she took the first loan amount and purchased clay from fields owned by others. The whole day she used to make clay pots and her husband used to sell them. As her clay pot making business thrived, she took additional loan from the MFI, agreeing to repay on time. Today she owns her own land and does not have to purchase clay from others, which ensures a good margin on the items she crafts. She earns a good amount from clay pot making. Inspired by her success, other women in nearby areas are contemplating their own businesses too.

FLOWER SHOP

Lender : Syndicate Bank

Activity : Flower shop

Category : *Shishu*

Loan : ₹50,000



Sandhya ran a small flower shop. With her knack for good customer relations she achieved good sales, albeit on a small scale.

One day a customer told her about the PMMY scheme and recommended her to the nearby Syndicate Bank. The bank officials on learning about her past experience sanctioned a Mudra loan of ₹50,000 under *Shishu* category. Sandhya used the loan to improve her stock of flowers and improved her business. She also convinced her husband to join her business. Today, her daily turnover has touched ₹4,000 boosting her confidence. She is now planning to construct her own house and is seeking admission for her son in a reputed school.

‘SWACHCHHATA’ FOR LIVELIHOOD

Lender : Bharat Financial Inclusion Ltd

Activity : Broom making

Category : *Shishu*

Loan : ₹15,010



Mehraj Bee, a small scale worker, thought to herself, “When the Swachh Bharat Campaign can send across a message to keep India clean, would not there be more buyers of brooms?” She toiled hard to find time after a typical day of work to simultaneously make brooms within the limited resources available with her.

Impressed by her hard work and sheer determination to support her family, Bharat Financial Inclusion Ltd provided her an income generation loan of ₹15,010 in January 2016. In no time, Mehraj Bee started converting more raw materials into hand-made brooms.

In 2015, her daily earnings were ₹200–250, which has now gone up by 50 per cent. With success her dreams have soared. Mehraj Bee now aspires to double the raw materials to expand the business, while she has embarked upon constructing her home too.

WELDING SHOP

Lender : Indian Bank

Activity : Welding shop

Category : *Shishu*

Loan : ₹50,000



G. Kumaresan, a B. Com graduate from village Konneri Kuppam (near Kancheepuram), unable to find suitable employment took up the job of a welding contractor for monthly wages of ₹6,000. However, with this meagre income he was not able to maintain his family of four—a wife and two children. He wanted to take up contracts on his own to improve his income.

One day while visiting the Indian Bank, Sankaramutt (Kancheepuram) branch for his employer, he saw a banner regarding PMMY. Kumaresan approached the branch for a loan of ₹50,000 to purchase a welding machine and small accessories to start his own welding shop. The bank, after detailed discussions, extended handholding support and sanctioned a loan under Shishu category. Kumaresan set up his own shop and started getting job contracts. Delivering good quality work, he now gets repeat contracts, earning around ₹15,000 every month. Thus job worker has successfully turned into an entrepreneur with the help of PMMY and the bank.

AUTO RICKSHAW IN ERNAKULAM, KERALA

Lender : Syndicate Bank

Activity : Auto rickshaw

Category : *Kishore*

Loan : ₹1,29,000



For almost 12 years, Usha Babu supported her family driving a rented auto rickshaw. She was the only lady auto driver in Ernakulam district. She would ply the auto rickshaw every day for 12 hours and at the end of the day hand over the hard earned money to the owner, who would pay her a small percent of the day's earning—just enough to make two ends meet. Her earnings were not commensurate with the efforts and the hardship she faced at work.

One day she decided to approach a bank for a loan to buy her own auto rickshaw instead of driving a rented one. She approached the Shanmugam branch of Syndicate Bank. Factoring in her past dedication and sincerity the bank sanctioned a PMMY loan of ₹1.29 lakh under Kishore category. With the help of this loan she purchased an auto rickshaw and today she does not have to share her earnings any more. She is able to generate more income with which she not only repays her loan with interest but is also able to lead a better life. Usha Babu is happy that her dream has come true.

CYCLE REPAIR ACCESSORIES IN NEVADA SAMOGAR (UP)

Lender : Punjab National Bank

Activity : Cycle repair and accessories

Category : *Shishu*

Loan : ₹35,000



Sukh Lal—a poor, illiterate, unemployed young boy from Nevada Samogar, Uttar Pradesh—had a deep desire to earn but couldn't get any job. He finally decided to use his air pump to earn some money to meet his daily expenses. Witnessing all his efforts and hard work, a good Samaritan from the neighbourhood advised him to apply for financial assistance under PMMY.

Sukh Lal approached the Chakbabura Branch of the Punjab National Bank, shared his desire with the branch officials and applied for a loan. He promptly received guidance and motivation from the officials to establish a cycle shop along with a financial assistance of ₹35,000 under Shishu category of Mudra loan. He rented a shop to run his enterprise, arranged some cycle spare parts and other required tools and started his cycle repair and maintenance service. PMMY thus helped Sukh Lal turn his fortunes from an unemployed youth to a budding entrepreneur with his own cycle repair and maintenance service.

TIFFIN SERVICE IN LUCKNOW

Lender : Margdarshak Financial Services Pvt. Ltd

Activity : Tiffin services

Category : *Shishu*

Loan : ₹15,000



With a husband, two sons and two daughters, Beena Yadav of Lucknow has a big family to support. Beena started supplying tiffins in 2005 when her husband had to shut his scooter repair shop due to ill health. Her enterprise faced acute financial challenge due to high interest rates on loans.

In 2008 this changed when Margdarshak Financial Services Pvt. Ltd (MFI) agreed to offer group assistance. Beena formed a group of 10 women. With minimum paper work involved in signing loan documents and mutual guarantee within the group, the group members got hassle free loans. Post financial assistance, the group expanded the tiffin service by increasing the number of clients to 40 per day, which helped increase their earnings to ₹20,000–₹25,000 per month. The group follows a monthly repayment mode which according to Beena is easy to achieve. Beena and her group are thankful to the MFI for helping them achieve economic prosperity without falling into a debt trap due to high interest rates.

Beena's daughters have graduated and while one is presently training in a computer course, the other is undergoing tailoring lessons to start her own boutique. The youngest son is studying in class six. Beena's enterprise helped shape her children's careers, providing the family with a dignified life.

Annual Report 2015-16

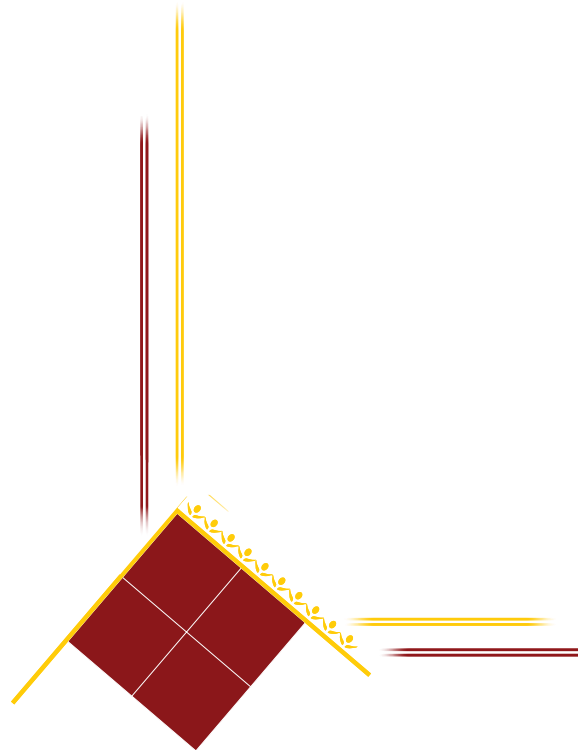
PMMY - STATEWISE PERFORMANCE
Financial Year: 2015-2016

(Amount ₹ in Crore)

Sr No	State	Shishu		Kishore		Tarun	
		No of A/Cs	Disbursal Amt	No of A/Cs	Disbursal Amt	No of A/Cs	Disbursal Amt
1	Andaman and Nicobar Islands	15,724	64.54	8,275	100.65	720	47.59
2	Andhra Pradesh	6,12,312	1,312.12	1,65,306	3,151.60	18,070	1,327.07
3	Arunachal Pradesh	3,194	8.18	977	27.44	454	36.00
4	Assam	3,90,320	759.22	32,121	614.57	4,831	354.67
5	Bihar	23,10,112	4,113.70	1,29,001	2,227.77	12,326	924.44
6	Chandigarh	18,082	32.41	3,238	74.89	1,285	97.22
7	Chhattisgarh	6,05,051	1,178.78	28,559	512.08	6,101	465.28
8	Dadra and Nagar Haveli	815	1.65	254	7.24	167	12.38
9	Daman and Diu	835	1.16	189	4.54	85	6.32
10	Delhi	3,41,933	692.90	36,077	1,002.95	16,378	1,162.12
11	Goa	36,247	89.83	7,441	155.73	1,783	130.48
12	Gujarat	9,75,320	2,171.87	85,245	1,851.50	25,842	1,886.65
13	Haryana	6,93,408	1,371.96	39,525	847.43	12,602	933.23
14	Himachal Pradesh	59,757	103.17	21,122	492.60	4,685	369.93
15	Jammu and Kashmir	19,057	62.32	34,388	738.18	4,529	351.65
16	Jharkhand	8,28,785	1,515.15	36,637	780.69	7,446	549.82
17	Karnataka	41,53,714	9,071.71	2,64,744	4,744.94	41,151	2,652.78
18	Kerala	7,07,492	1,414.08	1,07,975	2,194.29	14,944	1,119.01
19	Lakshadweep	551	1.04	170	3.06	19	1.25
20	Madhya Pradesh	24,06,310	4,610.76	84,343	1,653.63	20,538	1,504.90
21	Maharashtra	33,37,382	6,616.11	1,54,441	3,461.97	43,242	3,294.34
22	Manipur	20,943	35.41	2,679	58.66	399	25.96
23	Meghalaya	15,451	40.24	3,051	74.20	649	47.97
24	Mizoram	5,473	19.44	1,993	35.24	306	23.10
25	Nagaland	3,247	10.32	1,418	36.75	469	29.47
26	Odisha	22,81,495	3,753.86	51,401	977.75	10,365	704.65
27	Pondicherry	74,516	145.52	7,482	121.58	868	64.81
28	Punjab	5,94,025	1,231.47	43,347	994.68	16,601	1,258.34
29	Rajasthan	10,68,001	2,004.32	68,468	1,504.66	23,350	1,739.30
30	Sikkim	5,491	12.10	1,145	24.82	253	17.69
31	Tamil Nadu	45,06,237	8,231.68	2,34,824	4,282.07	40,506	2,983.11
32	Telangana	2,86,985	588.37	98,675	2,014.98	15,101	1,090.99
33	Tripura	59,298	136.83	7,967	141.05	881	59.38
34	Uttar Pradesh	31,49,078	5,849.68	1,60,502	3,325.18	35,802	2,706.07
35	Uttarakhand	3,26,802	688.99	27,554	632.07	5,651	424.02
36	West Bengal	24,87,603	4,086.80	1,18,927	2,201.84	22,018	1,451.77
	Total	3,24,01,046	62,027.69	20,69,461	41,073.28	4,10,417	29,853.76



Directors' Report 2015–16



Directors' Report

Dear Members,

Your directors take pleasure in presenting the first Annual Report on the business and operations of **Micro Units Development & Refinance Agency Ltd. (MUDRA)** for the financial year (FY) ended March 31, 2016. The Audited Financial Statements, Auditor's Report and the Report of the Comptroller & Auditor General of India on the Accounts are also attached.

MUDRA was announced by the Union Finance Minister, Shri Arun Jaitley, while presenting Union Budget for FY 2015–16. MUDRA was formed on March 18, 2015, as a wholly owned subsidiary of the Small Industries Development Bank of India (SIDBI), and is registered as a non-deposit taking non-banking financial institution (NBFI) with the Reserve Bank of India (RBI).

Launched by Hon'ble Prime Minister, Shri Narendra Modi on April 8, 2015, MUDRA has been set up as a refinancing agency for last-mile financial institutions such as banks, microfinance institutions (MFIs) and non-banking financial companies (NBFCs) that extend credit to micro enterprises, engaged in manufacturing, trading or services, whose credit requirements do not exceed ₹10 lakh.

MUDRA, aims at creating income and employment opportunities for a large number of micro entrepreneurs. As per the National Sample Survey Office (NSSO) 2013 Survey, there are around 5.77 crore micro units, engaging around 10 crore people. These micro units depend on high-cost funds accessed outside the formal credit system. Hence, MUDRA was formed to bridge this gap and facilitate **'funding the unfunded'**.

With this mission, MUDRA commenced operations in April 2016. As announced by the Finance Minister in the Budget, RBI set up a MUDRA refinance corpus of ₹20,000 crore, earmarked from the priority

sector lending shortfall of the banks. MUDRA has availed of ₹5000 crore out of the available corpus.

HIGHLIGHTS OF THE BUSINESS

Mudra Operations

The first year of MUDRA has been satisfactory in terms of refinance operations. MUDRA enrolled 160 Institutions—including 88 banks (27 public sector banks, 17 private sector banks, 31 regional rural banks (RRBs), and 13 state/urban cooperatives banks), 46 MFIs and 26 NBFCs—as ‘partners’ for refinancing against their lending to micro entrepreneurs. At the end of the year, ₹3,733.25 crore was sanctioned to 16 banks, and 25 NBFCs and MFIs, and ₹3,287.25 crore was disbursed to them.

New Business Initiative: Securitisation

The Board of Directors of MUDRA also approved a scheme for undertaking securitisation transactions by MUDRA, by way of investment in pass through certificates (PTCs) and extending second loss unfunded guarantee and partial guarantee for pooled bond issuances for the loan

portfolio of micro enterprises. A beginning has been made in this regard.

This was done to play a facilitating as well as a direct role in ensuring that NBFCs/MFIs providing microfinance/small business finance were able to access domestic capital markets. Accordingly, MUDRA has invested ₹49.95 crore in the senior PTCs, issued by Mjolnir IFMR Capital 2016, a special purpose vehicle (SPV) in a securitisation transaction of an NBFC–MFI, structured and arranged by IFMR Capital, which has also invested in the subordinate tranche of the transaction.

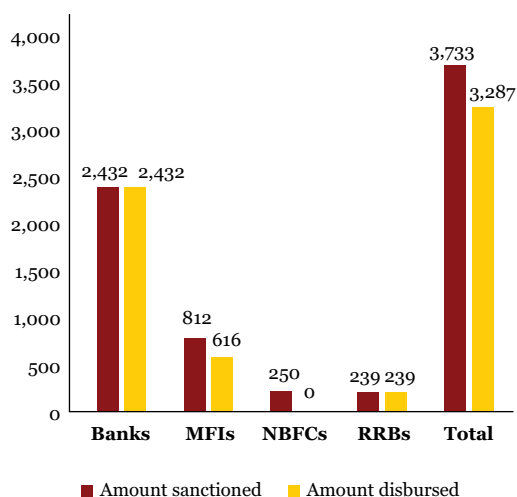
MUDRA Cards

In order to provide working capital facility as a cash credit arrangement, MUDRA introduced MUDRA Card, a Ru-Pay platform-based debit card. Details about the scheme, along with the design of the MUDRA Card—as approved by the Department of Financial Services, Ministry of Finance, Government of India and by the National Payment Corporation of India (NPCI)—was circulated to all banks. Banks can customise the MUDRA Card by adding their name and logo.

All public-sector banks and a few private sector banks and RRBs have adopted the MUDRA Card during the year.

More than 5.17 lakh MUDRA Cards have been issued for an amount of ₹1,476 crore, after launch of the Card, during the fiscal year 2015–16.

Figure DR1: Amounts sanctioned in disbursed in 2015–16 (₹ crore)



Pradhan Mantri Mudra Yojana

The Pradhan Mantri Mudra Yojana (PMMY) envisages providing MUDRA loans up to ₹10 lakh, by public/private sector banks, RRBs and MFIs to income-generating micro enterprises engaged in manufacturing, and in the trading and services sectors.

The overdraft amount of ₹5000 sanctioned under Pradhan Mantri Jan Dhan Yojana (PMJDY) has also been classified as a MUDRA loan under PMMY.

MUDRA has created three products/schemes:

- Shishu (or infant)
- Kishore (or youth)
- Tarun (or young adult)

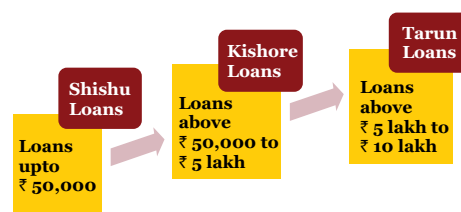
These names signify the stage of growth/development and funding needs of the micro unit/entrepreneur, funded under the scheme.

MUDRA has monitored the PMMY programme closely, by putting in place a portal dedicated to it and linked to the MUDRA website.

IMPACT MADE BY MUDRA YOJANA DURING 2015-16

The total sanctions and disbursements under PMMY by banks and MFIs, during FY 2015-16 stood at ₹1,37,449 crore and ₹1,32,954.73 crore respectively, thereby achieving 109 per cent of the target of ₹1,22,188 crore for disbursement.

Figure DR2



More than 3.48 crore micro borrowers benefitted through PMMY during the year.

A snapshot of various categories of beneficiaries is presented in Table 1.

It is evident that the MUDRA Yojana has fulfilled the aspirations of many micro

TABLE 1: CATEGORIES OF MUDRA LOANS AND BENEFICIARIES 2015-16

Category	No. of accounts	Amount disbursed (₹ crore)
Shishu	324.02	62,028
Kishore	20.69	41,073
Tarun	4.10	29,854
Total	348.81	1,32,955
<i>Out of the above</i>		
New entrepreneurs	124.75 (36%)	58,908
Women entrepreneurs	276.28 (79%)	63,190
Share of SC/ST/ OBC	184.00 (53%)	49,196.33

Figures in parenthesis indicate their share in the total)

entrepreneurs, who were otherwise outside the ambit of the formal banking system, and has addressed the problem of 'funding the unfunded' to a large extent.

FINANCIAL RESULTS

During the year, MUDRA has recorded a total income of ₹363.95 crore, as against a total expense of ₹257.98 crore, resulting in profit after tax (PAT) of ₹65.93 crore. The highlights of the financial results are presented in Table 2.

**TABLE 2: FINANCIAL RESULT HIGHLIGHTS
2015-2016**

<i>Particulars</i>	<i>2015-16 (₹ crore)</i>
Revenue from operations	50.10
Other income	313.85
(A) Total income	363.95
Employee benefit expenses	2.39
Finance costs	243.31
Depreciation expense	0.01
Provisions & write-off	9.73
Other expenses	2.54
(B) Total expenses	257.98
Profit before tax (A-B)	105.97
(C) Total tax expenses	40.04
Profit for the year	65.93
Dividend	2.29
Dividend tax	0.47
Amount transferred to general reserves	45.00
Amount transferred to statutory reserves	13.19
Surplus	4.99
Earnings per share (₹)	—
Basic	1.39
Diluted	1.39

Appropriations

Transfer to statutory reserves

MUDRA is registered as “Non Deposit taking Non-Banking Financial Institution” under the provisions of Section 45IA of the Reserve Bank of India Act, 1934. An amount of ₹13.19 crore i.e. 20% of the net profit has been transferred under statutory reserves as provided in Section 45IC of the Reserve Bank of India Act, 1934.

Transfer to general reserves

An amount of ₹45 crore has been transferred to general reserves, as proposed by the Board of Directors in accordance with requirement under Section 123 (1) of the Companies Act, 2013, and its subsequent amendments, issued or amended from time to time.

Dividend

Your directors have recommended a final dividend of ₹0.05 per equity share (at a face value of ₹10 each) on a pro-rata basis, for FY ending March 31, 2016. The proposal is subject to the approval of the shareholders at the ensuing First annual general meeting of MUDRA, scheduled to be held on September 30, 2016 at Mumbai. The dividend shall be paid to those members whose names appear in the Register of Members of MUDRA, as on March 31, 2016.

SHARE CAPITAL

Your company was formed with an initial paid up share capital of ₹5 lakh and authorised share capital of ₹5 crore. The authorised share capital of MUDRA was subsequently increased to ₹1000 crore, comprising 100 crore equity shares of ₹10 each as on March 31, 2016.

MUDRA's paid up equity share capital stands at ₹750 crore, as on March 31, 2016, comprising 75 crore equity shares of ₹10 each, fully subscribed by SIDBI.

CAPITAL ADEQUACY

MUDRA's capital adequacy ratio was 83.46 per cent as on March 31, 2016, which is significantly higher than the minimum threshold limit of 15 per cent, as prescribed by RBI for large size non-deposit taking systemically important non-banking financial companies (NDSI-NBFCs).

RBI has exempted capital charge on MUDRA's refinance exposure to scheduled commercial banks.

DEPOSITS

MUDRA has not accepted any deposit from the public during the year under review and shall not accept any deposits from the public without obtaining prior approval of RBI.

AWARDS & RECOGNITIONS

The Government of India's financial inclusion initiative marked by the launching of the PMMY and MUDRA (as a refinance institution) has been globally recognised.

MUDRA's holding company, SIDBI, won the 'Outstanding Development Project Award' for promoting financial inclusion through MUDRA. The award has been instituted by the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

Skoch Group presented PMMY an award for the impact it has created in the area of financial inclusion, in the country. The award was received by MUDRA's Chief Executive Officer,

Jiji Mammen, at a function held in Mumbai on June 9, 2016.

CHANGE OF REGISTERED OFFICE

Your company was formed with its registered office at New Delhi under the jurisdiction of Registrar of Companies (RoC), New Delhi and Haryana, with the corporate office at Mumbai. During the year, MUDRA's registered office was shifted to Mumbai, and located at its corporate office as of March 22, 2016, under the jurisdiction of RoC Mumbai, pursuant to the Order of Regional Director, New Delhi, dated March 7, 2016. Accordingly, the Corporate Identification No. (CIN) of MUDRA has been changed to U65100MH2015PLC274695 from U65100DL2015PLC278078.

Requirements of the Companies Act, 2013 were duly complied with and a public notice was published in a local newspaper before effecting such change of registered office.

A request has also been sent to RBI's regional office in New Delhi (under whose jurisdiction the registered office of MUDRA was initially situated), for the issuance of a fresh Certificate of Registration for NBFIs by the RBI's regional office in Mumbai.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

MUDRA was incorporated with three directors, elected from among the founding members. Later, the strength of the Board was increased to 10 members. As of March 31, 2016, the Board consists of three Independent directors, three directors from SIDBI (including Chairman SIDBI who is an ex-officio Chairman of MUDRA), a CEO, one director nominated

MUDRA: ACCOLADES



by the government, and two non-executive directors.

The details of the Board of Directors of MUDRA and changes in the directorship, during FY 2015-16 are given at Annexe I.

Chairman

Chairman SIDBI is the ex-officio Chairman of MUDRA, in terms of Article 68A(i) of Articles of Association of MUDRA.

Dr Kshatrapati Shivaji, IAS, Chairman & Managing Director SIDBI, appointed as Additional Director on the Board of MUDRA pursuant to Article 68A(ii) of Articles of Association of MUDRA with effect from March 25, 2015, is the Chairman of the Board of MUDRA.

First Director

Shri Ajay Kumar Kapur, Deputy Managing Director (DMD), SIDBI, is one of the founder directors of MUDRA, and continues to serve as a director of the Board as on March 31, 2016, retiring in ensuing annual general meeting of MUDRA, being eligible, offers himself for re-appointment..

Government Nominee

Shri Pankaj Jain, IAS, Joint Secretary, Department of Financial Services, Ministry of Finance, Government of India, was initially appointed as an additional director on the Board of MUDRA, with effect from January 28, 2016. Subsequently, after amendment of Articles of Association of MUDRA, he was designated as Government Nominee Director, pursuant to Article 68A (III) of Articles of Association of MUDRA.

Independent Directors

The following persons have been appointed as independent directors of the Board of MUDRA, with approval of the shareholders:

1. Dr Nachiket Madhusudan Mor, an eminent banker
2. Shri Pillarisetti Satish, Executive Director, SA-DHAN
3. Ms. Ratna Vishwanathan, CEO MFIN

Additional Directors

The Board has also appointed following persons as additional directors on the Board:

1. Shri Jiji Mammen
2. Shri Pradeep Achyut Malgaonkar
3. Ms Jyotsana Sitling, IFS
4. Shri Navin Kumar Maini

Women Directors

In terms of provisions of section 149 of the Companies act, 2013, a company shall have at least one woman director on the Board of the company. Your company has two women directors: Ms Jyotsana Sitling, IFS (Additional Director) and Ms. Ratna Vishwanathan (Independent Director) on the Board of the Company.

Key Managerial Personnel

Shri Jiji Mammen, Chief General Manager, NABARD, on deputation, has been appointed as Chief Executive Officer/Key Managerial Personnel (KMP) of MUDRA, for a period of three years from the date of his posting to MUDRA i.e., April 13, 2015.

Further, Shri Surendra Srivastava, General Manager SIDBI, on deputation to MUDRA, has

been appointed as Chief Financial Officer (CFO) during FY 2016-17 and has been designated as KMP of MUDRA with effect from May 12, 2016.

Ms. Shalini Baghel, was appointed as Company Secretary/KMP of MUDRA with effect from October 26, 2015.

Directors Liable to Retire by Rotation

In accordance with Section 152 and other applicable provisions of the Companies Act, 2013, Shri Ajay Kumar Kapur (DIN 00108420), being Non-Executive Director, longest in the office, and Shri Pankaj Jain, IAS, Nominee Director of the Board (DIN 00675922) will retire by rotation and being eligible offer themselves for reappointment at the ensuing annual general meeting. The Board recommends their re-appointment.

MEETINGS OF THE BOARD OF DIRECTORS

During the first FY, ended March 31, 2016, the Board of MUDRA has met 11 times on various dates, as per Section 173 of Companies Act, 2013. The details of the Board Meetings held during the year are given in Annexure I.

The provisions of Companies Act, 2013, rules made thereunder and the Secretarial Standards were adhered to while considering the time gap of the meetings and holding the meetings according to the prescribed procedures.

COMMITTEES OF THE BOARD

Your company has formed the following sub-committees of the Board, in compliance with the applicable provisions of the Companies Act, 2013 and RBI regulations.

Audit Committee

According to section 177 of the Companies Act, 2013 and RBI directions, MUDRA's Audit Committee has been constituted with five directors, the majority of them being independent directors. Details of the composition of the Audit Committee is enclosed in Annexure I.

During its first year of operations the Audit Committee met once, in accordance with the Companies Act, 2013 and Audit Charter has been duly approved and adopted by Board of MUDRA.

Nomination and Remuneration Committee

Your Board has constituted a Nomination and Remuneration Committee (NRC) as per section 178(1) of the Companies Act, 2013 and RBI Directions, applicable to NBFCs. The NRC comprises four non-executive directors, including two Independent directors.

The composition of the NRC is detailed in Annexure I.

The NRC met nine times in the year under review.

Corporate Social Responsibility Committee

According to the audited financial position of MUDRA, the net worth, turnover and paid up share capital of your company has crossed the threshold limit that requires the constitution of a Corporate Social Responsibility (CSR) Committee as laid down in section 135(1) of the Companies Act, 2013, during its first FY ended on March 31, 2016.

However, your company does not fall within the CSR norms during first three FYs, as per Para 61(g) of ICAI's statement on Companies (Auditor's Report) Order, 2016.

Hence, the disclosures as per Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 are not required to be made and no expense has been made on CSR activities during first year of business.

However, a CSR committee has been formed by the Board of MUDRA with three members, including one independent director, to comply with Section 135(1) of the Companies Act, 2013, details of which are enclosed as Annexe I. No meeting of the CSR committee was held during first year.

BOARD EVALUATION POLICY

Section 134 subsection 3(p) read with Sub-rule (4) of Rule 8 of the Companies (Accounts) Rules, 2014, does not apply on your company since FY ending March 31, 2016 was its first year in operation.

The criterion of computation of paid up share capital limit for the applicability under Section 134 is considered at the end of the preceding financial year. However, a Board Evaluation Policy has been put in place for implementation from FY 2016-17.

REMUNERATION POLICY

Remuneration to Executive Directors

MUDRA has one full time executive director, who is on deputation from NABARD. The remuneration to executive director is paid by its parent organisation and reimbursed by MUDRA to NABARD.

Remuneration to Non-Executive Directors

The non-executive directors and independent directors (other than nominee directors and

directors from Government of India) are paid remuneration by way of sitting fees for each meeting of the Board and Committee of Directors attended by them.

INDEPENDENT DIRECTORS AND DECLARATION

The Board of Directors of MUDRA has received declaration from all the independent directors as per the Section 149(7) of the Companies Act, 2013 and the Board is satisfied that all the independent directors duly appointed by the company meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013.

PARTICULARS OF EMPLOYEES

MUDRA has not employed any individual whose remuneration falls within the purview of the limits prescribed under the provisions of Section 197 of the Companies Act, 2013, read with Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

RELATED-PARTY TRANSACTIONS

Related-party transactions as disclosed in Note 24 of the audited financial statements, entered into during FY ending on March 31, 2016, were conducted on an arm's-length basis and in the ordinary course of business. The approval of the Board of Directors was obtained wherever required.

Further, there are no materially significant related-party transactions made by MUDRA with related parties. Accordingly, the particulars of the transactions as prescribed in Form AOC-2

of the rules prescribed under Chapter IX relating to Accounts of Companies under the Companies Act, 2013 are not required to be disclosed as they are not applicable.

CONSERVATION OF ENERGY; FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars required under Section 134(m) of the Companies Act, 2013 in respect of conservation of energy do not apply to MUDRA and hence are not included in this report, considering the nature of activities undertaken by MUDRA during the year under review.

MUDRA only consumes electricity in course of operational and administrative activities.

There had been no earnings and outgo of foreign exchange, during the year.

TECHNOLOGY ABSORPTION

MUDRA has put in place a portal for collecting and collating data from all banks/MFIs pertaining to loans being given by them under PMMY.

The state-wise data collection module was put in place during the year under review.

The portal is being used by the Government of India for strategising, follow-up and monitoring the performance under the PMMY scheme. The portal is being upgraded with a module to upload the entire data with district-wise aggregation.

Further, MUDRA has launched its mobile applications in both android and IOS platform and also launched MUDRA ONLINE, a dedicated channel on YouTube.

In addition, as part of SIDBI's Udhya Mitra portal, a facility has been made available to prospective borrowers for applying online to

access credit from banks for MUDRA loans. The portal provides a vast market place for all loan seekers and banks. Handholding facility has also been extended for help/support to the applicant for building capacity and other support services.

For Administration and Human Resources (HR), MUDRA has adopted SIDBI's applications such as HRMS, CITRIX etc.

MUDRA is also initiating a process of appointment of an IT Consultant for proposing its IT strategy.

INTERNAL AUDITORS AND FINANCIAL CONTROL

In terms of requirement under Section 139 of the Companies Act, 2013, M/s. Batliboi & Purohit, Chartered Accountants, had been appointed as internal auditors of MUDRA for FY 2015-16.

The internal auditors submitted monthly internal audits reports, which have been duly taken into account, corrective action carried out and reported to the Audit Committee.

Being the first year of incorporation, MUDRA has adopted the most of the standard operating procedures (SOPs), as being followed by SIDBI. Such internal financial controls are adequate and were operating effectively. However, a separate IFC Manual compiling own policies and procedures of MUDRA for ensuring the orderly and efficient conduct of its business is proposed to put in place.

STATUTORY AUDITORS

Your company is owned or controlled by SIDBI, which is a Government of India institution. Accordingly, as per Section 139(5) of the Companies Act, 2013, P.C. Ghadiali & Co. (ICAI Firm Registration No. 103132W/W-100037),

were appointed by the Comptroller and Auditor General (CAG) of India as the first statutory auditors of MUDRA, to conduct the audit of the FY 2015-16.

The Notes on Financial Statements referred to in the Auditor's Report are self-explanatory and do not call for any further comments. The Auditor's Report does not contain any qualification, reservation or adverse remark. However, there had been an inadvertent delayed payment of service tax under reverse charge mechanism, which was paid on the advice of the tax consultant, (duly appointed by your company).

Further, there had been no instance of fraud committed against the company by any officer or employee of the company, which were required to be reported to the central government by the auditors.

SECRETARIAL AUDITORS AND THEIR REPORT

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rules made thereunder, the company had appointed Deependra Omprakash Shukla, Company Secretaries to undertake the secretarial audit of the company for FY 2015-16. The secretarial audit report issued by the secretarial auditors of MUDRA for FY ending March 31, 2016, (enclosed as Annexure II), does not contain any qualifications or adverse remarks, which require any clarification/explanation.

SUPPLEMENTARY AUDIT BY CAG

Supplementary audit of MUDRA has been entrusted to Indian Audit and Accounts Department (IAAD), Office of the Principal Director of Commercial Audit, at Mumbai. The

information sought by IAAD along with audited financial statements of MUDRA for FY ending March 31, 2016 was duly furnished to their office.

CAG audit team conducted the audit of MUDRA's operations during the period from July 20, 2016 to August 01, 2016. Based on the Audit, the Office of the Principal Director of Commercial Audit & Ex-Officio Member of the Audit Board-I, Mumbai vide letter dated August 12, 2016 has issued Audit Certificate with *NIL* observation. Copy of the letter is enclosed with the Audited Financial Statements.

VIGIL MECHANISM

In view of compliance with Section 177(9) & (10) of the Companies Act, 2013, read with Rule 7 of Companies (Meetings of Board and its Powers) Rules 2014, MUDRA has set up a vigilance cell within MUDRA and follows the Central Vigilance Committee (CVC) Guidelines under the overall supervision of a Central Vigilance Officer (CVO), SIDBI, being a wholly-owned subsidiary of SIDBI.

Monthly reporting on vigilance to CVO, SIDBI has been initiated from March 2016 onwards.

RISK-MANAGEMENT POLICY

Your Board has formed a Management-Level Risk Management Committee, consisting of four members, two each from MUDRA and SIDBI, in compliance of RBI Circular on Corporate Governance applicable for all Deposit taking NBFCs with deposit size of ₹20 crore and above, and all non-deposit taking NBFCs with asset size of ₹100 crore (now ₹500 crore), to enable it to adopt the best corporate practices and greater transparency in operations.

The committee has been assigned the responsibility to develop the risk-management framework/policy for MUDRA and monitor the high-level risk exposure limits, fixed or to be fixed by the Board. In addition, your company also has Asset & Liability Management Committee (ALCO), to monitor and manage the liquidity gaps in the company.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

Pursuant to Section 186(11) (a) of the Companies Act, 2013 read with Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014, the loan made, guarantee given, or security provided in the ordinary course of business by an NBFC registered with RBI is exempt from the applicability of provisions of Section 186 of the Act.

As such the particulars of refinance provided by MUDRA have not been disclosed in this report.

The details of MUDRA's current and non-current investments are furnished under Note 10 forming part of the financial statements for the year ended March 31, 2016.

SIGNIFICANT AND MATERIAL ORDERS PASSED BY REGULATORS, COURTS, OR TRIBUNALS

There are no significant and material orders passed by the regulators, courts, or tribunals impacting the going-concern status and the Company's operations in future.

RBI GUIDELINES

As a Systemically Important Non-Deposit taking Non-Banking Finance Institution (NDSI), your Company always aims to operate in compliance with applicable RBI laws and regulations and employs its best efforts towards achieving the same.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the company occurred after signing of the financial statements to the date of this report. However, Department of Non-Banking Supervision, Regional office of RBI, Mumbai has issued new NBFI license to MUDRA bearing registration no. N-13,02124 dated July 28, 2016, in lieu of its earlier registration certificate no. N-14.03313 dated April 6, 2015, on shifting of registered office of MUDRA from New Delhi to Mumbai.

EXTRACT OF THE ANNUAL RETURN

The extracts of Annual Return pursuant to the provisions of Section 92 read with Rule 12 of the Companies (Management and Administration) Rules, 2014 is enclosed in Annexe III to this Report.

RIGHT TO INFORMATION ACT, 2005

During the year under review, MUDRA has received 120 Right to Information (RTI) applications through SIDBI, under the RTI Act, 2005, inquiring about PMMY Yojana and MUDRA schemes. All the applications were disposed of by MUDRA within the prescribed timeframe.

DIRECTORS RESPONSIBILITY STATEMENTS:

Pursuant to the provisions of Section 134(3) (c) of the Companies Act, 2013, the directors confirm that, to the best of their knowledge and belief that:

- a) applicable accounting standards had been followed in the preparation of the annual accounts, along with proper explanation relating to material departures;
- b) the directors selected such accounting policies, applied them consistently, and made such reasonable and prudent judgments and estimates, so as to give a true and fair view of the state of affairs of the company at the end of FY 2015-16 and of the profit and loss of the company for that period;
- c) the directors took proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- d) the directors prepared the annual accounts on a going-concern basis;

- e) the directors laid down internal financial controls to be followed by the company, and these internal financial controls were adequate and operating effectively; and,
- f) the directors devised proper systems to ensure compliance with the provisions of all applicable laws, and that these systems were adequate and operating effectively.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its sincere appreciation for the excellent patronage received from all its stakeholders especially Department of Financial Services, Ministry of Finance, Government of India; RBI; and SIDBI, and thanks them for their continued support.

We are also deeply grateful for the continued confidence and faith reposed on us by the shareholders. The Board also acknowledges the zeal, commitment and dedication of the executives and employees of the company at all levels.

Your Board is also thankful to the auditors of the company and CAG India for their advice and guidance.

For and on behalf of Board of
Micro Units Development & Refinance Agency Ltd.

Chairman

Date: August 24, 2016

Place: Mumbai



Annexes to the Directors' Report

ANNEXE I

BOARD OF DIRECTORS AS ON MARCH 31, 2016

<i>S. Nos</i>	<i>Name (Smt./Shri/Ms.)</i>		<i>Date of appointment</i>
1.	Dr Kshtrapati Shivaji, IAS	Chairman and Additional Director	March 25, 2015
First Director			
2	Ajay Kumar Kapur	Director	Since incorporation i.e. March 18, 2015
Government Director			
3	Pankaj Jain, IAS	Joint Secretary, DFS	January 28, 2016
Other Additional Directors			
4.	Jiji Mammen	CEO, MUDRA	April 13, 2015
5.	Pradeep Achyut Malgaonkar	CEO, NCGTC	May 18, 2015
6.	Jyotsna Sitling, IFS	Joint Secretary, MSME	June 20, 2015
7.	Navin Kumar Maini	Ex- DMD SIDBI	August 01, 2015
Independent Directors			
8.	Dr Nachiket Madhusudan Mor		August 01, 2015
9.	Ratna Viswanathan	CEO, MFIN	November 10, 2015
10.	Pillariseti Satish	Executive Director, Sa-Dhan	November 10, 2015

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CESSATION DURING THE YEAR 2015-16

S. No.	Name	Designation	Date of appointment	Date of cessation
1.	Shri Rajiv Kumar	First Director	March 18, 2015	May 05, 2015
2.	Shri Prakash Kumar	First Director	March 18, 2015	May 05, 2015
3.	Shri Alok Tandon, IAS, JS, DFS	Additional Director	May 18, 2015	January 28, 2016

The Board places on record its appreciation for the outgoing Directors for their guidance and contribution to the Board.

BOARD MEETINGS HELD DURING THE YEAR

S. No.	Date of meeting	Board strength	No. of directors present	S. No.	Date of meeting	Board strength	No. of directors present
1	March 20, 2015	3	3	07	May 18, 2015	5	4
2	March 25, 2015	4	4	08	June 30, 2015	6	5
3	April 4, 2015	4	4	09	August 01, 2015	8	7
4	April 6, 2015	4	4	10	October 16, 2015	8	7
5	April 7, 2015	4	4	11	January 28, 2016	10	9
6	May 5, 2015	4	4				

BOARD COMMITTEES OF MUDRA

AUDIT COMMITTEE		
Name	Position	Date of appointment
Shri Pillarisetti Satish	Chairman	December 01, 2015
Shri Ajay Kumar Kapur	Member	December 01, 2015
Dr Nachiket Madhusudan Mor	Member	December 01, 2015
Shri Pradeep Achyut Malgaonkar	Member	December 01, 2015
Ms. Ratna Vishwanathan	Member	December 01, 2015

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE		
Name	Position	Date of appointment
Shri N.K. Maini	Member	January 28, 2016
Shri Pillarisetti Satish	Member	January 28, 2016
Shri Jiji Mammen	Member	January 28, 2016

NOMINATION & REMUNERATION COMMITTEE		
Name	Position	Date of appointment
Shri Ajay Kumar Kapur	Chairman	April 07, 2015
Shri Pradeep Achyut Malgaonkar	Member	December 01, 2015
Shri Pillarisetti Satish	Member	December 01, 2015
Ms. Ratna Vishwanathan	Member	December 01, 2015

ANNEXE II



DEEPENDRA OMPRAKASH SHUKLA

Company Secretaries

Office No. B-4, The Parle Co-Op. Hsg. Soc. Ltd., Sahakar Road,
Off-Sahar Road, Vile-Parle East, Mumbai: 400 057.

Tele: 022-2683 4250 / 2266

Mobile No. 93222 69170

Email ID: deepsoffice@gmail.com

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

[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

Micro Units Development & Refinance Agency Ltd [MUDRA Ltd.]

MSME Development Centre, C-11, G Block,

Bandra Kurla Complex, Bandra (East),

Mumbai: 400 051. [w.e.f. 07/03/2016]

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **MUDRA Limited** (hereinafter called the Company). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conduct/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, agents and authorised 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 March 31, 2016 ('Audit

Period') complied with the statutory provisions listed hereunder, subject to specified observation mentioned below, however, 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, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2016 according to the provisions of:

- i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder; (Not Applicable to the Company)

- iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (Not Applicable to the Company)
- iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings; (Not Applicable to the Company)
- v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
- The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. (Not applicable to the Company);
 - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992. (Not applicable to the Company);
 - The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009. (Not applicable to the Company);
 - The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. (Not applicable to the Company);
 - The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008. (Not applicable to the Company);
 - The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; (Not applicable to the Company)
- g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;(Not applicable to the Company); and
- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;(Not applicable to the Company).
- vi) Other laws applicable specifically to the Company, namely:
- *Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 read with Master Circular as issued by RBI with respect to Returns to be submitted by NBFCs, as may be applicable.
- I have also examined compliance with the applicable clauses of the following:
- Secretarial Standards issued by The Institute of Company Secretaries of India.
 - The Listing Agreements entered into by the Company with the Stock Exchanges. (Not applicable to the Company).
- During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.
- I further report that:
- The Board of Directors of the Company is duly constituted with proper balance
- * (Superseded the erstwhile Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 vide notification No.DNBR.009/ CGM (CDS)-2015 dated March 27, 2015.)

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

- Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- Majority decision is carried through while

the dissenting members' views are captured and recorded as part of the minutes.

- 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.
 - ◇ I further report that during the audit period there were no specific events/actions having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, guidelines and standards.

For: DEEPENDRA OMPRAKASH SHUKLA
COMPANY SECRETARIES

{PROPRIETOR}

FCS: 5652

CP NO.5364

Place: Mumbai

Date: May 09, 2016

ANNEXE TO SECRETARIAL AUDIT REPORT

To

The Members

Micro Units Development & Refinance Agency Ltd [MUDRA Ltd.]

I further state that my said report of the even date has to be read along with this letter.

1. Maintenance of secretarial/statutory records is the responsibility of the management of the company. My responsibility is to express an opinion on these records based on the 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.
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 happenings of events etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards, is the responsibility of management. My examination is limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

For: DEEPENDRA OMPRAKASH SHUKLA
COMPANY SECRETARIES

{PROPRIETOR}

FCS: 5652

CP NO.5364

Place: Mumbai

Date: May 09, 2016

ANNEXE III

FORM NO. MGT 9 EXTRACT OF ANNUAL RETURN As on period ended on 31 March 2016

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

I. REGISTRATION & OTHER DETAILS

1	CIN	U65100MH2015PLC274695
2	Registration Date	18 March 2015
3	Name of the Company	Micro Units Development & Refinance Agency Limited
4	Category/Sub-category of the Company	Public Limited by Shares / Indian Non-Government Company
5	Address of the Registered Office & contact details	MSME Development Center, 1st Floor, C-11, G-Block Bandra Kurla Complex, Bandra (E), Mumbai – 400051
6	Whether listed company	No.
	Name, Address & contact details of the Registrar & Transfer Agent, if any.	N.A.

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 per cent or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products/ services	NIC Code of the Product/service	% to total turnover of the Company
1	Lending & Refinancing to Banks/NBFC-MFIs	6499	21.60

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and Address of the Company	CIN/GLN	% of shares held	Applicable Section
1	*Small Industries Development Bank of India Videocon Tower, 12th Floor, E-1, Rani Jhansi Road, Jhandewalan Extension, New Delhi 110055	N.A	100%	–

* SIDBI, a Development Financial Institution, incorporated under the Act of Small Industries Development Bank of India Act, 1989.

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of shareholders	No. of shares held at the beginning of the year [As on 18 March 2015]		No. of shares held at the end of the year [As on 31 March 2016]			% Change during the year		
	Demat	Physical	Total	% of Total Shares	Demat		Physical	Total
A. Promoters								
(1) Indian								
a) Individual/ HUF	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0
c) State Govt.(s)	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0
e) Banks/FIs	0	49,994	49,994	99.99	0	74,99,99,994	74,99,99,994	100.00
f) Any other	0	0	0	0	0	0	0	0
2) Foreign Holdings								
a) Individual	0	0	0	0	0	0	0	0
b) Body corporate	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)	0	49,994	49,994	99.99	0	74,99,99,994	74,99,99,994	100.00
B. Public Shareholding								
1. Institutions								
a) Mutual Funds	0	0	0	0	0	0	0	0
b) Banks/FIs	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0
d) State Govt.(s)	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0
f) Insurance companies	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0

Category of shareholders	No. of shares held at the beginning of the year [As on 18 March 2015]				No. of shares held at the end of the year [As on 31 March 2016]				% Change during the year	
	Demat		% of Total Shares		Physical		% of Total Shares			
	Physical	Total	Physical	Total	Physical	Total	Physical	Total		
Sub-total (B) (1):	0	0	0	0	0	0	0	0	0	0
2. Non-Institutions										
a) Bodies Corporate										
i) Indian	0	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0	0
b) Individuals	0	6	6	0.01	0	6	6	0.00	0	0
i) Individual shareholders holding nominal share capital up to ₹1 lakh	0	0	0	0	0	0	0	0	0	0
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	0	0	0	0	0	0	0	0	0	0
c) Others (specify)	0	0	0	0	0	0	0	0	0	0
Non-resident Indians	0	0	0	0	0	0	0	0	0	0
Overseas corporate bodies	0	0	0	0	0	0	0	0	0	0
Foreign nationals	0	0	0	0	0	0	0	0	0	0
Clearing members	0	0	0	0	0	0	0	0	0	0
Trusts	0	0	0	0	0	0	0	0	0	0
Foreign bodies - D R	0	0	0	0	0	0	0	0	0	0
Sub-total (B) (2):	0	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+ (B)(2)	0	0	0	0	0	0	0	0	0	0
C. Shares held by custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0	0
Grand total (A+B+C)	0	50,000	50,000	100	0	75,00,00,000	75,00,00,000	100	0	0

ii) Shareholding of Promoter

S. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of shares	% of total shares of the company	% of shares pledged/encumbered to total shares	No. of shares	% of total Shares of the company	% of shares pledged/encumbered to total shares	
1	Small Industries Development Bank of India	49,994	99.99	0	74,99,99,994	100.00%	0	0.01
Total		49,994	99.99	0	74,99,99,994	100	0	0.01

iii) Change in Promoters' Shareholding

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1	Small Industries Development Bank of India				
	At the beginning of the year	49,994	99.99		
	Increase (Right Issue on 04/04/2015)	49,50,000	99	49,99,994	99.99
	Increase (Private Placement on 07/04/2015)	24,50,00,000	98	24,99,99,994	100
	Increase (Private Placement on 16/10/2015)	50,00,00,000	66.67	74,99,99,994	100
	At the end of the year	74,99,99,994	100		

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

Sl. No.		Shareholding at the beginning of the year		Date	Increase/ decrease in shareholding	Reason	Cumulative shareholding during the year & at the end of the year	
		No. of shares	% of total shares of the company				No. of shares	% of total shares of the company
1	Shri Prakash Kumar	1	0	March 18, 2015	-1	Transfer of Share	0	0
2	Shri Rajiv Kumar	1	0	March 18, 2015	-1		0	0
3	Shri Praveen Kumar Agarwal	1	0	March 18, 2015	-1		0	0
4	Shri Anand Prakash Shrivastava	1	0	March 18, 2015	-1		0	0
5	Shri Manoj Mittal	1	0	March 18, 2015	-1		0	0
6	Shri Kailash Chander Bhanoo	0	0	March 18, 2015	1	Purchase via transfer	1	0
7	Shri Rabindra Kumar Das	0	0	August 01, 2015	1		1	0
8	Shri Debashish Ghosh	0	0	August 01, 2015	1		1	0
9	Shri Roop Kumar Sharma	0	0	August 01, 2015	1		1	0
10	Shri Mukesh Kumar Pandey	0	0	August 01, 2015	1		1	0

v) Shareholding of Directors and Key Managerial Personnel

S. No.	Shareholding of each Director and Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Shri Ajay Kumar Kapur	1	0.00	1	0.00

V. INDEBTEDNESS: OF THE COMPANY INCLUDING INTEREST OUTSTANDING/ACCRUED BUT NOT DUE FOR PAYMENT.

	<i>Secured loans excluding deposits</i>	<i>Unsecured loans</i>	<i>Deposits</i>	<i>Total indebtedness</i>
Indebtedness at the beginning of the financial year				
i) Principal amount	–	–		
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	–	–
Total (i+ii+iii)	–	–	–	–
Change in indebtedness during the financial year				
* Addition	–	–	₹50,00,00,00,000	₹50,00,00,00,000
Reduction	–	–	–	–
Net change	–	–	₹50,00,00,00,000	₹50,00,00,00,000
Indebtedness at the end of the financial year				
i) Principal amount	–	–	₹50,00,00,00,000	₹50,00,00,00,000
ii) Interest due but not paid	–	–	–	–
iii) Interest accrued but not due	–	–	₹15,084,785	₹15,084,785
Total (i+ii+iii)	–	–	₹50,01,50,84,785	₹50,01,50,84,785

* Deposits under priority sector shortfall from Banks.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

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

<i>S. No.</i>	<i>Particulars of remuneration</i>	<i>Name of MD/WTD (CEO)/Manager</i>	<i>Total amount</i>
1	Gross salary	*Shri Jiji Mammen (CEO)	
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	₹21,40,965.00	₹21,40,965.00
	(b) Value of perquisites under Section 17(2) Income Tax Act, 1961	₹5,32,067.00	₹5,32,067.00
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	–	–
2	Stock option	–	–
3	Sweat equity	–	–

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S. No.	Particulars of remuneration	Name of MD/WTD (CEO)/Manager	Total amount
4	Commission - as % of profit - others, specify...	-	-
5	Others, please specify	-	-
	Total (A)	₹26,73,032.00	₹26,73,032.00
	Ceiling as per the Act		

*CEO is on deputation from NABARD to MUDRA.

B. Remuneration to other directors

S. No.	Particulars of remuneration	Name of Directors			Total amount
1	Independent Directors	Shri Nachiket Mor	Ms. Ratna Vishwanathan	Shri Pillarisetti Satish	
	Fee for attending Board/ Committee meetings	₹40,000	₹60,000	₹40,000	₹1,40,000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	₹40,000	₹60,000	₹40,000	₹1,40,000
2	Other Non-Executive Directors	Shri Navin Kumar Maini			
	Fee for attending board committee meetings	₹ 60,000			₹60,000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (2)				₹60,000
	Total (B) = (1+2)				
	Total Managerial Remuneration	₹1,00,000	₹60,000	₹40,000	₹2,00,000
	Overall Ceiling as per the Act	Lower than 3% of the net profit of the Company calculated as per Section 198 of Companies Act, 2013			

C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD

S. No.	Particulars of remuneration	Key Managerial Personnel	
		Company Secretary	Total
1	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	₹3,46,238	₹3,46,238
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		
	(c) Profits in lieu of salary under Section 17(3) Income Tax Act, 1961	-	-

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S. No.	Particulars of remuneration	Key Managerial Personnel	
		Company Secretary	Total
2	Stock option	-	-
3	Sweat equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others, specify...	-	-
5	Others, please specify	-	-
	Total	₹3,46,238	₹3,46,238

Note: - The details of CEO's remuneration are given under item No. VI. A above.

VII. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

Type	Section of the Companies Act	Brief description	Details of penalty / punishment/ compounding fees imposed	Authority [RD/NCLT/ Court]	Appeal made, if any (give details)
A. Company					
Penalty					
Punishment					
Compounding					
B. Directors					
			NIL		
Penalty					
Punishment					
Compounding					
C. Other officers in default					
Penalty					
Punishment					
Compounding					

FOR & ON BEHALF OF THE BOARD OF DIRECTORS
Micro Units Development & Refinance Agency Limited

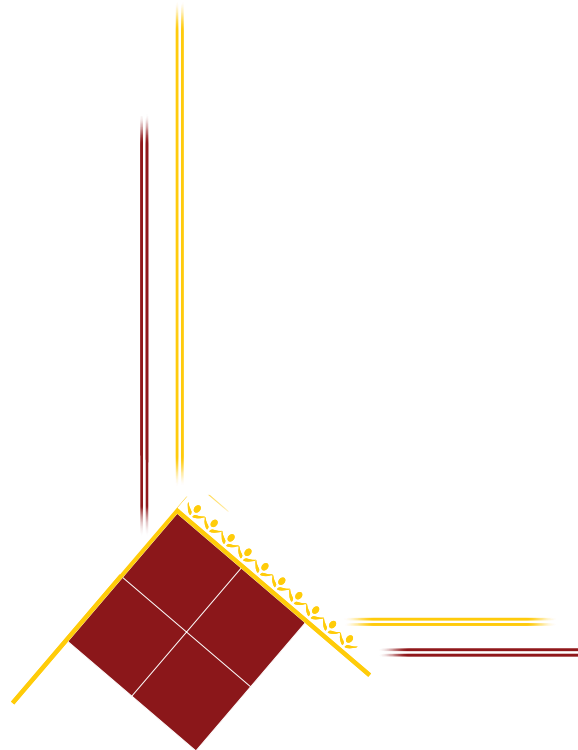
Chairman

Place: Mumbai

Date: August 24, 2016



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Balance Sheet and Statement of Accounts

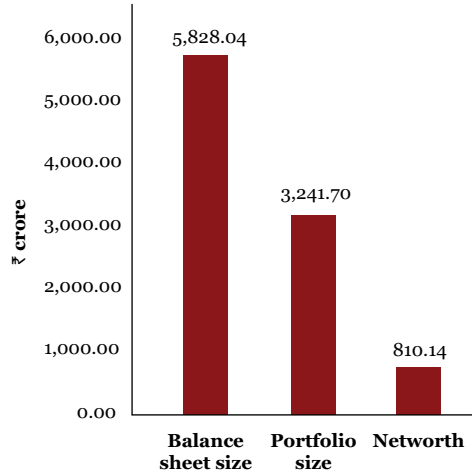
The Audited Balance Sheet along with the Profit and Loss Account, and Cash-flow Statement for the first completed financial year for the period March 18, 2015 to March 31, 2016 are given in Appendix I. Since, FY 2016 was the first full year of operations, no corresponding figures for FY 2015 are available for comparison.

The total income of MUDRA during the year stood at ₹363.95 crore, and the total expenditure during the same period stood at ₹257.98 crore. Profit before tax for the year was ₹105.97 crore. Net profit after tax and deferred tax adjustments was ₹65.93 crore. Further, a sum of to ₹13.18 crore has been transferred to Statutory Reserves @ 20% of the net profit, in accordance with section 45-IC of Reserve Bank of India (RBI) Act 1934.

Of the total distributable profit of ₹52.74 crore for the FY 2015-16, MUDRA has declared a dividend @ ₹0.05 per share on pro rata basis on the equity capital of ₹750 crore, subscribed and paid up from time to time during the period from March 18, 2015 to March 31, 2016, which works out to ₹2.76 crore inclusive of dividend distribution tax, surcharge and cess payable thereon. Surplus of ₹45 crore was transferred to General Reserve and ₹4.99 crore was retained in the Profit and Loss Account.

Thus the net worth of MUDRA,—including ₹750 crore subscribed as paid-up capital by SIDBI,—was at ₹813.18 crore, as on March 31, 2016. The capital to risk weighted assets ratio (CRAR) as on March 31, 2016 was 83.46 per cent, primarily on account of assigning zero risk weight to refinance exposures to Scheduled Commercial Banks, as approved by RBI.

Figure BS1: FY 2016



The reports of the Auditors and the audited statements are given in this document.

INDEPENDENT AUDITORS' REPORT

To the Members of Micro Units Development & Refinance Agency (Mudra) Limited

Report on Financial Statements

We have audited the accompanying financial statements of **Micro Units Development & Refinance Agency Limited**, Registered and Corporate Office: MSME Development Centre, C-11 G Block, Bandra Kurla Complex, Bandra East, Mumbai, Maharashtra 400051 ('the Company'), which comprises the Balance Sheet as on March 31, 2016, the Statement of Profit and Loss, the Cash-flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the



Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company, in accordance with the Accounting principles generally accepted in India, including the Accounting Standards notified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the

Act, the accounting and auditing standards and matters which are required to be included in the Audit Report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk-assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting, and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Opinion

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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) and of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and the Cash-flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

- e) *In respect of Internal Financial Controls (IFC), we are informed that most of the steps involved in Standard Operating Procedure (SOP) followed by the Small Industries Development Bank of India (SIDBI) are being followed by the Company. Being the first year of the Company, the same is subject to our testing in respect of its effectiveness.*
- f) On the basis of written representations received from the Directors as on March 31, 2016, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2016, from being appointed as a Director in terms Section 164(2) of the Act.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- the Company does not have any pending litigations which would impact its financial position;
 - the Company did not have any long-term contracts, including

derivative contracts for which there were any material foreseeable losses; and,

- there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
3. As required by the revised directions under Section 143(5) and of the Act, we report that:
- The Company does not own any freehold or leasehold land and hence the revised direction regarding the availability of clear title/lease deeds, is not applicable.
 - There are no cases of waiver/write-off of debts/loans/interest.
 - The Company is a Non-Banking Finance Company (NBFC), and has not dealt with any goods through the year. Therefore, there are no inventories lying with third parties. Also, no assets have been received as gift/grant(s) from the Government or other authorities.
 - There are no cases of waiver of fees/reversal of accounted fees which was due but not received/written-off.

R.T. Doshi

Senior Partner

Membership Number: 013458

For and on behalf of

P.C. Ghadiali and Co. LLP

Chartered Accountants

Firm No. 103132W/W-100037

Place: Mumbai

Date: May 12, 2016

ANNEXE TO THE INDEPENDENT AUDITORS' REPORT

[The Annexe referred to in paragraph 1 under 'Report on other Legal and Regulatory Requirements' section of our Independent Auditors Report to the Members of Micro Units Development & Refinance Agency Limited for the year ended March 31, 2016]

On the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we report that:

- i) In respect of fixed assets
 - a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The fixed assets have been physically verified by the management at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - c) No immovable properties are owned by the Company. Accordingly, the provisions of clause 3 (i)(c) of Companies (Auditor's Report) Order 2016 is not applicable to the Company.
- ii) The Company is an NBFC and has not dealt with any goods, and the Company does not hold any inventory during the period under audit. Accordingly, the provisions of clause 3 (ii) of the Companies (Auditor's Report) Order 2016 is not applicable to the Company.
- iii) The Company has not granted any loans, secured or unsecured, to parties covered in the register maintained under Section 189 of the Companies Act, 2013.

- iv) The provisions of Sections 185 and 186 have been complied with in respect of loans, investments, guarantees and securities.
- v) The Company has not accepted any deposits from the public, attracting the directives issued by the Reserve Bank of India (RBI) and the provisions of Section 73 to 76 of the Act and the rules framed thereunder. Therefore, the provisions of Clause 3(v) of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company.
- vi) The Central Government has not prescribed maintenance of cost records under sub-section (1) of Section 148 of the Act.
- vii. (a) The Company is regular in depositing with the appropriate authorities, undisputed statutory dues in respect of Professional Tax, Service Tax, Tax Deducted on Source, Income Tax and other statutory dues applicable to it except for a payment of Service Tax under Reverse Charge Mechanism which is paid on April 02, 2016.

No undisputed statutory dues payable in respect of Professional Tax, Service Tax, Tax Deducted on Source, Income Tax and other material statutory dues were outstanding as on March 31, 2016, for a period of more than six months from the date they became payable.
- b) Based on the records of the Company examined by us, there are no dues of Income Tax, Service Tax, Sales Tax, Customs Duty and Excise Duty which have not been deposited with appropriate authorities, on account of any disputes.

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans and borrowings to a bank or government. The Company has not borrowed from a financial institution nor has it issued any debentures.
- ix) No moneys have been raised by public offer and hence point (ix) of Companies (Auditor's Report) Order, 2016 is not applicable.
- x) During the course of our examination of the books and records of the Company, carried in accordance with the auditing standards generally accepted in India, we have neither come across any instance of fraud by the Company nor has any fraud on the Company by its officers or employees been noticed or reported during the year, nor have we been informed of any such instance by the Management.
- xi) There is no reportable Managerial Remuneration paid and hence, the question of approval doesn't arise.
- xii) This Company is not a Nidhi Company and hence point (xii) of Companies (Auditor's Report) Order, 2016 is not applicable.
- xiii) Transactions with related parties are in compliance with Section 177 and 188 of the Act, and the details have been disclosed suitably.
- xiv) The Company has not made any preferential allotment or fully or partly convertible debentures during the year under review. As per the information and records provided to us, the requirement of Section 42 of the Act has been complied with for the private placement of shares, and the amount raised has been used for the purposes for which the funds were raised.
- xv) The Company has not entered into any non-cash transactions with Directors or persons connected with them. Accordingly, the provisions of Section 192 of the Act are not applicable.
- xvi) The Company is registered and holding a Certificate of Registration (CoR) under Section 45-IA of the Reserve Bank of India Act, 1934. The Company is registered with the RBI as an 'NBFI without accepting Public Deposits' vide CoR No. N-14.03313 dated April 06, 2015.

R.T. Doshi

Senior Partner

Membership Number: 013458

For and on behalf of

P.C. Ghadiali and Co. LLP

Chartered Accountants

Firm No. 103132W / W-100037

Place: Mumbai

Dated: May 12, 2016

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BALANCE SHEET AS ON MARCH 31, 2016

Amount in ₹

Particulars		Note no.	As on March 31, 2016	For the previous year
A	EQUITY AND LIABILITIES			
1	Shareholder's funds			
	(a) Share capital	3	7,50,00,00,000	—
	(b) Reserves and surplus	4	63,17,87,844	—
			8,13,17,87,844	—
2	Non-current liabilities			
	(a) Deferred tax liabilities	5	68,645	—
	(b) Other long-term liabilities	6	50,00,00,00,000	—
			50,00,00,68,645	—
3	Current liabilities			
	(a) Short-term provisions	7	12,48,09,753	—
	(b) Other current liabilities	8	2,37,01,552	—
			14,85,11,305	—
	TOTAL		58,28,03,67,794	—
B	ASSETS			
1	Non-current assets			
	(a) Fixed assets	9		
	i) Tangible assets		720,634	—
	ii) Intangible assets		1,97,167	—
	(b) Non-current investments	10	16,13,13,911	—
	(c) Long-term loans and advances	11	27,97,89,43,300	—
			28,14,11,75,012	—
2	Current assets			
	(a) Current investments	10	3,87,21,40,769	—
	(b) Cash and bank balances	12	20,82,21,17,256	—
	(c) Short-term loans and advances	11	4,43,80,22,100	—
	(d) Other current assets	13	1,00,69,12,657	—
			30,13,91,92,782	—
	TOTAL		58,28,03,67,794	—
	See accompanying notes forming part of the financial statements	1 to 24		

Note: This being the first year of operation, there are no figures in respect of previous year.

In terms of our report attached of even date.

For P.C. Ghadiali and Co. LLP

Chartered Accountants

Firm No.: 103132W/ W-100037

R.T. Doshi

Senior Partner

M. No.: 013458

For and on behalf of the Board of Directors

Jiji Mammen

CEO & Additional Director

DIN: 06808988

Surendra Srivastava

Chief Financial Officer

Pradeep Malgaonkar

Additional Director

DIN: 07184562

Shalini Baghel

Company Secretary

Place: Mumbai

Date: May 12, 2016

Annual Report 2015-16

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD MARCH 18, 2015 TO
MARCH 31, 2016

(Amount in ₹)

Particulars		Note no.	For the period ended March 31, 2016	For the previous year
1	Revenue from operations	14	50,10,15,889	
2	Other income	15	3,13,84,51,505	–
3	Total revenue		3,63,94,67,394	–
4	Expenses			
	a) Employee benefit expenses	16	2,39,17,020	–
	b) Finance cost	17	2,43,31,26,523	–
	c) Depreciation and amortisation expenses	9	96,552	–
	d) Other expenses	18	2,53,61,058	–
	e) Provisions and write-offs	19	9,72,50,897	–
	Total expenses		2,57,97,52,050	–
5	Profit before tax		1,05,97,15,344	–
6	Tax expenses			
	1) Current tax expense		(40,03,00,000)	–
	2) Deferred tax		(68,645)	–
	Net current tax expense		(40,03,68,645)	–
7	Profit after tax for the year		65,93,46,699	–
8	Earnings per share (of ₹10/- each):	20		
	a) Basic		1.39	–
	b) Diluted		1.39	–
See accompanying notes forming part of the financial statements		1 to 24		

Note: This being the first year of operation, there are no figures in respect of previous year.

In terms of our report attached of even date.

For P.C. Ghadiali and Co. LLP

Chartered Accountants

Firm No.: 103132W/ W-100037

For and on behalf of the Board of Directors

R.T. Doshi

Senior Partner

M. No.: 013458

Jiji Mammen

CEO & Additional Director

DIN: 06808988

Pradeep Malgaonkar

Additional Director

DIN: 07184562

Surendra Srivastava

Chief Financial Officer

Shalini Baghel

Company Secretary

Place: Mumbai

Date: May 12, 2016

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
MARCH 31, 2016

(Amount in ₹)

Note 4: Reserves and surplus

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
(A) Statutory Reserve (*)		
Opening balance	–	–
Add: Amount transferred from surplus of Profit and Loss Account	13,18,69,340	–
Closing Balance	13,18,69,340	–
(*) Statutory reserve created under Section 45-IC of Reserve Bank of India Act, 1934		
(B) General Reserve		
Opening balance	–	–
Add: Amount transferred from surplus of Profit and Loss Account	45,00,00,000	–
Closing Balance	45,00,00,000	–
(C) Surplus in the Statement of Profit and Loss		
Opening balance	–	–
Add: Profit for the year	65,93,46,700	–
Less: Appropriations:		
i. Transferred to statutory reserve	13,18,69,340	–
ii. Proposed dividend	2,28,96,824	–
iii. Transferred general reserve	45,00,00,000	–
iii. Corporate Dividend Tax	46,62,032	–
Closing balance	4,99,18,504	–
Total	63,17,87,844	–

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
Deferred tax liability		
Timing difference between tax depreciation and depreciation charged in the books	68,645	–
Total	68,645.00	–

Note 6 : Other long-term liabilities

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
a) Deposits under priority sector shortfall from banks	50,00,00,00,000	–
Total	50,00,00,00,000.00	–

Note 7: Short-term provisions

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
Contingent provisions against standard assets	9,72,50,897	–
Proposed dividend	2,28,96,824	–
Provision for Corporate Dividend Tax	46,62,032	–
Total	12,48,09,753	–

Note 8: Other current liabilities

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
a) Interest accrued on deposits	1,50,84,785	–
b) Earnest money deposits	18,000	–
c) Statutory liabilities (TDS and Service Tax payable)	1,16,551	–
d) Receipt pending for appropriation	5,32,165	–
e) Creditors for expenses	79,50,051	–
Total	2,37,01,552	–

Note 10: Investments

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
Current		
a) Investment in Pass Through Certificate (PTC)–Trade* (Investment in the nature of advances)	33,82,40,767	–
b) Mutual Funds (liquid schemes)	3,53,39,00,002	–
Sub-Total (A)	3,87,21,40,769	–
Non-current		
a) Investment in PTC–Trade* (Investment in the nature of advances)	16,13,13,911	–
b) Mutual Funds (liquid schemes)		–
Sub-Total (B)	16,13,13,911	–
Total (A+B)	4,03,34,54,680	–

* Investment in PTC of Mjolinir IFMR Capital 2016 (24,97,77,339 units of @ ₹2 each aggregating to ₹49,95,54,678)

Classification of investments as per RBI Guidelines

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i) Held for trading	Nil	–
ii) Held to maturity	Nil	–
iii) Available for sale	4,03,34,54,680	–
Total	4,03,34,54,680	–

Note 11: Long-term loans and advances

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
Refinance		
Current		
a) Banks, secured against book debts held in trust, by financing banks	1,75,93,99,200	–
b) Microfinance institutions (MFIs)—Secured against hypothecation of book debts of MFIs	2,67,86,22,900	–
Sub-Total (A)	4,43,80,22,100	–
Non-current		
a) Banks, secured against book debts held in trust, by financing banks	24,89,46,51,200	–
b) MFIs, secured against hypothecation of book debts of MFIs	3,08,42,92,100	–
Sub-Total (B)	27,97,89,43,300	–
Total (A+B)	32,41,69,65,400	–

Banks availing refinance have executed General Refinance Agreement with MUDRA, wherein they are obligated to hold securities in trust for the refinance availed.

Note 12: Cash and bank balances

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
Cash and cash equivalents		
a) Cash on hand	3,165	–
b) Balances with banks		
i) In current accounts	3,13,807	–
ii) Fixed Deposits with maturity of 3 months or lesser period	20,76,97,74,940	–
Other bank balances		
i) Fixed Deposits with maturity more than 3 months, but not exceeding 12 months	52,025,344	–
Total	20,82,21,17,256	–

Note 13: Other current assets

<i>Particulars</i>	<i>As on March 31, 2016</i>	<i>Previous year</i>
a) Balances with Government authorities		
i) Advance Tax (net of provision for tax)	27,46,138	–
b) Interest accrued but not due		
i) Fixed Deposits	88,73,58,795	–
ii) Refinance to Banks/MFIs	2,64,94,076	–
iii) PTC	2,73,729	–
c) Amount recoverable from Government	5,98,82,933	–
d) Preliminary expenses not yet written-off	3,01,56,986	–
Total	1,00,69,12,657	–

Note 14: Revenue from operations

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
Interest income		
Interest on refinance to banks	28,87,20,760	–
Interest on refinance to MFIs	21,22,95,129	–
Total	50,10,15,889	–

Note 15: Other income

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
i) Income on PTC	2,73,729	–
ii) Interest on FDRs	2,85,33,02,630	–
iii) Profit on sale of Mutual Funds	23,60,06,062	–
iv) Upfront fee	4,88,50,000	–
v) Miscellaneous income	19,084	–
Total	3,13,84,51,505	–

Note 16: Employee benefit expenses

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
Salary and wages	2,39,17,020	–
Total	2,39,17,020	–

Note 17: Finance cost

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
Interest on deposits under Priority Sector Shortfall (PSS) Funds	2,43,31,26,523	—
Total	2,43,31,26,523	—

Note 18: Other expenses

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
Administrative expenses	27,68,886	—
Advertisement expenses	15,03,098	—
Books and periodicals	17,184	—
Computer consumables	95,882	—
Conveyance	10,000	—
Directors' sitting fees	2,00,000	—
Honorarium paid	50,000	—
Legal and professional	3,83,666	—
Miscellaneous expenses	28,330	—
Office rent	76,32,255	—
Postage and telegram	4,882	—
Preliminary expenses Written-off	75,39,246	—
Printing and stationery	3,14,245	—
Payments to auditors (Refer note (i) below)	2,40,000	—
Rates and taxes	16,25,549	—
Registration fees	27,500	—
ROC fees	87,656	—
Telephone expenses	21,984	—
Travelling and conveyance	25,06,550	—
Website and web portal expenses	3,04,145	—
Total	2,53,61,058	—

Notes:

Payments to the auditors		
Statutory auditors	1,50,000	—
Internal auditors	90,000	—
Total	2,40,000	—

Note 19: Provisions and write-offs

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
Provision for standard assets	9,72,50,897	—
Total	9,72,50,897	—

Note 20: Earning per share (EPS)

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
Profit/loss after taxation for the year	65,93,46,699	—
Weighted average number of equity shares outstanding during the period	47,34,01,639	—
Face value per share	10	—
EPS (Basic)	1.39	—
EPS (Diluted)	1.39	—

Note 21: Segment Information

The Company is engaged in financing activities. It operates in a single business and geographical segment.

Note 22: Gratuity and other post-employment benefit plans

- a) Employees working in MUDRA are on deputation from Small Industries Development Bank of India (SIDBI)/ National Bank for Agriculture and Rural Infrastructure Development
- b) Terminal permissible benefits to eligible employees of SIDBI and NABARD on deputation to MUDRA have not been provided, as they are not employees of MUDRA and their compensation by their employers is presently being reimbursed by MUDRA. Therefore no disclosures are required under 'Revised AS 15- Employees Benefit' issued under Companies Accounting Standard Rules, 2006'

**Note 23: Contingent liabilities and commitments on capital account
(To the extent not provided for)**

Nil

Note 24: Related parties disclosure

A. Holding Company

(Amount in ₹)

<i>Name of related party and nature of relation</i>	<i>Nature of transaction</i>	<i>Amount</i>
Small Industries Development Bank of India	Contribution to equity (75 crore shares of ₹10 each)	7,50,00,00,000
	Rent expense	76,32,255
	Other expenses	27,96,386
	Reimbursement of salary	1,88,41,410

B. Key management personnel (KMP)

<i>Name of KMP</i>	<i>Nature of transaction</i>	<i>Amount</i>
Jiji Mammen, CEO & Director	Remuneration reimbursed	26,73,032
Shalini Baghel, Company Secretary	Remuneration	3,46,238

Additional disclosures required by RBI

Disclosure pursuant to Reserve Bank of India Notification Ref. No. RBI/2014-15/299 DNBR (PD) CC. No.002/03.10.001/2014-15 dated November 10, 2014

Note 25: Capital to Risk-Assets Ratio (CRAR)

<i>Particulars</i>	<i>March 31, 2016</i>	<i>Previous year</i>
CRAR (%)	83.46	—
CRAR - Tier I capital (%)	82.47	—
CRAR - Tier II capital (%)	0.99	—
Amount of subordinate debt raised as Tier II Capital (₹)	—	—
Amount received on issue of Perpetual Debt Instrument (₹)	—	—

RBI vide its letter No. DNBR(PD)No. 0026/03.10.001/2015-16 dated 03 July 2015, has approved assigning zero risk weight to all refinance provided to Banks (except Cooperative Banks).

Note 26: Exposures

MUDRA has no exposures to the Real Estate Sector or the Capital Market, directly or indirectly, in the current year.

Note 27: Asset liability management

(₹ crore)

<i>Particulars</i>	<i>Up to 1 month</i>	<i>Over 1 month to 2 months</i>	<i>Over 2 months to 3 months</i>	<i>Over 1 yr to 3 yrs</i>	<i>Over 3 yr to 5 yrs</i>	<i>Over 5 yrs</i>
Advances	13.34	13.41	16.12	2,797.90	–	–
Investments	356.32	2.96	2.82	16.13	–	–
Foreign currency assets	–	–	–	–	–	–
Borrowings						
Deposits#	–	–	–	5,000.00	–	–
Foreign currency liabilities	–	–	–	–	–	–
Advances (Off Balance Sheet)	–	–	–	–	–	–

Includes deposits received from banks under Priority Sector Shortfalls Fund

Note 28: Details of registration with financial regulators

<i>Regulator</i>	<i>Registration No.</i>
Ministry of Company Affairs	CIN U65100MH2015PLC274695
Reserve Bank of India	N-14.03313

The Company has paid a penalty of ₹500/- only chargeable under Article 19 of Schedule IA of Indian Stamp Act, 1989 @ ₹1/- per thousand in respect of issue of 50000 equity shares as on aggregate amount of ₹5,00,000/-. No other penalties have been levied by the above regulators during the current year.

Note 29: Investments

(₹ crore)

<i>S. No.</i>	<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
1	Value of investments		
	Gross value of investments		
	In India	403.35	–
	Outside India	–	–
	Provision for depreciation		
	In India	–	–
	Outside India	–	–
	Net value of investments		
	In India	403.35	–
	Outside India	–	–
2	Movement of provision held towards depreciation on investments		
	Opening balance	–	–
	Add: Provision made during the year	–	–

S. No.	Particulars	For the period ended March 31, 2016	Previous year
	Less: Write-off/write back of excess provision during the year	–	–
	Closing balance	–	–

Note 30: Provisions and contingencies

(₹ crore)

S. No.	Particulars	For the period ended March 31, 2016	Previous year
	Break up of 'Provisions and Contingencies' shown under the head 'Expenditure' in Profit and Loss Account		
1	Provisions for depreciation on investment	–	–
2	Provision towards non-performing assets (NPAs)	–	–
3	Provision for portfolio loan securitised/assigned	–	–
4	Provision made towards Income Tax	40.03	–
5	Provision for standard assets	9.73	–
6	Other provisions and contingencies (with details)	–	–
7	Provision for deferred tax charge/(credit)	0.0069	–

Note 31: Derivatives

MUDRA has no transaction/exposure in derivatives and no unhedged foreign currency exposure in the first financial year (FY) ended March 31, 2016.

Note 32: Details of financial assets sold to securitisation/reconstruction company for asset reconstruction

MUDRA has not sold any financial assets to securitisation/reconstruction companies for asset reconstruction in the first FY ended March 31, 2016.

Note 33: Details of non-performing financial assets purchased/sold

MUDRA has not purchased/sold any non-performing financial assets during the first FY ended March 31, 2016.

Note 34: Details of financing of parent Company products

MUDRA has not financed any products of its parent Company during the first FY ended March 31, 2016.

Note 35: Unsecured advances

MUDRA does not have any unsecured advances during the first FY ended March 31, 2016.

Note 36: Details of single borrower limit (SGL)/group borrower limit (GBL)

RBI vide its letter No. DNBR (PD). CO. No. 244/03.10.001/2015-16 dated August 03, 2015, has exempted MUDRA from the applicability of credit concentration norm (single borrower) in respect of its exposure to Scheduled Commercial Banks. However, in respect of other exposures, MUDRA complies with single/ group borrower exposure norms as prescribed by RBI.

Note 37: Draw down from reserves

This being the first year of the operation of MUDRA, hence there are no opening reserves.

Note 38: Customer complaints

MUDRA has not received any complaint from its customers such as Banks/NBFCs/FIs regarding its schemes for assistance during the year.

Note 39: Sector-wise NPAs and movement of NPAs

MUDRA does not have any NPA account on its loan assets for the year ended March 31, 2016. Hence, sectoral classification of NPA and its movement are not applicable during the current FY.

Note 40: Ratings assigned by credit rating agencies

MUDRA has not sought any rating from any credit rating agency during the first FY.

Note 41: Concentration of advances, exposures and NPAs

(₹ crore)

<i>Particulars</i>	<i>For the period ended March 31, 2016</i>	<i>Previous year</i>
Total advances and exposures of twenty largest borrowers	2,918.40	—
Total exposure of top four NPA accounts	Nil	—
Percentage of advances and exposures of twenty largest borrowers to all advances of banks and MFIs.	90.03%	—

Annual Report 2015-16

In terms of our report attached of even date.

For P.C. Ghadiali and Co. LLP

Chartered Accountants

Firm No.: 103132W/ W-100037

For and on behalf of the Board of Directors

R.T. Doshi
Senior Partner
M. No.: 013458

Jiji Mammen
CEO & Additional Director
DIN: 06808988

Pradeep Malgaonkar
Additional Director
DIN: 07184562

Surendra Srivastava
Chief Financial Officer

Shalini Baghel
Company Secretary

Place: Mumbai

Date: May 12, 2016

Note 42: Disclosure pursuant to Reserve Bank of India Master Circular DNBS (PD) CC No.381 /03.02. 001/2014-15 on Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 dated 01 July 2014.

(₹ crore)

	<i>Particulars</i>	<i>Amount outstanding</i>	<i>Amount overdue</i>
	Liabilities		
1	Loans and advances availed by the NBFC inclusive of interest accrued thereon but not paid:		
a)	Debentures: Secured	Nil	—
	: Unsecured (other than falling within the meaning of public deposits)		—
b)	Deferred credits	Nil	—
c)	Term loans	Nil	—
d)	Inter-corporate loans and borrowing	Nil	—
e)	Commercial paper	Nil	—
f)	Other loan (deposit under Public Sector Shortfall Funds)	5,000.00	—
	Assets		
2	Break-up of loans and advances, including bills receivables [other than those included in (4) below]		
a)	Secured	3,241.70	—
b)	Unsecured	Nil	—
3	Break up of leased assets and stock on hire and other assets counting towards AFC activities		
i)	Lease assets, including lease rentals under sundry debtors		
a)	Financial lease	Nil	—
b)	Operating lease	Nil	—
ii)	Stock on hire, including hire charges under sundry debtors		

Annual Report 2015-16

	Particulars	Amount outstanding	Amount overdue
a)	Assets on hire	Nil	–
b)	Repossessed assets	Nil	–
iii)	Other loans counting towards AFC activities		
a)	Loans where assets have been repossessed	Nil	–
b)	Loans other than (a) above	Nil	–
4	Break-up of investments		
I.	Current investments		
a	Quoted		
i)	Shares: (a) Equity	Nil	–
	(b) Preference	Nil	–
ii)	Debentures and bonds	Nil	–
iii)	Units of Mutual Funds (liquid schemes)	Nil	–
iv)	Government Securities	Nil	–
v)	Others (Fixed Deposits with PSU Banks)	Nil	–
b	Unquoted		
i)	Shares: (a) Equity	Nil	–
	(b) Preference	Nil	–
ii)	Debentures and bonds	Nil	–
iii)	Units of Mutual Funds	353.39	–
iv)	Government Securities	Nil	–
v)	Others: Investment in PTC	33.82	–
II.	Long-term investments		
a	Quoted		
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: Investment in PTC	Nil	–
b)	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: Investment in PTC	16.16	–

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5	Borrower group-wise classification of assets financed as in (2) and (3) above			
	Category	Secured	Unsecured	Total
	(Amount net of provisions)			
1	Related parties	–	–	–
a)	Subsidiaries	–	–	–
b)	Companies in the same group	–	–	–
c)	Other than related parties	3,241.70	–	3,241.70
	Total	3,241.70	0.00	3,241.70

6	Investor group-wise classification of all investments (current and long-term) in shares and securities (both quoted and unquoted)		
	Category	Market value/Break-up or fair value or NAV	Book value (Net of provisions)
1	Related parties	–	–
	Subsidiaries	–	–
	Companies in the same group	–	–
	Other related parties	–	–
2	Other than related parties	403.68	403.37
	Total	403.68	403.37

7	Other information	
	Particulars	Amount
i)	Gross non-performing assets	–
	a) Related parties	–
	b) Other than related parties	–
ii)	Net non-performing assets	–
	a) Related parties	–
	b) Other than related parties	–
iii)	Assets acquired in satisfaction of debt	–

In terms of our report attached of even date.

R.T. Doshi
Senior Partner
M. No.: 013458

Jiji Mammen
CEO & Additional Director
DIN: 06808988

Pradeep Malgaonkar
Additional Director
DIN: 07184562

Surendra Srivastava
Chief Financial Officer

Shalini Baghel
Company Secretary

Place: Mumbai
Date: May 12, 2016

Depreciation table and summarised FAR tables yet to be incorporated

CORPORATE INFORMATION

Micro Units Development & Refinance Agency Limited (MUDRA), is a Public Limited Company domiciled in India and incorporated under the provisions of The Companies Act, 2013 and registered as Non-Banking Financial Institution (NBFI) with RBI U/s 45-IA of RBI Act, 1934.

MUDRA provides refinance to Banks and Microfinance Institutions (MFIs), including by way of investments in Pass Through Certificates (PTCs) under securitisation schemes.

Significant Accounting Policies

Basis of Preparation

Financial statements are prepared under the historical cost convention on an accrual basis, to comply in all material aspects, with all the applicable accounting principles in India, the applicable accounting standards notified under Section 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013. MUDRA has complied with the regulatory and disclosure standards as applicable to NBFC-ND-SIs as per extant definition prescribed by RBI for the purpose of classifying an NBFC as systemically important.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in accordance with the requirements of the respective accounting standards.

Revenue Recognition

Income

Interest income is accounted for on accrual basis, except where interest and/or instalment of principal repayment due on Non-Performing Assets (NPAs)*. Interest in respect of such loan accounts and receivable is taken credit on actual receipt basis. Interest income from Investments is accounted for on accrual basis, except income on non performing investments.

For the current financial year an account is classified as NPA if the overdue period is 'five months or more'.

Income, in the Profit and Loss Account, is shown Gross i.e., before provisions as per RBI guidelines.

Profit or loss on sale of investments in any category, is taken to Profit and Loss Account as 'Other Income'.

Expenditure

All expenditure is accounted for on accrual basis.

Fixed Assets, Depreciation and Amortisation

Fixed Assets

These are recorded at cost of acquisition including incidental expenses. All costs directly attributable to bringing the asset to the working condition for its intended use including financing costs are also capitalised.

Depreciation

Depreciation is provided using the Straight-line Method, on the basis of useful life under Schedule II to the Companies Act, 2013 and is as under:

* An asset is classified as NPA as and when it falls under the definition given in paragraph No.2 (XIX) vide RBI Circular No., DNBR (PD) CC. No.043 / 03.10.119 / 2015-16 dated July 01, 2015.

- a. Office equipments: five years
- b. Computer and hardware: three years
- c. Electrical installation: ten years

Amortisation

In respect of computer software and software, the cost is amortised based on Accounting Standard 26 issued by ICAI and is as under:

- d. Computer software: three years

Assets costing Rs 5,000/- or less have been depreciated over period of one year.

Investments

In terms of RBI's extant guidelines, the entire investment portfolio is categorised as 'Held to Maturity', 'Held for Trading', and 'Available for Sale'. Investments are valued in accordance with RBI guidelines.

Investments under each category are further classified as follows.

- i) Government Securities
- ii) Other approved Securities
- iii) Mutual Funds
- iv) Debentures and bonds
- v) Subsidiaries/joint ventures and
- vi) Others (Commercial Paper, Certificate of Deposits, PTC etc.)

Held to Maturity

Investments acquired with the intention to hold till maturity are categorised under 'Held to Maturity'. Such investments are carried at acquisition cost unless acquisition cost is more than the face value, in which case the premium is amortised over the period remaining to maturity. Diminution, in the value of investments, in any is provided for each investment individually.

Held for Trading

Investments acquired with the intention to trade by taking advantage of the short-term price/interest rate movements are categorised under 'Held for Trading'. The investments in this category are revalued as a whole and diminution (if any) is recognised in the statement of Profit and Loss, with corresponding change in the book value of the individual scrips.

Available for Sale

Investments which do not fall within the above two categories are categorised under 'Available for Sale'. The individual scrip under this category is revalued and net depreciation under any of the classification mentioned above is recognised in the Profit and Loss Account. Net appreciation under any classification is ignored.

Cash and Bank Balances

Cash and bank balances include cash-in-hand, bank balances, and bank deposits with a maturity of less than twelve months.

Cash and cash equivalents in cash-flow statements comprise cash-at-bank and in-hand, and short-term investments (Mutual Funds in liquid schemes) and Fixed Deposits with maturity of three months or less as on March 31, 2016.

Taxes on Income

Tax expense comprises both current tax and deferred taxes; current Income Tax at the amount expected to be paid to the tax authorities in accordance with Income Tax Act, 1961.

Deferred income taxes reflect the impact of the current year, timing differences between taxable income and accounting income for the

year. Deferred tax is measured based on current tax rates.

Provision and Contingencies

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events, it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent assets are neither recognised nor disclosed in the financial statements. The Company does not recognise a contingent liability, but discloses its existence in the financial statement.

Prudential Norms

The Company is registered as an NBFI classified as a Loan Company and is therefore required to follow the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, for its NBFC activities for Systematically Non-Deposit Taking Companies.

The NPAs are provided for as per management estimates, subject to the minimum provision

as per Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007.

Loans and Advances

Assets representing loans and advances are classified based on record of recovery as Standard, Sub-standard, Doubtful and Loss Assets. Provisions are made for assets, as per the prudential norms prescribed by RBI applicable to NBFIs.

Advances stated in the Balance Sheet are gross assets are at book value, as provisions are shown separately.

Provision on Standard Assets as required, is made as per RBI guidelines.

Securitisation

MUDRA purchases credit-rated Micro Enterprises Asset pools from banks/NBFCs by way of PTCs issued by the Special Purpose Vehicle (SPV). Such securitisation transactions are classified as investments under 'Available for Sale'.



16/8/16

भारतीय लेखा तथा लेखापरीक्षा विभाग
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा तथा पदेन सदस्य, लेखापरीक्षा बोर्ड - I, मुम्बई

INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF COMMERCIAL AUDIT & EX-OFFICIO MEMBER, AUDIT BOARD-I, MUMBAI

गोपनीय/शीघ्र डाक

संख्या: जी ए/आर 1/मुद्रा/लेखा/2015 16/ 131

सेवा में,

12/08/2016

मुख्य कार्यकारी अधिकारी एवं अपर निदेशक,
माइक्रो यूनित्स डेवलपमेंट एंड रिफाइनांस एजेंसी लिमिटेड,
एम एस एम ई डेवलपमेंट सेंटर, सी-11,
जी ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (ई),
मुम्बई 400 051

विषय: 31 मार्च 2016 को समाप्त वर्ष हेतु माइक्रो यूनित्स डेवलपमेंट एंड रिफाइनांस एजेंसी लिमिटेड के वित्तीय विवरणों पर कंपनी अधिनियम 2013 की धारा 143(6)(बी) के अंतर्गत भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियाँ।

महोदय,

31 मार्च 2016 को समाप्त वर्ष हेतु माइक्रो यूनित्स डेवलपमेंट एंड रिफाइनांस एजेंसी लिमिटेड के वित्तीय विवरणों पर कंपनी अधिनियम 2013 की धारा 143(6)(बी) के अंतर्गत भारत के नियंत्रक एवं महालेखापरीक्षक के द्वारा दी गई टिप्पणियाँ इस पत्र के साथ संलग्न हैं। टिप्पणियों को मुद्रित वार्षिक प्रतिवेदन के विषयसूची में उचित संकेत सहित सांविधिक लेखापरीक्षक के प्रतिवेदन के आगे रखा जाये।

वार्षिक सामान्य बैठक के समापन के पश्चात, वित्तीय विवरणों, सांविधिक लेखापरीक्षक का प्रतिवेदन तथा भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियों को अपनाते हुए, सामान्य वार्षिक बैठक की कार्यवाही की एक प्रतिर्लाप इस कार्यालय को अविलंब अग्रेषित की जाए। मुद्रित वार्षिक रिपोर्ट की दस प्रतियाँ भी इस कार्यालय को भेजी जायें।

कृपया इस पत्र एवं संलग्नकों की प्राप्ति की सूचना दें।

भवदीया,

(रूप रशि)

प्रधान निदेशक वाणिज्यिक लेखापरीक्षा तथा
पदेन सदस्य, लेखापरीक्षा बोर्ड - I, मुम्बई

संलग्न: यथापरि।

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF MICRO UNITS DEVELOPMENT & REFINANCE AGENCY LIMITED FOR THE YEAR ENDED 31 MARCH 2016

The preparation of Financial Statements of Micro Units Development & Refinance Agency Limited for the year ended 31 March 2016 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 Auditor appointed by the Comptroller and Auditor General of India under section 139(7) of the Act is responsible for expressing opinion on the Financial Statements under section 143 of the Act based on independent audit in accordance with 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 12 May 2016.

I, on behalf of the Comptroller and Auditor General of India, have conducted a Supplementary Audit under section 143(6)(a) of the Act of the Financial Statements of Micro Units Development & Refinance Agency Limited for the year ended 31 March 2016. 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 audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditor's Report.

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

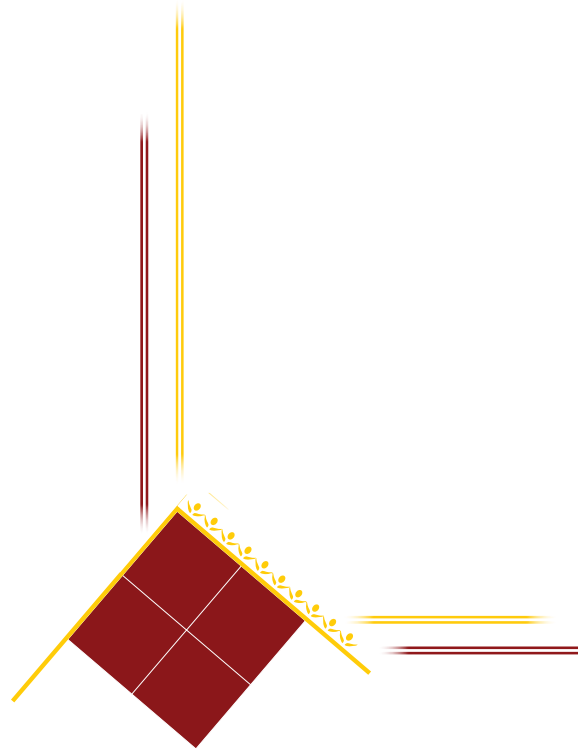


(Roop Rashi)

Principal Director of Commercial Audit and
ex-officio Member, Audit Board-I, Mumbai

Place : Mumbai

Date : 12 August 2016



Notice to Members

Notice is hereby given that 01st Annual General Meeting of **Micro Units Development & Refinance Agency Limited (“MUDRA”)** will be held on **Friday, September 30, 2016 at 12:00 pm** at 8th Floor, MSME Development Centre, C-11, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, to transact the following businesses: —

ORDINARY BUSINESSES:

*To consider and if thought fit, to pass with or without modification(s), if any, the following **Ordinary** resolutions:*

- 1) To Consider and adopt the Audited Financial Statements of MUDRA for the first financial year ended on March 31, 2016, together with the Boards’ Reports, Auditor’s Report and Comments of the Comptroller & Auditor General of India, in terms of Section 143(6) of the Companies Act, 2013.**

“RESOLVED THAT the Audited Financial Statement of the Company for the first financial year ended on March 31, 2016, together with the Boards’ Report, Auditors’ Report along with Notes which forms an integral part of the Audited Annual Accounts for the period and Comments of the Comptroller & Auditor General of India, as already circulated amongst the Members of the Company, be and are hereby received, considered, approved and adopted.”

- 2) To declare final dividend of 0.05 paise per equity share, aggregating to ₹2.29 crore, on the equity shares, as on March 31, 2016.

“RESOLVED THAT, a dividend of 0.05 per equity share, for the period from 18th March 2015 to March 31, 2016, on the Company’s Share Capital of ₹750 crore, as at March 31, 2016, absorbing thereby of ₹2.29 crore, excluding dividend distribution tax be, and is hereby, declared for payment to those holders of equity shares, on pro rata basis, whose names appears on the Register of Members of the company, as on March 31, 2016.”

- 3) To appoint Shri Ajay Kumar Kapur (DIN 00108420), who retires by rotation at this meeting and being eligible, may offer himself for appointment as Nominee director of SIDBI, who shall be liable to retire by rotation.

“RESOLVED THAT Shri Ajay Kumar Kapur (DIN 00108420), director of the Company, who retires by rotation at this meeting and being eligible offers himself for re-appointment be, and is hereby, appointed as a Nominee director of SIDBI on the Board of MUDRA, in terms of Article 68A(ii) of Articles of Association of MUDRA, who shall hold office at the discretion of the SIDBI and shall be liable to retirement by rotation.”

- 4) To appoint Shri Pankaj Jain, IAS (DIN 00675922), who retires by rotation at this meeting and being eligible, may offer himself for re-appointment as Nominee Director

of Department of Financial Services, (DFS) Government of India (GoI).

“RESOLVED THAT Shri Pankaj Jain, IAS (DIN 00675922), Government Nominee of the Company, who retires by rotation at this Meeting and being eligible has offered himself for re-appointment be, and is, hereby re-appointed as a nominee director of Department of Financial Services, (DFS) Government of India (GoI), in terms of Article 68(A)(iii) of Articles of Association of MUDRA, who shall hold office at the discretion of DFS and shall not be liable to retirement by rotation, subject to the amendment of Articles of Association.”

- 5) To take note of the appointment of Statutory Auditors of MUDRA and fixing their remuneration for FY 2016-17.

“RESOLVED THAT pursuant to the provisions of section 139 (5), 142(1) and other applicable provisions of The Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) re-enactment thereof for the time being in force), the aggregate remuneration of ₹1.5 lakhs, plus applicable taxes and out of pocket expenses payable, if any to M/s. P C Ghadiali & Co. (ICAI Firm Registration No. 103132W / W-100037), the statutory Auditors of the company, appointed by Comptroller General of India (CAG), to conduct the statutory audit of MUDRA, for the financial year 2016-17 be, and is hereby, approved.”

RESOLVED FURTHER THAT incidental expenses of ₹50,000 to be paid on actual cost incurred basis be and is hereby approved in addition n to audit fee.

“**RESOLVED FURTHER THAT** the Board of Directors of the company be, and are hereby, authorized to decide and fix the remuneration of the Statutory Auditors of the Company, to be appointed by Comptroller General of India (CAG) for the Financial Year 2017-18, as may be deemed fit by the Board, subject to the ratification by the shareholders.”

Special Business:

*To consider and if thought fit, to pass with or without modifications, the following resolutions as **Ordinary Resolutions:***

6) To appoint Dr. Kshatrapati Shivaji, IAS (DIN 01185381) as an ex-officio Chairman & nominee director of SIDBI, on the Board of MUDRA.

“**RESOLVED THAT** Dr. Kshatrapati Shivaji, IAS, (DIN 01185381), who was appointed as Chairman and Additional Director on the Board of MUDRA, with effect from March 25, 2015, in terms of section 161(1) of The Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force) read with Article 68A(i) and (ii) of the Articles of Association of MUDRA and who holds office up to the date of this annual general meeting, and in respect of whom a notice has been received from a member in writing, under section 160 of The Companies Act, 2013, be, and is hereby, appointed as an ex-officio Chairman & Nominee Director of SIDBI on the Board of MUDRA, who shall hold office at the discretion of the SIDBI and shall not be liable to retire by rotation, subject to amendment in Articles of Association of MUDRA.”

7) To appoint Shri Jiji Mammen (DIN 06808988) as a director of the company

“**RESOLVED THAT** Shri Jiji Mammen, (DIN 06808988), who was appointed as CEO and an additional director on the Board of MUDRA, with effect from April 13, 2015, in terms of section 203 and 161 of The Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force) read with Articles of Association of MUDRA and who holds office up to the date of this annual general meeting, and in respect of whom a notice has been received from a member in writing, under Section 160 of the Companies Act, 2013 be, and is hereby, appointed as a director of MUDRA, liable to retire by rotation.”

8) To appoint Shri Jiji Mammen (DIN 06808988) as a Whole Time Director of the company, liable to retire by rotation

“**RESOLVED THAT** pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to The Companies Act, 2013, the approval of the members of the Company, be, and is hereby, accorded for the appointment of Shri Jiji Mammen (DIN 06808988), as a Whole-time Director of the Company, as per the terms and condition of his remaining period of deputation from NABARD, including remuneration, as communicated vide NABARD letter no. NB.HRMD.PA/137/ST-

34/2015-16 dated April 09, 2015, and who shall be liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors of the Company, be, and is hereby, authorized to alter and vary such terms of appointment and remuneration so as to not exceed the limits specified in Schedule V to The Companies Act, 2013, as may be agreed to by the Board of Directors and Shri Jiji Mammen.”

RESOLVED FURTHER THAT the Board be, and is hereby, authorized to do all such acts, deeds and things and execute all such documents, instruments and writings as may be required and to delegate all or any of its powers herein conferred to any Committee of Directors or Director(s) to give effect to the aforesaid resolution”.

9) To appoint Shri Pradeep Achyut Malgaonkar (DIN 07184562) as nominee director of SIDBI on the Board of MUDRA, liable to retire by rotation

“**RESOLVED THAT** pursuant to the provisions of Section 161(1) of the Companies Act, 2013, (including any statutory modification or re-enactment thereof for the time being in force) read with the Articles of Association of the Company, Shri Pradeep Achyut Malgaonkar (DIN 07184562), who was nominated by SIDBI, was appointed as an additional director by the Board of Directors, effective from May 18, 2015, and who holds office up to the date of this annual general meeting and in respect of whom, MUDRA has received a notice in writing from a member under Section 160 of the Companies Act, 2013, be

and is hereby appointed as nominee director of the company, who shall hold office at the discretion of the SIDBI and shall be also liable to retire by rotation.”

10) To appoint Ms Jyotsana Sitling, IFS (DIN 00025919) as director of the Company.

“**RESOLVED THAT** pursuant to the provisions of section 161(1) of the Companies Act, 2013, (including any statutory modification or re-enactment thereof for the time being in force) read with the Articles of Association of the Company, Ms Jyotsana Sitling, IFS (DIN 00025919), who was appointed as an additional director by the Board of Directors, effective from June 20, 2015, and who holds office up to the date of this annual general meeting and in respect of whom, MUDRA has received a notice in writing from a member under section 160 of the Companies Act, 2013 be, and is hereby, appointed as director of the company, liable to retire by rotation.”

11) To appoint Shri Navin Kumar Maini (DIN 00419921) as director of the Company.

“**RESOLVED THAT** pursuant to the provisions of Section 161(1) of the Companies Act, 2013, (including any statutory modification or re-enactment thereof for the time being in force) read with the Articles of Association of the Company, Shri Navin Kumar Maini (DIN 00419921), who was appointed as an additional director by the Board of Directors, effective from August 01, 2015, and who holds office up to the date of this annual general meeting and in respect of whom, MUDRA has received

a notice in writing from a member under Section 160 of the Companies Act, 2013, be and is hereby appointed as director of the Company, liable to retire by rotation.”

Date: 08.09.2016

Place: Mumbai

By order of the Board of Directors

For **Micro Units Development & Refinance Agency Limited**

Shalini Baghel

Company Secretary

Address: MSME Development Centre, C-11, G-Block, Bandra Kurla Complex, Bandra East, Mumbai-400051.

- 1. A Member entitled to attend and vote at the Annual general meeting (AGM) is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. The instrument appointing the proxy, in order to be effective, must be deposited at the Company's Registered Office, duly completed and signed, not less than FORTY-EIGHT HOURS before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable. A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.*
- 2. For convenience of members, an attendance slip, proxy form and the route map of the venue of the Meeting are **annexed***
- hereto. Members are requested to affix their signature at the space provided and hand over the attendance slips at the place of meeting. The proxy of a member should mark on the attendance slip as 'proxy'.*
- 3. Pursuant to Section 139 of the Companies Act, 2013, the Auditors of the Company is to be appointed or re-appointed by the Comptroller and Auditor General of India (C & AG) and in terms of sub-section (1) of Section 142 of the Companies Act, 2013, their remuneration has to be fixed by the Company in the Annual general meeting or in such manner as the Company in General Meeting may determine. The Members of your Company at this Annual general meeting authorised the Board of Directors to fix the remuneration of Statutory Auditors for the Fy 2017-18.*
- 4. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by members.*

5. *The Register of Contracts or Arrangements, in which Directors are interested, maintained under section 189 of Companies Act, 2013, will be available for inspection by the members at the AGM.*
6. *All documents referred to in the accompanying notice are open for inspection at the AGM and such documents will also be available for inspection in physical or in electronic form at the registered office of the Company during normal business hours.*
7. *Explanatory Statement as required under section 102 of the companies act 2013, is **annexed** here to and forms part of the notice.*

EXPLANATORY STATEMENT

(Pursuant to Section 102 of the Companies Act, 2013)

Item No. 6

Dr. Kshatrapati Shivaji, IAS, (DIN 01185381), aged 55 years, was appointed as an additional director by the Board of Directors, w.e.f. March 25, 2015, in terms of Section 161(1) of The Companies Act, 2013 and Articles 68(i) of the Articles of Association (AoA) of MUDRA and was designated as Chairman of the Board and MUDRA, as per Article 68A(i) of Articles of Associations of MUDRA.

According to section 161(1) of The Companies Act, 2013, the additional directors hold office till the ensuing annual general meeting (AGM). The Company has received a notice from SIDBI, under Section 160 of the Companies Act, 2013, proposing his candidature to the office of directorship of MUDRA, and requisite amount of deposit will be deposited within the prescribed time.

Further, pursuant to Article 68A(ii) of AoA of MUDRA, SIDBI, being 100% stakeholder of MUDRA, has the right to nominate three directors as its representative on the Board of MUDRA. Accordingly, SIDBI has advised the

nomination of Dr. Kshatrapati Shivaji, IAS as its nominee on the Board of MUDRA.

Dr. Kshatrapati Shivaji, IAS, is currently acting as Chairman and Managing Director of Small Industries Development Bank of India. His brief profile is hosted on the website of MUDRA. He holds **NIL** equity shares in MUDRA.

Further, Nomination and Remuneration Committee (NRC) has recommended his appointment as Chairman and Nominee Director on the Board of MUDRA. Dr. Kshatrapati Shivaji, IAS, if appointed, will not be liable to retire by rotation under Section 152 of the Companies Act, 2013, subject to the amendment of the Articles of Association of the Company.

Except Dr. Kshatrapati Shivaji, IAS, none of the directors, and key managerial personnel of the company or their relatives are in any way concerned or interested, financially or otherwise, in the said resolution.

Necessary resolution seeking approval of the shareholders for his appointment as nominee director of SIDBI, on the Board of MUDRA, is placed by means of Ordinary Resolution.

Item No. 7

Shri Jiji Mammen (DIN 06808988), aged 54 years, was appointed by the Board of Directors as Chief Executive Officer of MUDRA on April 4, 2015. He was further appointed as an additional director on April 7, 2015, in terms of section 161, other applicable provisions of The Companies Act, 2013 and Article 68(1) of Articles of Association of MUDRA. He joined MUDRA on April 13, 2015.

According to section 161(1) of The Companies Act, 2013, an additional director holds office till the ensuing annual general meeting. The Company has received a notice from SIDBI, under Section 160 of the Companies Act, 2013, proposing his candidature to the office of directorship of MUDRA, and requisite amount of deposit will be deposited within the prescribed time.

Further, your Board is seeking approval of the member for his appointment as director by means of an ordinary resolution. The profile of Shri Jiji Mammen is hosted on the website of MUDRA.

He holds **NIL** equity shares in MUDRA.

Except Shri Jiji Mammen none of the directors and key managerial personnel of the company or their relatives are in any way concerned or interested, financially or otherwise, in the said resolution.

Item No. 8

Shri Mammen (DIN 06808988), joined MUDRA as CEO and an additional director of MUDRA, on deputation from NABARD, for a period of three years, renewal further, at the discretion of NABARD, in terms of its letter of deputation dated April 9, 2015.

The Board of Directors of MUDRA at the recommendation of NRC of MUDRA has appointed Shri Jiji Mammen, as a whole time Director of MUDRA, on August 24, 2016, on the terms and conditions of his remaining period of deputation from NABARD, including remuneration, as advised vide NABARD letter no. NB.HRMD.PA/137/ST-34/2015-16 dated April 09, 2015, subject to the same not exceeding the limits specified under Section 197, read with Schedule V of the Companies Act, 2013, as he is in whole time service of MUDRA, and shall liable to retire by rotation.

Further, such appointment is subject to the approval of the Shareholders, in terms of section 196 of the Companies Act, 2013 and the rules thereof.

Except Shri Jiji Mammen, none of the directors and key managerial personnel of the company or their relatives are in any way concerned or interested, financially or otherwise, in the said resolution.

Your directors recommend said resolution for approval by the shareholders as an ordinary resolution.

Item No. 9

Shri Pradeep Achyut Malgaonkar (DIN 07184562), aged 59 years, was appointed as an additional director by the Board of Directors, w.e.f. May 18, 2015, in terms of section 161(1) of the Companies Act, 2013 and Articles 68(i) of the Articles of Association of MUDRA.

According to Section 161(1) of the Companies Act, 2013, the additional directors hold office till the ensuing annual general meeting. The Company has received a notice from SIDBI, under Section 160 of the Companies Act, 2013, proposing his candidature to the office of

directorship of MUDRA, and requisite amount of deposit will be deposited within the prescribed time.

Further, pursuant to Article 68A(ii) of AoA of MUDRA, SIDBI, being 100% stakeholder of MUDRA, has the right to nominate three directors as its representative on the Board of MUDRA. Accordingly, SIDBI has advised the nomination of Shri Pradeep Achyut Malgaonkar, as its nominee on the Board of MUDRA.

On the recommendation of NRC, your Board is seeking approval of the members for his appointment as nominee director by means of ordinary resolution.

He holds **NIL** equity shares in MUDRA.

Except Shri Pradeep Achyut Malgaonkar, none of the directors and key managerial personnel of the company or their relatives are in any way concerned or interested, financially or otherwise, in the said resolution.

Item No. 10

Ms Jyotsana Sitling, IFS (DIN 00025919), aged 53 years, who was appointed as an additional director of MUDRA, by the Board of Directors, w.e.f. June 20, 2015, in terms of Section 161(1) of the Companies Act, 2013 and Articles 68(i) of the AoA of MUDRA, holds office till the ensuing annual general meeting, as per 161(1) of the Companies Act, 2013.

The Nomination and Remuneration Committee in its 10th meeting held on August 24, 2016, has also recommended her appointment as a director on the Board of the Company, subject to the compliance of Section 160(1) of the Companies Act, 2013. The Company has received a notice from SIDBI, under Section 160 of the Companies Act, 2013, proposing

her candidature to the office of directorship of MUDRA, and requisite amount of deposit will be deposited within the prescribed time. Her profile in brief is hosted on MUDRA website. She holds **NIL** equity shares in MUDRA.

Necessary resolutions seeking approval of the shareholders for her appointment as director is placed by means of an ordinary resolution.

Except Ms Jyotsana Sitling, none of the directors and key managerial personnel of the company or their relatives are in any way concerned or interested, financially or otherwise, in the said resolution.

Item No. 11

Shri Navin Kumar Maini (DIN 00419921), aged 61 years, was appointed as an additional director of MUDRA by the Board

of Directors, w.e.f. August 1, 2015, in terms of Section 161(1) of the Companies Act, 2013 and Articles 68(i) of the Articles of Association of MUDRA.

According to Section 161(1) of the Companies Act, 2013, an additional director holds office till the ensuing annual general meeting. The Nomination and Remuneration Committee in its 10th meeting held on August 24, 2016, has also recommended his appointment as a director on the Board of the Company, subject to the compliance of Section 160(1) of the Companies Act, 2013. The Company has received a notice from SIDBI, under Section 160 of the Companies Act, 2013, proposing his candidature to the office of directorship of MUDRA, and requisite amount of deposit will be deposited within the prescribed time. His profile in brief is hosted on MUDRA website. He holds **NIL** equity shares in MUDRA.

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Necessary resolution seeking approval of the member for his appointment as a director is placed by means of an ordinary resolution.

Except Shri Navin Kumar Maini, none of the directors and key managerial personnel of the company or their relatives are in any way concerned or interested, financially or otherwise, in the said resolution.

Date: 08.09.2016

Place: Mumbai

By order of the Board of Directors

For Micro Units Development & Refinance Agency Limited

Shalini Baghel

Company Secretary

Address: MSME Development Centre, C-11, G-Block, Bandra Kurla Complex, Bandra East, Mumbai-400051.

ATTENDANCE SLIP/PROXY FORM



TEAM MUDRA

Assistant General Managers

1. Shri P. S. N. Murthy
2. Smt Anita Kulkarni
3. Shri Aditya Misra

Managers

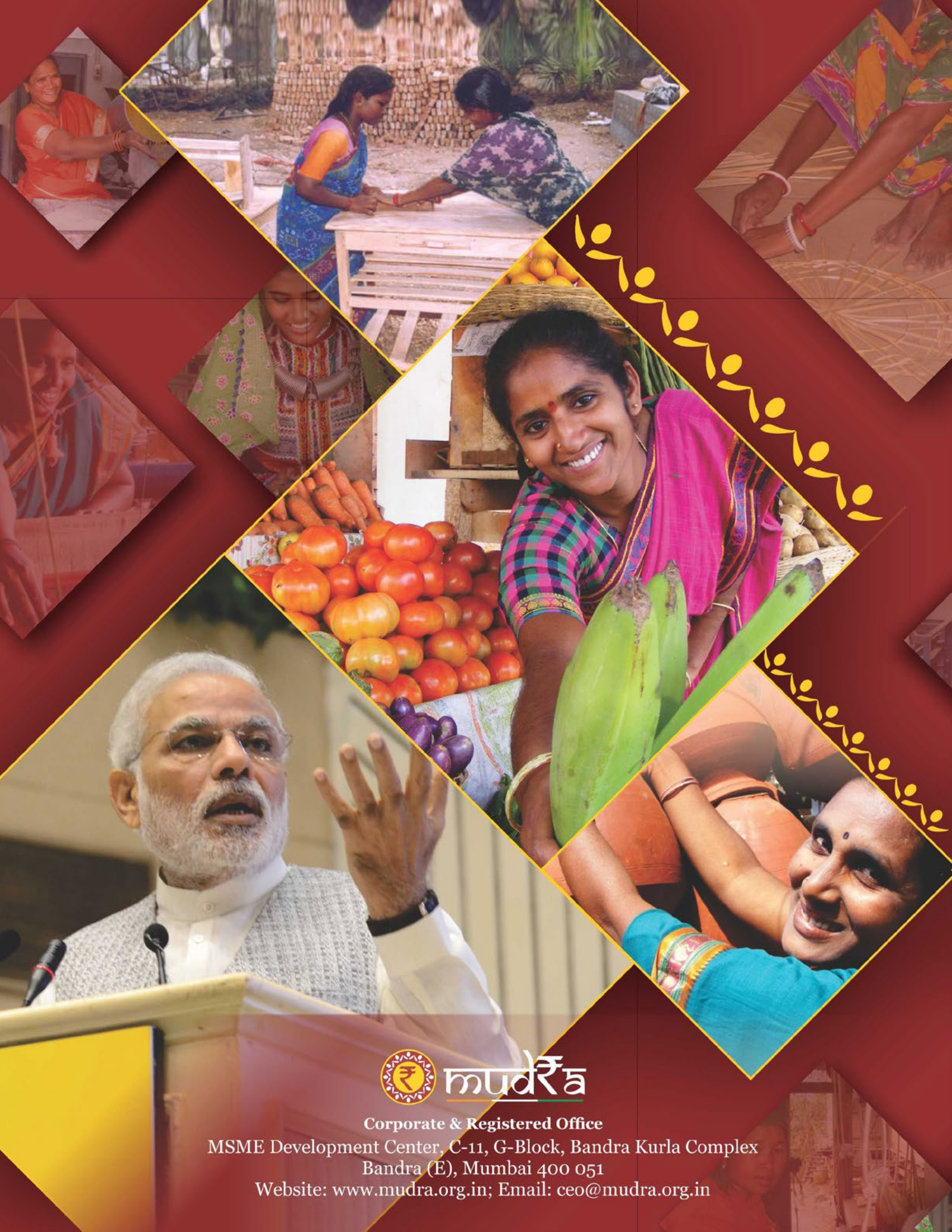
1. Shri S. Kannan
2. Shri Mayadhar Behera
3. Shri Nikhil Gupta
4. Ms. Sweta Nagwekar

Private Secretary Grade-B

1. Smt Latha Radhakrishnan

Assistant Manager

1. Samhita Rout



mudra

Corporate & Registered Office

MSME Development Center, C-11, G-Block, Bandra Kurla Complex
Bandra (E), Mumbai 400 051

Website: www.mudra.org.in; Email: ceo@mudra.org.in